

AGENDA MANAGEMENT SHEET

Report Title: Approval of Accounts 2017/18

Name of Committee: Audit and Ethics Committee

Date of Meeting: 30 July 2018

Report Director: Head of Corporate Resources and CFO

Portfolio: Corporate Resources

Ward Relevance: All

Prior Consultation: N/A

Contact Officer: Mannie Ketley, Head of Corporate Resources and Chief Financial Officer

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):

(CR) Corporate Resources To provide excellent, value for money services and sustainable growth

(CH) Communities and Homes Achieve financial self-sufficiency by 2020

(EPR) Environment and Public Realm Enable our residents to live healthy, independent lives

(GI) Growth and Investment Optimise income and identify new revenue opportunities (CR)

Prioritise use of resources to meet changing customer needs and demands (CR)

Ensure that the council works efficiently and effectively (CR)

Ensure residents have a home that works for them and is affordable (CH)

Deliver digitally-enabled services that residents can access (CH)

Understand our communities and enable people to take an active part in them (CH)

Enhance our local, open spaces to make them places where people want to be (EPR)

Continue to improve the efficiency of our waste and recycling services (EPR)

Protect the public (EPR)

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

Statutory/Policy Background: The Local Audit and Accountability Act 2014 and, Accounts and Audit Regulations 2015 and The Code of Audit Practice

Summary: The purpose of this report is to present the Statement of Accounts for consideration by Audit and Ethics Committee prior to approval by Council.

Financial Implications: As detailed in the Financial Statements

Risk Management Implications: As detailed in the Financial Statements

Environmental Implications: Not applicable

Legal Implications: The Accounts and Audit Regulations 2015 require the approval of the statutory Statement of Accounts by 31 July.

Equality and Diversity: Not applicable

Options:

Recommendation:

1. The Statement of Accounts for 2017/18 be approved;
2. The Audit Findings Report for 2017/18 be considered; and
3. The Management Representation Letter for 2017/18 be considered.

Reasons for Recommendation: The Accounts and Audit Regulations 2015 require the approval of the statutory Statement of Accounts by 31 July.

Audit and Ethics Committee - 30 July 2018

Approval of Accounts 2017/18

Public Report of the Head of Corporate Resources and CFO

Recommendation

1. The Statement of Accounts for 2017/18 be approved;
2. The Audit Findings Report for 2017/18 be considered; and
3. The Management Representation Letter for 2017/18 be considered.

1. Purpose of Report

- 1.1 This report presents the statutory Statement of Accounts 2017/18 for approval consideration by the Committee.

2. Background

- 2.1 The Accounts and Audit (England) Regulations 2015, require authorities to prepare Statement of Accounts (the accounts) in accordance with proper practices. These require that the Accounts are prepared by 31 May and approved and published by 31 July after the end of the financial year.
- 2.2 Following a change in the Council's Constitution, this is the first year that the accounts are to be approved by the Audit and Ethics Committee, as opposed to Full Council in previous years.
- 2.3 The draft 2017/18 accounts were signed by the Head of Corporate Resources and Chief Financial Officers on 31 May 2018 and published on the Council's website. These draft accounts were circulated to committee members shortly after publication. The Financial Services Manager also gave a presentation to the Committee on the key issues arising from the draft accounts at its meeting on 29 June 2017.
- 2.4 The accounts have since been subject to external audit by Grant Thornton LLP and final audited accounts are now presented to the Committee for its consideration and approval.

3. The Statement Accounts 2017/18

3.1. The accounts, which have been circulated separately, comprise of the following financial statements:

- i) **The Narrative Report** - includes financial summaries which detail the actual spend and income for the year compared with the original budget; financial and non-financial performance; risks and a financial outlook
- ii) **Expenditure Funding Analysis (EFA)** – this is a note to the accounts, but it is presented to between the narrative report and the primary financial statements to help explain 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 (GAAP).

The note shows that **£6.4m** was credited to General Fund and HRA balances in 2017/18 and this differs by £1.3m to the £5.1m surplus that is recognised in accordance with GAAP. This difference is due to capital accounting and pension accounting adjustments that cannot be charged to council tax or rent payers.

- iii) **Comprehensive Income and Expenditure Statement (CIES)** – records all the Council's income and expenditure for the year, in accordance with GAAP. The top half of the statement provides an analysis by service area, in-line with the Council's structure. The bottom half of the statement deals with corporate transactions and funding.

The CIES shows £5.1m 'surplus on the provision of services', which agrees with the figures disclosed in the EFA. After accounting for 'other comprehensive income and expenditure' a surplus of **£13.3m** is credited against Total Comprehensive Income and Expenditure for 2017/18. This positive movement also represents the increase in the Council's net assets during the year, as shown on the balance sheet.

- iv) **Movement in Reserves Statement** – This shows the amounts transferred to/from the various reserves held by the Council to provide services throughout the year, having taken account of statutory adjustments for financing.

On page 38 it is explained that the General Fund Balance at 31 March 2018 was **£3.069m**, with £839,000 was added to general balances in 2017/18.

In addition, there was a net transfer of £1.963m to General Fund earmarked reserves in 2017/18, to support General Fund services and mitigate budget volatility, providing a year-end total of £5.372m within earmarked reserves. Therefore, a total of £8.441m is held in General Fund reserves and balances at year-end.

The statement also explains that The HRA revenue balance at 31 March 2018 was **£6.493m**, increasing by £5.062m during the year. This increase largely relates to the Council's approval on 24 April 2018 for the reallocation of Voluntary Revenue Provision (VRP) for the repayment of debt in 2017/18, in order to supplement HRA revenue resources to prepare for potential pressures concerned with the redevelopment or repair of Biart Place.

In 2017/18 a net total of £1.470m was taken from HRA earmarked reserves, with reserves totalling £15.223m at 31 March. Therefore, a total of £21.716m was held in HRA reserves and balances at year-end.

Details of the earmarked reserve transfers can be seen in Note 13.

- v) **Balance Sheet** statement is a "snapshot" of the Council's assets, liabilities, cash balances and reserves at the year-end date.

As explained above, the Council's net assets increased by £13.3m during the year. Key movements include:

- A £6.7m increase in the Council's usable reserves
- A £5.6m upwards movement on the valuation of Property, Plant and Equipment
- A £2.6m downwards movement in the value of the Pension Liability

- vi) **Cash Flow Statement** – details the main revenue, capital, investment and financing cash movements during the year. Additional information is included within the notes to the accounts.

The Council has adopted the indirect method in 2017/18 (with comparator values for 2016/17). The indirect method is required for Whole of Government Accounts purposes and therefore it is recommended that authorities use this approach to avoid having to prepare the statement twice.

- vii) **Housing Revenue Account (HRA) Statements** – In accordance with the statutory ring-fence, these show the income and expenditure relating to the provision of Council housing and also the overall amount taken from/contributed to HRA balances for the year.

- viii) **Collection Fund Statement** – shows the transactions relating to business rates and council tax and illustrates the way in which they have been distributed between the Council, Central Government, Warwickshire County Council, Warwickshire Police and Parish Councils.

- 3.2. The notes of the main financial statements provide additional information to the readers on the figures included within the statements.

4. Audit of the Accounts

- 4.1. The accounts have been audited by Grant Thornton who have issued the attached audit findings report (Appendix 1) which states the financial statements give a true and fair view of the Council's financial position as at 31 March 2018 and that the auditors anticipate issuing an unqualified audit opinion by 31 July. In addition, they have concluded the Council has in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources.
- 4.2. Officers from Grant Thornton will provide a presentation of the issues arising from the audit to the Committee.
- 4.3. The key change to the accounts, compared to the draft accounts, that management wish to bring to the Committee's attention was the requirement to write down to nil the valuation of the buildings at Biart Place.

Consequently, an impairment adjustment of £1.9m has been recognised in the final 2017/18 accounts, in order to remove the value of the buildings from the accounts. It should be noted that this is an accounting valuation only and the adjustment has no impact on the Council's available resources. Furthermore, the impairment does not affect the affordability or financing of the options that members will consider for the repair or redevelopment of the site in the autumn.

The impact of this adjustment on the Primary Statements is as follows:

- **Comprehensive Income and Expenditure Statement** – the impairment is recognised in full as an expense within the 'Communities and Homes – HRA' line in the CIES.
 - **Movement in Reserves** – however, it should be noted that the impairment is reversed as an accounting adjustment in the MIRS and therefore has no impact on the Council's usable reserves.
 - **Balance Sheet** – the value of the Council's Property Plant and Equipment is reduced by £1.9m, with a corresponding reduction unusable reserves.
- 4.4. Appendix 2 is the Management letter of representation, which is to enable the Council to declare in writing that the statement of accounts and other presentations to the auditor are sufficient and appropriate and without omission of material facts to the best of the management's knowledge.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 30 July 2018

Subject Matter: Approval of Accounts 2017/18

Originating Department: Corporate Resources

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.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A



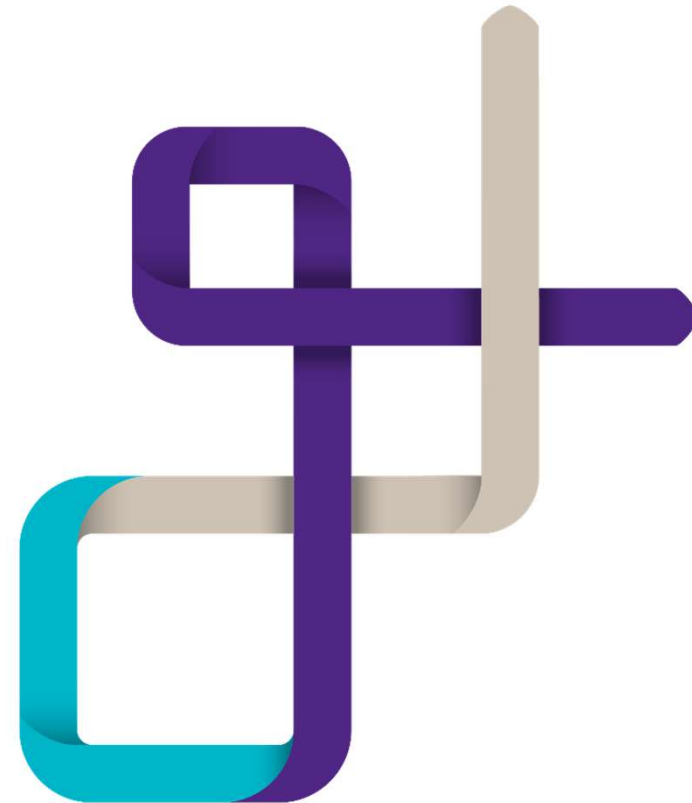
DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Audit Findings

Year ending 31 March 2018

Rugby Borough Council
23 July 2018



Contents



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Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key issues arising from the statutory audit of Rugby Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the Council's expenditure and income for the year, and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and glossary), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during July. Our findings are summarised on page 4. We are required to report one material adjustment of £1.94m in respect of an impairment review on Biart Place (page 6 and Appendix B). This does not impact upon useable general fund or HRA balances. Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Ethics Committee meeting on 30 July 2018, as detailed in Appendix C. These outstanding items include:</p> <ul style="list-style-type: none"> - receipt of management representation letter; - review of the final set of financial statements, and - submission of the Assurance Statement to the NAO in respect of the Whole of Government Accounts <p>We have concluded that the other information published with the financial statements, which includes the Annual Governance Statement (AGS), Narrative Report and glossary, are consistent our knowledge of your organisation and with the financial statements we have audited.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 11 to 14.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Ethics Committee meeting on 30 July 2018, as detailed in Appendix C. These outstanding items include:

- receipt of management representation letter;
- review of the final set of financial statements, and
- submission of the Assurance Statement to the NAO in respect of the Whole of Government Accounts

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality benchmarks and calculations remain the same as reported in our audit plan. We detail in the table below our assessment of materiality for Rugby Borough Council.

	Amount	Qualitative factors considered
Materiality for the financial statements	£1,117k	Based on a proportion of forecast gross expenditure (2%) for the financial year. In the prior year we used the same benchmark.
Performance materiality	£670k	Quality of financial systems and processes and the nature of the Council's income and expenditure streams. Quality of accounts and working papers in previous years and level of amendments arising from audit process.
Trivial matters	£56k	Set at 5% of materiality.
Materiality for specific transactions, balances or disclosures	£100k	Lower materiality applied to senior officer remuneration disclosures due to their sensitive nature and public interest.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Rugby Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk Rugby Borough Council. Whilst not a significant risk as part of our audit work we did undertake work on material revenue items. Our work did not identify any matters that would indicate or rebuttal was incorrect.

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk:

- gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness.
- reviewed the journal entry process and the control environment around journal entries.
- obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness.
- evaluated the rationale for any changes in accounting policies or significant unusual transactions.

Our audit work has not identified any evidence of management over-ride of controls. The journals testing that we have performed has identified that journals posted by authorised users are reviewed by another person, including those posted by the Financial Services Manager.

Significant audit risks

Risks identified in our Audit Plan

Commentary

3

Valuation of property, plant and equipment

The Council revalues its land and buildings on a rolling five year basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration

Auditor commentary

We have undertaken the following work in relation to this risk:

- Reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.
- Consideration of the competence, expertise and objectivity of any management experts used.
- Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.
- Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.
- Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register.
- Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

With the exception of the item below, from the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of property, plant and equipment is free from material misstatement.

Following production of the draft statement the Council have undertaken an impairment review on Biart Place which they have concluded may require major repairs or regeneration (Note 43 within the Statement of Accounts). This review concluded that based on its condition at the balance sheet date an impairment charge was required (£1.94m). The Council have amended the accounts for this impairment see Appendix B

4

Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

Auditor commentary

We have undertaken the following work in relation to this risk:

- Identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement.
- Evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation was carried out.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made.
- Tested accuracy of data provided to the actuary.
- Checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

From the audit procedures carried out we have gained sufficient assurance to conclude that the valuation of the pension fund net liability is free from material misstatement.

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

1

Employee remuneration

Payroll expenditure represents a significant percentage of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness.
- gained an understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls.
- performed substantive analytical procedures, disaggregated by month.
- obtained year-end payroll reconciliations and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigated significant adjusting items.
- agreed payroll related accruals to supporting documents and reviewed any estimates for reasonableness.

From the audit procedures completed we are satisfied that employee remuneration balances disclosed in the financial statements are free from material misstatement.

2

Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:




Auditor commentary

We have undertaken the following work in relation to this risk:




- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- obtained an understanding of the accruals process and test accruals
- obtained a listing from the cash book of non-pay payments made in April and test a sample to ensure that they have been charged to the correct financial period
- reviewed GRNI report for evidence of expenditure not accrued

From the audit procedures completed we are satisfied that operating expenses disclosed in the financial statements are free from material misstatement.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year, not simply when cash payments are made or received. Where material income and expenditure amounts have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts). This concept is not applied to electricity and gas supplies and other routine on-going business expenses. However, the accounts do reflect twelve months' supply in each year and this does not have a material effect on the Accounts. 	<p>We have reviewed the Council's revenue recognition policies and whilst we have not identified any significant issues, the Council should consider including a policy for all material revenue streams, such as Council Tax and NDR, in line with good practice.</p>	 (Green)
Judgements and estimates	<p>The Council has disclosed the following sources of estimation uncertainty within the notes to the accounts:</p> <ul style="list-style-type: none"> The business rates retention scheme and the provision for the estimated costs of appeals that have been lodged with the valuation office. The estimations used at the balance sheet date in respect of the defined benefit pension scheme and in particular the net pension liability; 	<p>We have considered:</p> <ul style="list-style-type: none"> Appropriateness of the policy under relevant accounting framework, Extent of judgement involved Potential financial statement impact of different assumptions Adequacy of disclosure of accounting policy. <p>Overall, there is sufficient assurance over how key estimates and judgements have been made.</p>	 (Green)
Other critical policies		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years. We would note the following point</p> <p>Council dwellings were independently valued as at 1 April 2016. The valuer has approved and the Council has applied indices to reach an estimate of the current value as at 31 March 2017 and 2018. This approach is not fully compliant with the Code which would require a formal valuation as at 31 March 2017 and 2018 but we are satisfied that there is no material error in the value disclosed. The Council are currently engaging with their valuers to address this issue in 2018/19.</p>	 (Amber)

Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Ethics Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
② Matters in relation to related parties	From the work we carried out, we have not identified any related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④ Written representations	A standard letter of representation has been requested from the Council, which is included in the Audit and Ethics Committee papers.
⑤ Confirmation requests from third parties	We requested from management permission to send requests to confirm year end bank, loan and investment balances. This permission was granted and the requests were sent, and all received to confirm year end balances.
⑥ Disclosures	Our review found no material omissions in the financial statements.
⑦ Significant difficulties	We did not encounter significant difficulties in the completion of our audit.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and glossary), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix C.</p>
② Matters on which we report by exception	<p>We are required to report on matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
③ Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • certify the closure of the audit <p>We have not exercised any of our additional statutory powers or duties.</p>
④ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This is not required at Rugby Borough Council as the Council does not exceed the threshold of £500m for 2017/18.</p>
⑤ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Rugby Borough Council in the audit opinion, as detailed in Appendix C</p>

Value for Money

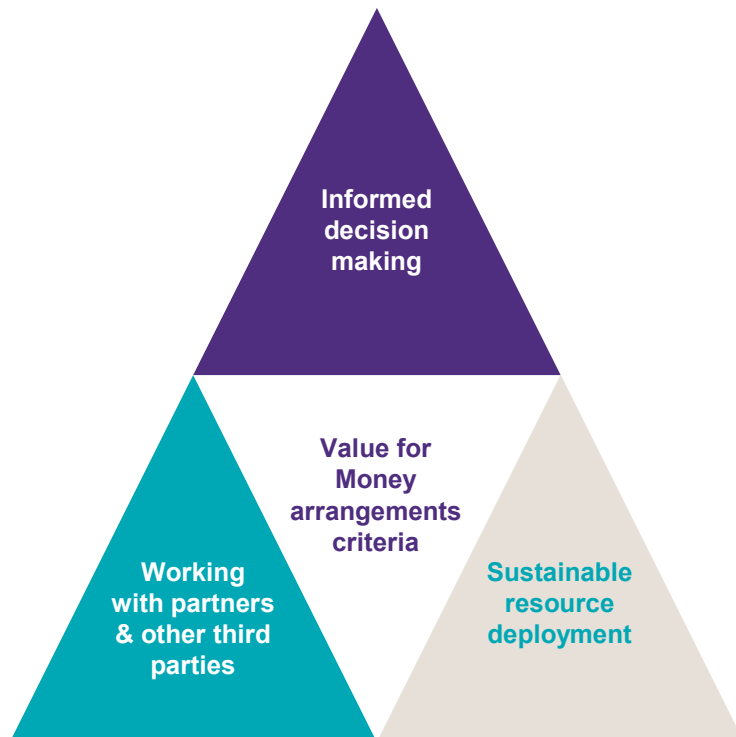
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in Auditor Guidance Note 3 (AGN 03) Auditors' Work on Value for Money (VFM) Arrangements. We communicated these risks to you in our Audit Plan dated 30 January 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The financial sustainability of the Council given the challenging environment that it current operates within.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 12 to 13.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources in the year ended 31 March 2018.

The text of our report, which confirms this can be found at Appendix C.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

1	Significant risk	Findings	Conclusion
	<p>The Council are currently in the process of finalising the budget for 2018/19 and the medium term financial plan (MTFP) 2018 to 2022 and are expecting to present it to Cabinet in February 2018 for approval. For 2018/19 the Council is has proposed a balanced budget.</p> <p>The draft MTFP currently forecasts a budget shortfall of £1.3m in 2019/20. The Government are currently consulting on the a reset of the business rates system and the Council have prepared the MTFP for 2020/21 and 2021/22 based potential outcomes of this consultation. Based on these different scenarios the Council is forecasting deficits of between £0.9m and £4.0m across 2020/21 and 2021/22.</p>	<p>We have discussed key strategic challenges and the Council's proposed response. Review of reports to members on:</p> <ul style="list-style-type: none"> the outturn position for 2017/18 and the budget plans up to 2021/22 the Council's progress in updating its medium term financial strategy and progress against savings plans. <p>The MTFP shows funding gaps from 2019/20 of £1.3m, however it also includes a voluntary contribution to the Business Rates Equalisation Reserve of £1.1m that can be accessed leaving an actual gap of £200k. For 2020/21 to 2022/23 the Council has prepared its MTFP showing three different scenarios, all varying depending on the level of reset in the business rates system. It also sets out a number of policy positions that the Council is progressing to close the budget gap and become financially-self-sufficient including commercialisation and digitalisation agendas and rolling out Zero-Based-Budgeting across a number of key service areas for this first time. Officers are in the process of developing a long-list of saving options for councillors to consider within the first 2019/20 budget setting report that will go to Cabinet in October.</p> <p>We found that the Council :</p> <ul style="list-style-type: none"> has identified and taken account of funding cuts in its medium term financial plans including changes to New Homes Bonus and the reset of Business Rate system, both of which will have an impact on the Council. For the reset of the Business Rate system the Council, as noted above, has undertaken scenario planning to identify the potential impact to the Council in 3 different circumstances. has taken into account the financial impact of demographic trends and other social pressures in its medium term financial plans. is building up its reserves to mitigate risks of the expected business rate reset, reducing its reliance on New Homes Bonus in core budgets and prudent estimates of commercialisation. is currently developing plans to address the budget shortfalls identified in its medium term financial plan which will be incorporated in the 2019/20 budget setting cycle in October 2018. <p>On that basis we concluded that the risk was sufficiently mitigated.</p>	<p>Auditor view</p> <p>On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.</p>

Value for Money – Financial Resilience & Going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management have carried out a written assessment which confirms:

- There are no events, of which they are aware, that could cause sufficient material uncertainty to cast significant doubt on the Council's ability to continue as a going concern. This extends but is not limited to at least twelve months from the Balance Sheet date.
- The Council monitor cash flow on a daily basis, including maintaining an up to date forecast position for at least the next 12 months. These cash flow forecasts covering over 12 months from July 2018 do not indicate any material uncertainty relating to the Council's continuing ability to meet financial obligations.
- The Council has a strong balance sheet, with net assets of £177.0 million, and cash and cash equivalents of £17.7 million.

Auditor commentary

CIPFA Code of Practice 2017/18 Code para 3.4.2.23 states "Local authorities that can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future".

The presumption in local government is that the going concern assumption does apply unless there is specific evidence to the contrary from factors such as:

- announcement to wind up the authority
- failure to set a balanced budget
- external assessment concludes unsustainable
- financial plans show unable to meet obligations for foreseeable future
- significant doubts over forward financial planning arrangements.

Management's assessment has considered these areas and concluded that no material uncertainty in respect of going concern exists. In addition based on our own knowledge of the Council we are aware that the Council has set an "approved budget" for 2018/19 and has a longer term financial plan. The going concern assessment includes a cash flow forecast to July 2019, which is one year from date of signing. The cash flow forecast does not indicate any signs of significant financial difficulty that would cause concern

As such we consider that the assessment undertaken by the Council on going concern is a reasonable and valid one and there are no indications of material uncertainty.

Work performed

Detail audit work performed on mgmts. assessment

Auditor commentary

- Our audit did not identify any events or conditions which may cast significant doubt on going concern assumption.
- the Council has a positive balance sheet position with usable reserves of £35.899m and cash of £17.723m plus short term investments of £27.856m compared to current liabilities (excluding borrowing) of £10.713m.
- The Council has PWLB debt of £43.496m plus £56.095m of non-PWLB debt and there is no requirement to borrow further to meet any immediate liabilities falling due.
- The Council set a budget in line with local government requirements for 2018-19.

Concluding comments

Auditor commentary

We propose to issue an unmodified opinion for 2017/18.

Independence and ethics

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £54,968 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

Follow up of prior year recommendations

We identified the following issues in the audit of Rugby Borough Council's 2016/17 financial statements, which resulted in 5 recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	<p>Management should consider:</p> <ul style="list-style-type: none"> whether it wishes to put in place authorisation processes for journals raised by the Financial Services Manager; or whether it wishes to document why it is willing to accept the risk arising from specific self - authorisation of journals. 	<ul style="list-style-type: none"> The Financial Services Manager has again been required to complete some year-end journals in order to assist the team meet the faster closedown requirements. In response to concerns raised by the Audit & Ethics Committee, the Financial Services Manager ensured all their journals were reviewed and approved by another finance officer.
2 ✓	<p>Officers should consider how they can provide greater evidence of challenge of the work of experts, particularly in relation to material estimates such as the asset valuation and the valuation of pension liabilities.</p>	<ul style="list-style-type: none"> Completed, but on-going continuous review Challenge processes have been discussed and agreed with auditors for information supplied by and assumptions applied by actuaries and asset valuers.
3 ✓	<p>Finance staff should review how the working papers to support the financial statements are produced and filed, so that they are easy to locate and understand by finance staff who have not been involved in the accounts production process. A quality assurance arrangement should be put in place for all working papers produced which should be appropriately evidenced.</p>	<ul style="list-style-type: none"> Completed, but on-going continuous review Officers attended a Financial Statements and Working Papers workshop with colleagues from other authorities, which was hosted by Grant Thornton in January 2018. This was an opportunity to review closedown processes and share best practice with colleagues, some of which will be incorporated into RBC's the 2017/18 closedown process. Review of 2016/17 working papers has been completed by Business Finance Analyst, who is a senior finance officer that is not involved in the year-end process. The officer also provided an independent quality assurance function for the 2017/18 working papers.
4 ✓	<p>Officers should review year end processes and identify areas where they could be streamlined or undertaken at different times in the year. In particular, w here could the accounts rely on greater use of estimates and does the financial reporting system provide the necessary reports to enable an efficient close down.</p>	<ul style="list-style-type: none"> Completed. Early adjustments made for immaterial items, such as: <ul style="list-style-type: none"> Some stock items Employee Accumulated Absences Account
5 ✓	<p>Management should process misclassification adjustments to the accounts in the general ledger</p>	<ul style="list-style-type: none"> Completed

Assessment

- ✓ Action completed
- X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 Following production of the draft statement the Council have undertaken an impairment review on Biart Place. This review concluded that based on its condition at the balance sheet date an impairment charge was required.	£1,940	£0	£1,940
Overall impact	£1,940	£0	£1,940

There is no impact on the General Fund or HRA balances for this adjustment due to statutory overrides.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£54,968	£54,968
Grant Certification	£9,149	TBC
Total audit fees (excluding VAT)	£64,117	£54,968

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non Audit Fees

	Fees
Fees for other services	
Audit related services:	£2,500
• Certification of Housing capital receipts grant	
	£2,500

The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £54,968 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Draft audit opinion

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Rugby Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rugby Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement and notes, the Movement on the HRA Statement and note, the Collection Fund Statement and notes and Notes to the Accounting Statements (including the Expenditure and Funding Analysis Note), including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

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

Conclusions relating to going concern

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

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

Other information

The Head of Corporate Resources and Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 4 to 140, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

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

As explained more fully in the Statement of Responsibilities set out on page 33, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Corporate Resources and Chief Financial Officer. The Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Head of Corporate Resources and Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Corporate Resources and Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Ethics Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

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

[Signature]

Grant Patterson

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

The Colmore Building
20 Colmore Circus
Birmingham
West Midlands B4 6AT

XX July 2018



Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham B4 6AT

Appendix 2

30 July 2018

Dear Sirs

Rugby Borough Council Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Rugby Borough Council ('the Council') for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged

- c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.



Approval

The approval of this letter of representation was minuted by the Council's Audit & Ethics Committee at its meeting on 30 July 2018.

Signed on behalf of the Council

Mannie Ketley

Head of Corporate Resources and Chief Financial Officer

Paul Dudfield

Chair of the Audit and Ethics Committee

30 July 2018



William Webb Ellis Statue



Statement of Accounts

Rugby Borough Council • 2017/2018



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NARRATIVE REPORT

Narrative Report of the Head of Corporate Resources and Chief Financial Officer Financial Year ended 31st March 2018

Introduction

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2017/18 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2017/18 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, council members and other interested parties.

The style and format of the Accounts, complies with Chartered Institute of Public Finance & Accountancy (CIPFA) standards and further improvements have been made to the presentation to make them more user-friendly and accessible. The Accounts this year have also been produced earlier than in previous years and the Council has successfully published the draft 2017/18 Accounts in-line with new reduced statutory deadlines.

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 31st March 2018 and is structured as follows:

1. About Rugby
2. About Rugby Borough Council
3. Governance
4. Our Priorities
5. How your Council is performing
6. Financial Overview of 2017/18
7. Financial Performance in 2017/18
8. Future Financial Outlook
9. Risks
10. Explanation of the Financial Statements
11. Further Information

Mannie Ketley CPFA
Head of Corporate Resources and Chief Financial Officer
31st May 2018



1. About Rugby

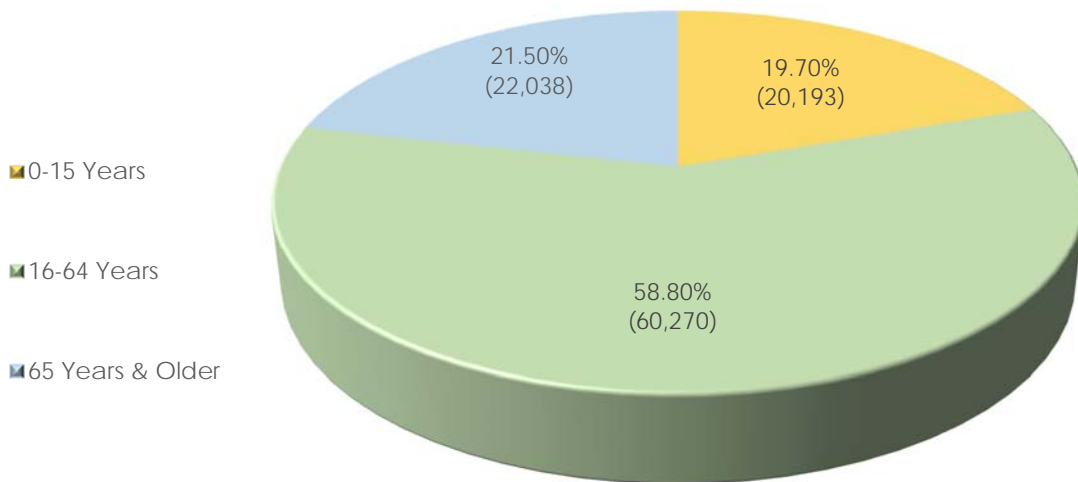
Lying near the centre of England and stretching from Coventry to the west and to the county borders of Northamptonshire and Leicestershire in the east, the borough of Rugby covers the town of Rugby and 40 rural parishes, with a total population of just over one hundred thousand and covering an area of 88,000 acres. The borough is one of the fastest growing in England, with further growth expected with the delivery of Houlton, a new community development on the site of the old Rugby Radio Station.



Population

Office for National Statistics Mid-year estimates for 2014 reported that Rugby's estimated population was 102,500 with the age profile as presented in the following chart.

Composition of Rugby Population





2. About Rugby Borough Council

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

Rugby is known all over the world as the birthplace of the game of rugby football. We have demonstrated our commitment to develop and grow the town's heritage tourism by entering into a partnership with World Rugby to open a world class visitor attraction. The World Rugby Hall of Fame opened in November 2016 and has hosted two inductions of rugby stars from nations across the world.

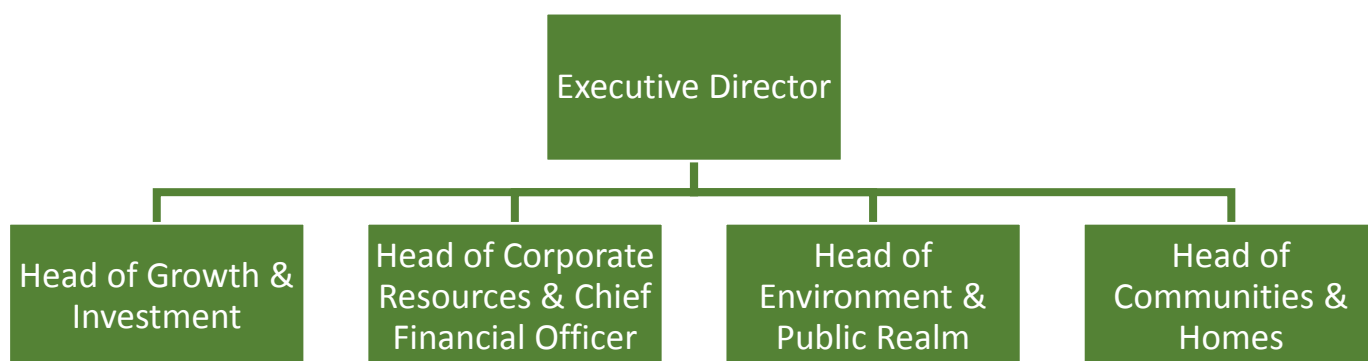
Political Structure in the 2017/18 Municipal Year

The borough of Rugby has 16 wards and the Council consists of 42 Councillors and is a Conservative controlled authority. The following table shows how the local elections on 3rd May 2018 affected the composition of membership between the 2017/18 and 2018/19 municipal years:

	2017/18	Change	2018/19
Conservative Group	23	+1	24
Labour Group	9	0	9
Liberal Democrat Group	8	+1	9
Independents	2	-2	0

Management Structure

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



3. Governance

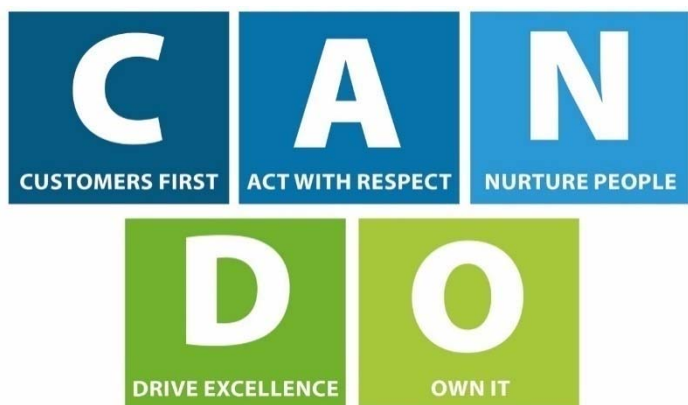
The Annual Governance Statement, which accompanies these financial statements, sets out our governance framework and an assessment of our effectiveness. The statement was prepared by the Corporate Assurance and Improvement Manager and concludes that the overall governance framework provides a substantial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

A number of enhancements to our governance arrangements were delivered during the course of 2017/18 and there is an action plan to ensure that further continuous improvements are made in the new financial year. Following full consultation with almost 200 employees a framework of corporate values and behaviours was implemented and there is a high commitment to embedding the new values across the organisation.

We have taken steps during the year to prepare for the introduction of the new General Data Protection Regulations and information assurance arrangements will be strengthened further in 2018/19.

Equality impact assessments are a key element of our governance framework for decision making, and on 24 May 2017, we were recredited as “excellent” under the equalities framework for local government, the first and only district council to have achieved the reaccrreditation.

The service planning process was redesigned during the year to ensure that we target the actions necessary to deliver the Corporate Strategy, and a new suite of key performance indicators is being developed to ensure that the measures reported are aligned with the corporate priorities. Further progress has also been made to implement the Anti-Fraud, Bribery and Corruption Strategy.





4. Our Priorities

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

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

These are:

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

We have also created four new portfolios, each with their own priorities.

PORTFOLIO: CORPORATE RESOURCES

We will:

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

PORTFOLIO: COMMUNITIES AND HOMES

We will:

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

PORTFOLIO: ENVIRONMENT AND PUBLIC REALM

We will:

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

PORTFOLIO: GROWTH AND INVESTMENT

We will:

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

These portfolios, allied with the "can do" approach of our workforce, will allow us to deliver services that will help us be proud of our past, and fit for the future.

Summary of Performance 2017-18

1

Financial Sustainability

The General Fund net revenue position for portfolio expenditure in 2017/18:

	Budget	Actual	Variance
2017/18	15,324	14,159	(1,165)

Of this £1.165m underspend £354,000 has been requested to be carried forward to 2018/19

General Fund balances at 31/3/18: £3.069m
Earmarked Reserves at 31/3/18: £5.370m



2

Self Sufficiency, Growth & Prosperity

Our collection of council tax has increased and business rates collection has remained the same;

	2016/17	2017/18
Council Tax	97%	99%
Business Rates	99%	99%

Overall average collection rates have maintained at 99%.



3

Workforce

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

Year	Headcount	
2016/17	531	
2017/18	499	

Working days lost	Long Term Sickness	Short Term Sickness
2016/17	2,454	3,318
2017/18	2,345	3,476



4

Local Economic Growth

The level of unemployment in Rugby compared to the UK average;

Year	Rugby	UK
2015/16	3%	5%
2016/17	4%	5%

The percentage of new business growth in Rugby compared to the UK:

Year	Rugby	UK
2016/17	8%	5%
2017/18	7%	5%



5

Communities & Wellbeing

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

Year	Green Flag Awards
2015	1
2016	2
2017	5

In addition, continued support from volunteers at a record high of 10,062hrs, which represents a 37% increase compared with 2016/17.



6

Waste Collection

The percentage of household waste sent for recycling, reuse and composting in the Borough of Rugby; **Overall increase year on year**

	2016/17	2017/18
% Average Collection	49%	50%

£887,000 of income was generated from the new garden waste service, with 48% of households subscribing to the service.



5. How your Council is performing

The following sections provide more details of the challenges faced and achievements made during the last year with an outlook on future planning.

Optimise income and identify new revenue opportunities

In a response to central government funding reductions we introduced a chargeable garden waste service in April 2017. This has provided increased revenue significantly over and above the initial budgeted expectations of £400,000 for year one, with 48% of households subscribing to the service providing the us with a revenue income of £887,000 in the first year.

This strong level of service take-up has provided an additional £487,000 of income compared to the 2017/18 budget, contributing significantly to the overall favourable General Fund revenue position at year-end.

However, it should be noted, that take-up in the first twelve months was in-line with expectations for the third year of operation of the chargeable service. With only moderate further growth in service usage anticipated it is not expected that across the medium to long term that income will exceed the projections already contained within the Medium Term Financial Plan.

Effective use of Resources

Digitalisation

We are committed to increasing the use of digitalisation and to ensuring digital accessibility. This commitment is demonstrated by the optimisation of our website for smartphones and tablets and this was recognised in June 2017 when **our website received the highest, four-star, accolade** in the Society for Information Technology Management's (Socitm) annual Better-Connected survey.

We are also continuing encourage more of our council taxpayers to receive their bills via an e-bill, with 8,000 of our council taxpayers, equivalent to 17% of all taxpayers, now receiving a bill electronically.

Our continuing digitalisation journey has seen the implementation of various systems including SharePoint and Microsoft 365, alongside the rollout of the mobilisation programme to provide IT equipment such as laptops and phones.

This enables the organisation to work more flexibly enhancing the efficiency and effectiveness of services offered and helps to address the challenges faced around sickness levels and recruitment and retention.

Our Staff

Our staff are our most valuable asset and earlier this year we launched our Corporate Values. This recognises the value and importance of Council staff in every aspect of our work and sets out standards for how staff should behave. We have embedded our **CAN DO Corporate Values** in 1:1 support meetings with staff and our training programmes. This is an on-going programme with recruitment being the next area of focus, alongside a new 'The Way We Work' training schedule for all staff.

We have also taken advantage of the changes made to the Apprenticeship Levy in April 2017, by changing direction from annually recruiting 5 to 6 Business Administration Apprentices, to recruiting 6 Customer Service Apprentices and 3 Housing Apprentices during the last financial year.



2017/18 has seen a higher level of staff turnover compared to recent years and a number of key services have been affected by this, for example Planning, Legal and Health and Safety. In some instances, it has not been possible to recruit to key posts despite multiple recruitment campaigns and against a recruitment budget of £47,000 actual costs during 2017/18 were £87,000. As highlighted within the Annual Governance Statement; difficulty in recruiting has resulted in delays in implementing actions arising from the health and safety internal audit; currently a review for this service provision is underway with actions to be implemented by the end of 2018.

Ensure that the Council works efficiently and effectively

Optimise the use of our land and assets

In January 2018 funding was secured for a One Public Estate project for the Town Hall alongside Warwickshire County Council. The project will consider how to maximise the use of land and assets across public sector organisations, blue light services and the private sector to provide a more efficient and effective service to meet customer needs.

During 2017/18 we secured grant of £450,000 from Homes England to support the acquisition of 10 council homes via the open market by the end of March 2019. In addition, we have:

- Exchanged contracts on the purchase of 34 brand new affordable homes at Cawston
- Exchanged contracts on the purchase of 6 brand new affordable homes at Coton Park

Improved service delivery via customer focused reviews

We have employed Systems Thinking methodology for many years to deliver improvements for our customers. This has helped us to operate as efficiently and effectively as possible, whilst ensuring the customer is at the heart of our service provision and delivery. During 2017/18 the following reviews have been undertaken:

- Improving all licensing processes
- The digitalisation of fly-tipping and bulky waste.
- Re-launch the Handyperson service.

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

Our housing

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

- 918 properties were fitted with new windows and doors
- A total of 91 bathrooms were upgraded,
- Heating upgrades of approximately £620,000, equating to around 210 new installs for combination boilers.

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

- We've sustained 67 tenancies where we avoided evicting tenants.
- We've successfully resolved 77 Anti-Social Behaviour (ASB) cases.

Homelessness

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

Homelessness represents an increasing service and financial pressure. Historically we have used Bed and Breakfast to house the homeless in need of temporary accommodation. However, with increasing number of individuals to house this is becoming an unaffordable option and other alternatives are now being utilised.

Number of homeless preventions made by Rugby Borough Council	
2016/17	116
2017/18	163

To mitigate this pressure and provide a more permanent solution, we leased our first Private Sector Leasing (PSL) scheme property via a private landlord in June 2016. Since then 40 units of private sector accommodation have been secured, which will house local people in housing need.

Universal Credit

Since May 2016, there has been a significant increase in the number of borough residents claiming Universal Credit (UC), with the total reaching 2,500 claimants. Issues with the implementation of the scheme have been well publicised on a national basis.

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

The roll out of UC has also contributed to an increase in the number of our tenants in arrears, due to the time it is taking for DWP to process the claims. There were approximately 630 Council tenants in receipt of UC at the end of March 2017 and rent arrears exceeded a total of £410,000.

Sheltered Housing

Our sheltered housing accommodation enables individuals to live as independently as possible, aided by our assistive technology 'Lifeline'. This has proved successful in delivering efficiencies and generating a funding stream through the sale of the service to the wider public.

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

2017/18 was also a successful year for our parks and open spaces, with recognition for:

- Well managed parks and green spaces - A **Green Flag award** for Caldecott Park, Centenary Park, Millennium Green, Rainsbrook Cemetery and Crematorium and Gladstone Green Pocket Park.
- Britain in Bloom – Rugby Borough achieved a **Gold Award** in the regional Heart of England in Bloom campaign.
- Supporting - a ministerial visit to Rugby's green spaces.
- Refurbishing - Hollowell Way Play Area



Promote and grow Rugby's visitor economy with our partners

Support Rugby town centre as a visitor destination for leisure, retail and cultural activities

In 2017/18 we have continued to commit £160,000 of income received from business rates of Phase 1 Elliott's Field to support the regeneration of the town centre.

The continued success has been recognised with our award for **the Best 'Small Business Friendly'** campaign as part of the Federation of Small Business' annual Local Authority Awards. The award was for our work on generating wealth for the economy before, during and after the Rugby World Cup.

Hall of Fame

The World Rugby Hall of Fame which was opened in November 2016 has received 17,500 visitors. In February 2018, it was announced that a 'Presenting Partner' sponsor has been secured for the attraction, resulting in a £600,000 sponsorship.

On first April 2017, a charge for entry was introduced, which was anticipated to generate an annual income of £165,000. However, in 2017/18 only £15,000 was recognised.

To improve customer numbers a range of marketing activities are being delivered to promote the attraction. This includes a community partnership with Wasps RFC, train station signage, national distribution of 121,000 leaflets, attendance at travel trade shows, social media, radio advertising and the production of a video with Rugby FM involving local rugby clubs.



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

We celebrate the borough's cultural and artistic heritage through Rugby Art Gallery and Museum, The BENN Hall and events and festivals. The Rugby Art Gallery and Museum picked up **the best kids and family venue** at the Coventry and Warwickshire Tourism awards and Culture awards beating off competition from visitor attractions across the region.

Encourage healthy and active lifestyles to improve wellbeing within the borough

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

- **Swim School membership** - at the Queen's Diamond Jubilee Centre sits above 90%, with over 2,100 members.
- **Family Lifestyle Programme** - Award of Year 4, £145,000 of Public Health Warwickshire funding to co-ordinate and lead the programme
- **Play Rangers** - Secured in excess of £20,000 additional funding for Play Rangers to deliver varying programmes covering sport and play and other public health schemes.

Protect the public

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

- **Wardens Service** - A service redesign resulted in financial savings, but also a better value for money service, with the role of the Community Safety Wardens extended to dealing with important issues such as enforcement of Public Space Protection Orders, fly tipping, noise nuisance and litter enforcement, amongst many others.
- **Public Open Spaces** - A review has been undertaken of the current Public Spaces Protection Orders with regards to several key areas such as dog control orders, anti-social drinking in the town centre, cycling within pedestrianised areas with the town centre, vehicle trespassing and tackling nuisance behaviours at Newbold Quarry.
- **Licensing** - Following new legislation regarding Houses in Multiple Occupation (HMO's), we are reviewing our procedures to adopt these new regulations. National mandatory licensing currently only applies if properties are 3 or more storeys. This is being changed so flats and one/two-storey properties will be brought within scope.

Continue to improve the efficiency of our waste and recycling services

The following was achieved during 2017/18:

- **Route optimisation** - Due to the implementation of route optimisation software and the restructuring of the chargeable garden waste service, we were able to reduce the number of operational rounds from 5 to 3 during 2017/18. This has resulted in more efficient use of resources and a reduction in vehicle costs.
- **Service restructure** - A review of the management and supervision of our waste collection and street cleansing services was carried out, resulting in savings whilst maintaining an efficient service for our residents.

Promote sustainable growth and economic prosperity

Adopt an ambitious Local Plan

The Local Plan was submitted for independent examination in 2017. A Planning Inspector was appointed who undertook hearings which have recently completed. Following a period of consultation on modifications and receipt of the Inspector's report we will look to adopt the Local Plan as soon as possible.



Deliver strategic investment sites across the borough

Development has commenced at the Houlton site, a new community on the site of the old Rugby Radio Station. Phase 2 of Elliott's Field, a 150,000sq ft retail park has recently opened. This is situated immediately west of the Phase 1 Elliott's Field shopping park.

Partnership working

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

- **Health Sector** - In December 2017 an agreement was completed with the National Health Service (NHS) to develop the Brownsover Surgery and Community Centre
- **Environmental Crime** – We have been able to assist Harborough District Council by leading their fly tipping investigations. A similar partnership with Warwick District Council is also planned for the near future.
- **Volunteering** - Supported a record 10,062 hours of volunteering on our green spaces which reflects a 37% increase on 2016-17 figures.

6. Financial Overview of 2017/18

Central Government Funding Reductions

Whilst setting the budget for 2017/18, we had to deal with significant government funding reductions compared to the position in 2016/17.

The most significant change for 2017/18 was an overhaul of the New Homes Bonus (NHB) scheme. Consequently, we saw a cash reduction of £550,000 from our allocation compared to 2016/17, equating to a 4% reduction in the net revenue budget. Furthermore, when coupled with a similar reduction in Revenue Support Grant (RSG) and further reductions in other government grants, we had a £1.2m cash reduction in grant funding in one year, equivalent to a 7.5% reduction in the net revenue budget.

Growth

These central government funding reductions were partially offset by the benefits of growth that we continue to facilitate in the borough. When setting the 2017/18 budget it was estimated that £4.490m of business rates would be retained, representing an extra £270,000 compared to 2016/17.

Key Decisions

However, the setting of a balanced budget for 2017/18 was largely underpinned by the estimated financial implications relating to a number of key decisions that members had to consider.

We are already an efficient council and funding restrictions of this size could not be met purely by further efficiency savings. As such members had to consider options to either reduce or cease services, or through the generation of income to provide resources to enable service delivery. The key decisions approved were:

- Introduce a charged for Garden Waste Service
- Introduction of an entry charge for the World Rugby Hall of Fame
- Voluntary redundancies for nine officers, at a cost of £205,000, but providing annual year-on-year savings of £222,000
- A council tax increase of £5 on the average band D. This was only the second time that a council tax increase had been seen in Rugby since 2010.

Housing Revenue Account (HRA)

For the HRA, the Government introduced a number of changes to the social housing market via the Welfare Reform and Work Bill and the Housing and Planning Bill during 2016, which had a direct impact upon future funding and costs to the HRA, notably the requirement to reduce rents by 1% a year for four years commencing 2016/17.

To fund the income deficit, a mixed approach was adopted of identifying savings across the housing service and restructuring the HRA debt portfolio profile.

The deferral of debt repayments will increase the net interest payable by the HRA by an estimated £2.7m during this period.

7. Financial Performance in 2017/18

General Fund

In 2017/18 the total Portfolio expenditure was £14.159m against a revised budget of £15.324m, resulting in an underspend of £1.165m, of which £354,000 has been requested to be carried forward to 2018/19.

After adjusting for carry-forwards, net cost of borrowing, the Minimum Revenue Provision for the repayment of debt and other corporate items the net underspend on Total Net Revenue Expenditure is £1.198m.

Portfolio expenditure

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

Portfolio	Revised Budget	Actual	Variance	Proposed Carry Forwards to 2018/19	Net Variance
	£'000	£'000	£'000	£'000	£'000
Growth & Investment	3,229	3,303	74	231	305
Environment & Public Realm	7,508	6,298	(1,210)	92	(1,118)
Communities and Homes	1,071	1,250	179	-	179
Corporate Resources	1,619	1,481	(138)	9	(129)
Executive Director	1,897	1,828	(69)	22	(47)
Net Portfolio Expenditure	15,324	14,160	(1,164)	354	(810)
Net cost of borrowing	628	456	(172)	-	(172)
Minimum Revenue Provision	1,476	1,438	(38)	-	(38)
Other corporate items	(1,860)	(2,036)	(176)	-	(176)
Total Net Revenue Expenditure	15,568	14,018	(1,550)	354	(1,196)

Some of the key variances included:

Waste Collection & Recycling

As stated under the performance section, following the successful introduction of the Garden Waste service a total number of 22,184 subscriptions were purchased generating income of £887,000. This strong level of service take-up has provided an additional £487,000 of income compared to the 2017/18 budget, contributing significantly to the overall favourable General Fund Revenue position at year-end.

Town Centre Improvements

The Town Centre Improvement budget is funded by the additional business rates generated from Phase 1 of the Elliot's Field development. The budget for 2017/18 was largely underspent this year, due to a number of different constraints. But a £200,000 carry forward has been requested to cover committed works of £75,000 including; Public Realm Study, Brown Tourism Signage Scheme, Destination Management and Market Reviews. The remaining balance of the carry forward will be discussed at the Visitor Economy Working Party.

Hall of Fame

As reported in the performance section, ticketing income was £150,000 lower than budgeted.

However, from a positive aspect, in February 2018 it was announced that a 'Presenting Partner' sponsor has been secured for the attraction, resulting in a £600,000 investment.

Salary Underspends

During 2017/18, there were large underspends within several areas including Regulatory Services, Works Services Unit, Planning and Corporate Property. The total of these savings exceeded £375,000.

Income and Reserve Transfers

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

	Revised Budget £'000	Actual £'000	Variance £'000
Total Net Revenue Expenditure	15,568	14,018	(1,550)
Revenue Support Grant	(511)	(511)	-
Retained Business Rates	(4,496)	(5,342)	(846)
Council Tax	(7,063)	(7,063)	-
New Homes Bonus Grant	(2,672)	(2,671)	1
Other Grants	(375)	(378)	(3)
Collection Fund Deficit	(356)	(356)	-
Total Corporate Income	(15,473)	(16,321)	(848)
Contribution to Carry Forward Reserve	-	354	354
Contribution to Budget Stability Reserve	264	264	-
Contribution to Business Rates Equalisation Reserve	-	846	846
Transfer from Earmarked Reserves	(120)	-	120
Transfer from GF Balances	(239)	(239)	-
Total Transfers to and from Reserves and Balances	(95)	1,225	1,320
NET POSITION	-	(1,078)	(1,078)

General Fund Balances

The previous table shows that the final position was an underspend of £1,078,000. After accounting for the budgeted £239,000 contribution, to fund in-year budget adjustments, a net £839,000 was added to General Fund revenue balances, resulting in an overall total of £3.069m at the end of 2017/18.

Corporate Savings

Included within this year-end position is £222,000 of savings achieved against the revised annual corporate savings target of £200,000, as a result of greater efficiencies realised throughout the year.

Key savings contributing to the achievement of this target include:

- A business rates refund for the Rugby Art Gallery & Museum of £53,000 following a revaluation
- The return of one-off budget allocations totalling £73,000 within the Economic Development Service
- Salary Savings during the year of £54,500, these savings are in addition to those mentioned previously
- Other ad-hoc savings of £41,150 across the services.

Budget Stability Reserve

£464,000 was added to the reserve in 2017/18. £200,000 was contributed in relation to the overachievement of planning fee income, whereas the other £264,000 related to a planned budgeted contribution to the reserve, leaving a balance in the budget stability reserve of £538,000 at year-end. There are no immediate plans in 2018/19 to use this reserve, but the balance is to be set aside to mitigate future budget volatility.

Business Rates Equalisation Reserve

This reserve was established in 2013/14 in order to mitigate fluctuations in the business rates base and resultant income. The business rates budget variance of £846,000 was added to this reserve in 2017/18, resulting in a balance of £1.285m at year-end. The following section on the Collection Fund explains this movement and its proposed use in future years.

Carry Forward Reserve

This is a new reserve, introduced in 2017/18, to hold the balances of underspent General Fund revenue budgets that will be requested for approval from members to be carried forward into the new financial year. This allows the earmarking of these funds to be spent in the forthcoming financial year and aids the smoothing of volatility in General Fund balances.

In 2017/18 £354,000 has been added to this reserve, to fund commitments made in 2017/18 but will not be realised until 2018/19.

Other Reserves

In addition to the transfers set out previously, a further £796,000 has been added to other General Fund earmarked reserves and £497,000 taken from reserves in 2017/18, giving a net transfer of £299,000.

Total General Fund Earmarked Reserves

At 31st March 2018 the Council had total earmarked General Fund reserves of £5.372m, an increase of £1.963m.

Note 13 details the movements in these earmarked reserves for 2017/18.

Capital Receipts and Capital Grants

At 31st March 2018 the Council also held £8.8m of capital receipts (HRA: £6.6m General Fund: £2.2m) and £1.0m capital grants that had not yet been applied for financing expenditure. In 2017/18, £2.3m of receipts were raised from the sale of 25 HRA properties under Right-to-Buy. Further information on capital financing can be found in Note 21.

Collection Fund

Council Tax

The amount credited to the General Fund in 2017/18 for council tax income is fixed to the budgeted amount of council tax billed during the year, not the actual cash collected. Any difference between the actual amount collected and the initial forecast will feed through into a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2017/18 the actual cash position for council tax was an overall surplus of £606,000. This will be distributed between ourselves, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares, as detailed in the Collection Fund Statement. Our share of the surplus is £72,000 and this will be credited to the General Fund budget in 2019/20.

Business Rates

The impact on the General Fund for business rates partially follows the council tax collection fund model, in that only some of the transactions go through the Collection Fund, whereas others are a direct charge for the General Fund.

The actual business rates income collected goes through the Collection Fund and in 2017/18 there is a year-end deficit of £2.638m. This will be distributed between ourselves, Warwickshire County Council and Central Government in the relevant shares. Our share of the deficit is £1.055m and this will be charged to the General Fund budget in 2019/20.

This deficit arose in 2017/18 due to a delay in the Valuation Office bringing new properties onto the Rating list e.g. Amazon at Gateway and LEVC at Ansty Park. There was also an increase in the appeal provision, with our share increasing from £1.977m to £4.437m.

However, some as mentioned previously some parts of the business rates retention system operate outside the Collection Fund and are a direct charge to the General Fund. The main aspect of the system that operates in this way is the levy that we have to pay Government each year, which is equivalent to 50% of our share in the growth of local business rates. As a result of the lower business rates recorded in the Collection Fund, the £1.7m levy that we pay to Government is £195,000 less than budgeted, resulting in a favourable variance for the General Fund.

We participate in the Coventry & Warwickshire Business rates pool (the Pool), which operates to allow partners to work together, so that we can retain a greater proportion of any business rate growth within the Pool area. Our 50% levy of £1.7m is therefore also offset by a pooling gain and in 2017/18 we gained £342,000 from our pool membership, which was higher than the budgeted amount £200,000.

As a result of lower levy and higher pooling gain, plus some additional s31 grant funding from Central Government, the overall income received and charged to the General Fund for 2017/18 was higher than estimated and resulted in an in-year surplus of £846,000.

As explained previously, this surplus has been transferred to the Business Rates Equalisation reserve and will be used, alongside other balances within this reserve, to completely offset the £1.055m deficit as part of budget setting for 2019/10.

In summary:

- As a result of this partial Collection Fund model for business rates, there is a positive variance against budget, even though the actual 2017/18 cash performance was adverse.
- This positive variance of £846,000 has been transferred to the Business Rates Equalisation reserve.
- The actual deficit on collection in 2017/18 will be charged to the General Fund budget in 2019/20.
- Therefore the £846,000 will be credited to the budget in 2019/20 to part-fund the collection fund deficit.

Housing Revenue Account

The original reserve assessment approved in February 2017 recommended maintaining HRA balances at £1.431m, to mitigate the impact of the 1% rent reduction instigated by Government for the period 2016/17 to 2019/20. On 24th April 2018 Council approved the diversion of the budgeted £4.9m Voluntary Revenue Provision (VRP) for the repayment of debt to revenue reserves. During the year, further net budget changes of £135,000 were approved to be taken from balances. The following table shows how the actual surplus compared to the revised budget:

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure	16,745	10,703	(6,042)
Income	(18,094)	(17,973)	121
Net cost of HRA Services	(1,349)	(7,270)	(5,921)
Corporate items	1,484	2,208	724
Surplus (-) / Deficit for year	135	(5,062)	(5,197)

In overall terms HRA revenue balances increased to a total of £6.493m at 31st March 2018.

The variance on expenditure mainly relates to diversion of the budgeted £4.9m Voluntary Revenue Provision for the repayment of debt to revenue reserves, as approved by Council on 24th April 2018. Additional expenditure of £95,000 was incurred in-year to provide security and risk prevention measures (24/7 floor walking, regular inspections of void properties) at Biart Place to minimise the potential of a shock event.

The HRA also held £14.025m in Capital Investment Balances, £1.089m in the Housing Repairs Account and £109,000 in the Sheltered Accommodation earmarked reserve at 31st March 2018, in addition to £1.579m in the Major Repairs Reserve.

Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £8.798m. The expenditure analysed by portfolio was:

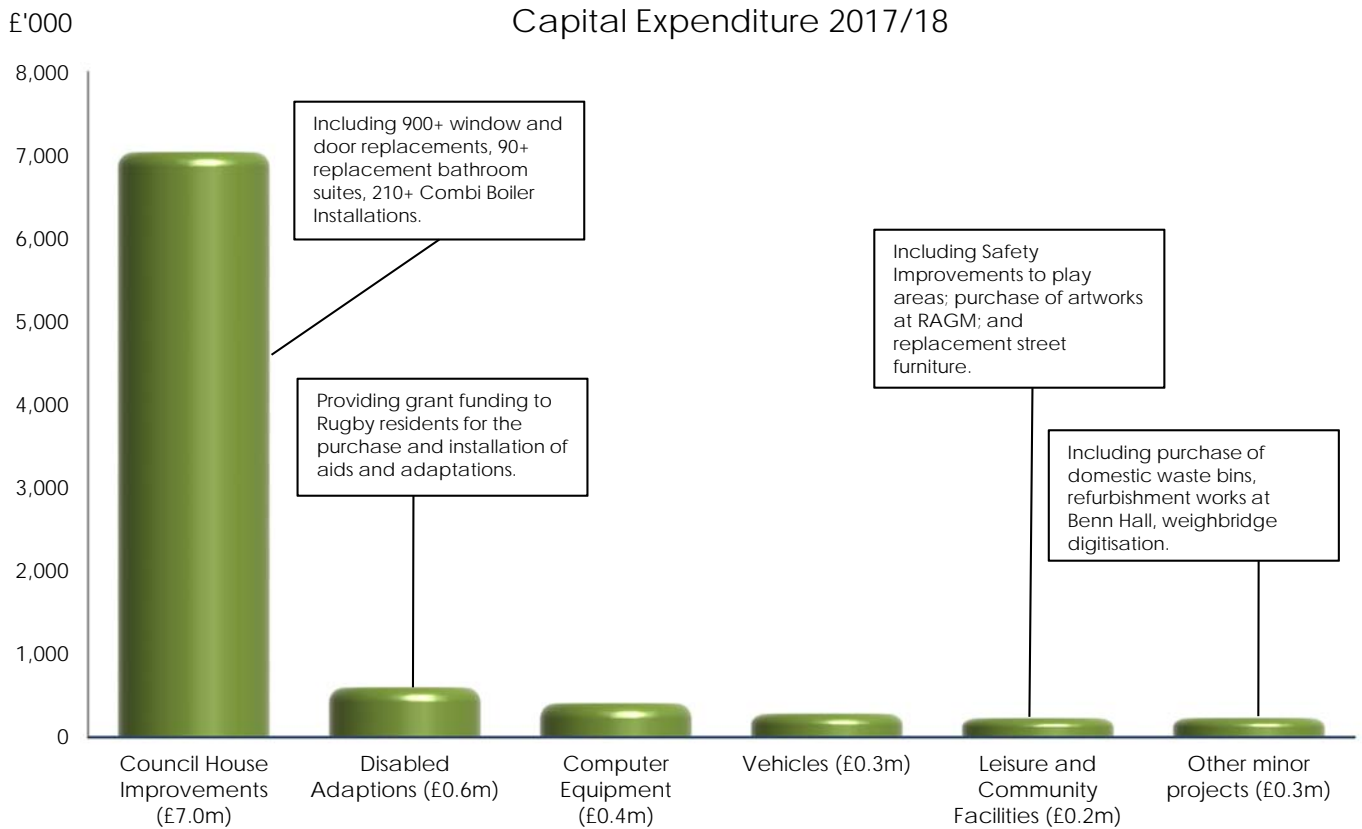
Portfolio	Revised Budget £'000	Actual £'000	Variance £'000
Corporate Resources	15,049	7,023	(8,026)
Growth & Investment	49	82	33
Environment & Public Realm	3,313	663	(2,650)
Communities & Homes	1,464	1,030	(434)
	19,875	8,798	(11,077)

Some of the main reasons for the budget underspend of £11.1m were:

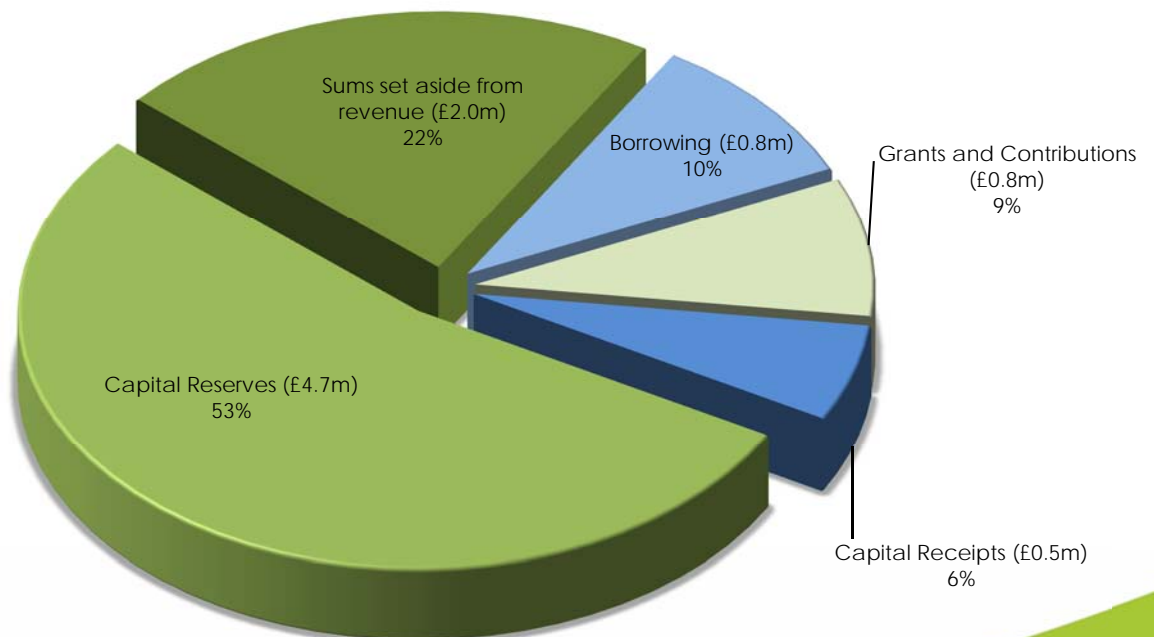
- Construction delays due to the inclement weather resulted in delays in the acquisition of homes at Cawston Meadows in 2017/18. Also, a significant proportion of the homes planned to be acquired at Cawston Meadows were programmed to be acquired in 2018/19 from the outset (£4.585m).
- Deferred purchases of vehicles pending asset life review (£1.618m)
- Review of HRA Energy Efficiency measures installed under Phase 1 at Long Lawford prior to implementation of phase 2 (£900,000)
- Delay in procurement: Carbon management plan – Solar PV installation at Rugby Art Gallery and Museum and Queen's Diamond Jubilee Leisure Centre (£620,000)
- Consultation delays on the renovation works at Great Central Walk Bridges (£530,000)

Almost all of the net £11.1m underspend has been requested to be carried forward in to 2018/19.

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



Capital Financing 2017/18





Pension Fund

The Accounts show that the Pension Fund now has a deficit of £40.646m, this is an increase in the deficit of £472,000 since last year. Statutory arrangements for funding the deficit mean that our financial position in respect to pensions remains healthy. The deficit on the Local Government Pension Scheme will be made good over 18 years by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2017/18, earlier years, and for future years. The total currently stands at £99.6m (both short and long-term borrowing) as shown on the balance sheet.

Investments in Iceland

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed. We had £3m deposited across these institutions.

During 2013/14 we sold our remaining claim in Landsbanki via auction in conjunction with the majority of other local authorities affected by this matter.

The Glitnir claims were paid in full in 2011/12, although a proportion of the disbursement were held in an escrow account denominated in Icelandic Krona. In June 2017 we accepted the Central Bank of Iceland's offer to purchase its assets that were held in Icelandic Kroner. We received £610,000, representing a gain of £81,000 against the carrying value of £529,000 at balance sheet date.

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

8. Future Financial Outlook

The 2018/19 budget

The 2018/19 General Fund revenue budget was balanced with net expenditure reduced by almost £850,000 or 7%, mainly due to the following key service items:

- A £275,000 increased income budget for Garden Waste, following a higher than anticipated take up of the service in 2017/18.
- A saving of £168,000 from a reconfiguration of the waste collection rounds.
- Savings of £160,000 are expected to be delivered, following the implementation of various digitalisation schemes.
- £150,000 additional income following a change in legislation allowing authorities to increase Planning Fees by 20%. This increase will allow for continued investment in the Planning Service and help reduce the cost of providing the Planning function.

However, these items were offset by:

- £100,000 reduction in the budget for ticketing income at the Hall of Fame
- An £80,000 net financial pressure for temporary accommodation for homelessness.
- An approximate £557,000 increase in salary costs resulting from the anticipated 2% pay award, staff progression through pay scales and an increase in employer pension contributions.

In addition, we continue to see strong growth in retained business rates income and it has been estimated that £5.575m will be retained in 2018/19, which represents an extra £963,000 compared to our budget for 2017/18.

This additional income from business rates offsets other significant losses in central government support. Only £150,000 of Revenue Support Grant will be allocated in 2018/19 representing a cut of £350,000. Furthermore 2018/19 will be the final year the funding is allocated, after which we are anticipating to make 'negative RSG' payments to central government.

Due to the changes in NHB mentioned in section 6, our funding from this scheme reduced by £565,000.

After taking all the previous adjustments in to account, in addition to other corporate adjustments, the 2018/19 budget was balanced with Council approving a £5 increase in the Band D equivalent council tax, which was less than the maximum 3% permitted.

However, despite successfully producing a balanced budget for 2018/19, the medium term financial plan identifies budget shortfalls over the forthcoming years in anticipation of financial reform by central government in 2020.

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

Our medium term financial strategy

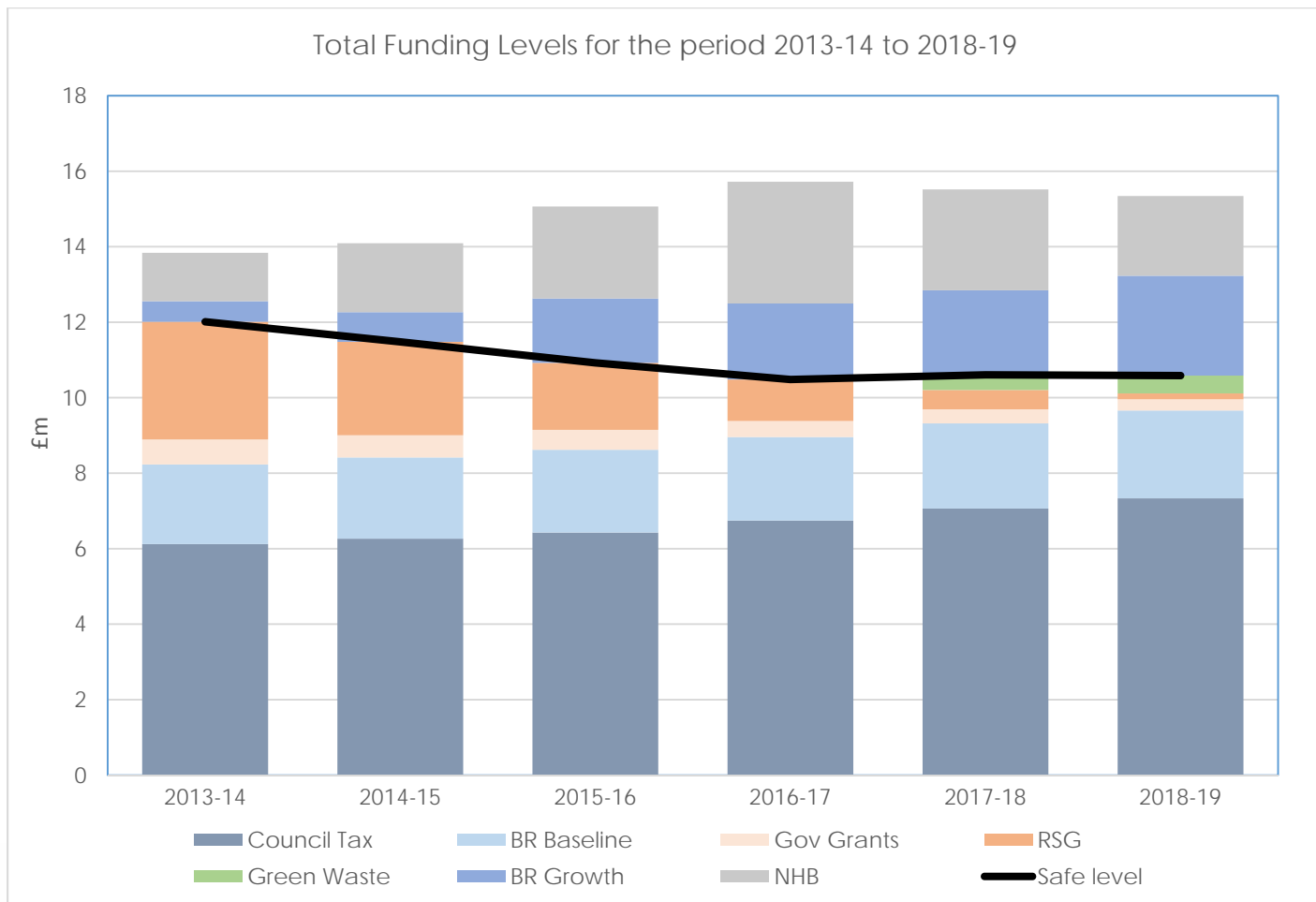
On 24th April 2018 the 2018-22 Medium Term Financial Strategy (MTFS) was approved by Council. The MTFS outlines the key principles and financial policies required to enable us to meet our objectives and achieve the ambition of becoming financially self-sufficient by the end of the decade. This has been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

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

Achieving financial self sufficiency

Our pro-growth agenda has put us well on our path to achieving self-sufficiency, however the continuing austere times for the sector means we need to adapt our uncertain funding streams to create our own certainty within this unstable financial environment.

The following chart shows how our net expenditure has been financed between 2013/14 and 2018/19. The 'safe level' line distinguishes those income sources relatively certain or within our control and those which are exposed to more risk.





Above the 'safe level' line are income sources more at risk, being income from NHB and the additional growth that has been generated from business rates. Below the line are the more certain allocations, such as council tax and business rates baseline income.

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

Business Rates

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

Funding Baseline

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

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

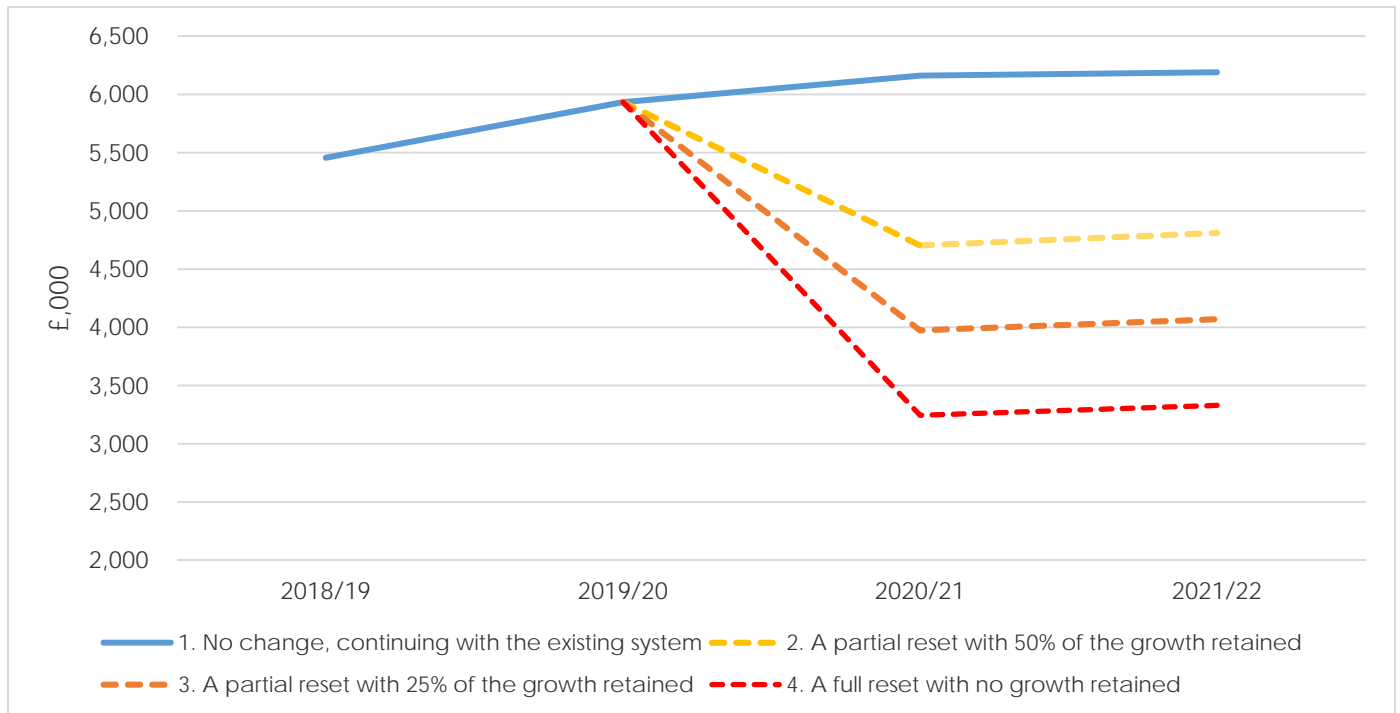
The design of this system or the direction and magnitude of the reallocation of funding will not be known until the outcome of the review. The Council's funding baseline for 2018/19 is £2.3m and as such this amount of funding is at risk from the outcome of the Fair Funding Review.

Business Rates Baseline

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

This means the likelihood of a baseline reset in 2020/2021 is the factor that has the potential to have the largest impact on our finances.

The following chart shows the implications of the income from retained business rates under some varying potential scenarios.



Medium Term Financial Plan

The 2018-22 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 27th February 2018 set out the scale of this challenge. This showed a balanced budget for 2018/19, but a deficit of £1.4 million in 2019/20.

Volatility mitigation

To mitigate the income volatility shown in the previous chart and prepare for the reset, as part of 2018/19 budget setting it was proposed to set a sustainable income position for business rates across the medium term.

This will be facilitated by contributing to the Business Rates Equalisation Reserve in the first two years of the medium-term plan. This will taper the net budget reductions caused by the reset and prevent a cliff-edge drop in the net budget at 2020/21. Therefore, the net income budget for business rates, after allowing for reserve contributions, will be budgeted as follows:

- 2018/19 – equivalent to 2020/21 income levels with 50% growth retention
- 2019/20 – equivalent to 2020/21 income levels with 37.5% growth retention

For 2018/19 a sustainable budget position has been assessed equivalent to the income we will receive in 2020/21 if a partial reset is implemented where 50% of the growth can be retained. This is the most favourable scenario of the three reset options that have been modelled and therefore this has been considered a reasonable and prudent starting point.

For 2019/20 the income budget has been set at the mid-point between the income received under the scenarios where 50% and 25% of growth are retained, providing a position where 37.5% of growth has been considered a sustainable position.

For 2020/21 onwards, the MTFP has been prepared showing three different scenarios, all varying depending on the level of reset in the business rates system.

Sensitivity Analysis

Scenario 1 – 50% partial reset

Scenario 1 shows the possible financial implications if local authorities are allowed to retain 50% of the growth generated under the existing system after the reset. This is the most optimistic scenario.

Under this scenario, assuming the £1.4 million variance is addressed in 2018/19 then the in-year variance for 2019/20 is a forecast surplus of £277,000. In 2021/21, again assuming prior year budgets are balanced then the budget is forecast to be in surplus by £567,000. Across the four years of the MTFP the cumulative budget position, aggregating all surpluses and deficits for each year, is forecast to be a net deficit of £540,000.

Scenario 2 – 75% partial reset

Scenario 2 shows a firmer partial reset, where authorities can retain only 25% of the growth generated under the existing system after the reset, with the remaining 75% redistributed nationally. Given current intelligence and analysis undertaken, we consider this to be the most probable scenario.

Under this scenario, again assuming the £1.4 million variance is addressed in 2018/19 then the in-year variance for 2019/20 is a forecast deficit of £453,000. In 2021/21, again assuming prior year budgets are balanced then the budget is forecast to be in surplus by £290,000. Across the four years the cumulative budget position, aggregating all surpluses and deficits for each year, is forecast to be a net deficit of £1.5 million.

Scenario 3 – full reset.

This scenario shows the potential impact of a full reset of the business system, where all the growth generated under the existing scheme since 2013/14 is redistributed nationally. This is the most pessimistic scenario.

Under this scenario, again assuming the £1.4 million variance is addressed in 2018/19 then the in-year variance for 2019/20 is a forecast deficit of £1.2 million. In 2021/21, again assuming prior year budgets are balanced then the budget is forecast to be in surplus by £290,000. Across the four years the cumulative budget position, aggregating all surpluses and deficits for each year, is forecast to be a net deficit of £2.3 million. This level of budget deficit could not be alleviated by calling on reserves and balances, even in the short-term, therefore, should this scenario arise we would have to implement substantial saving programmes by 2020/21 at the latest in order to ensure the sustainability of our finances.

Addressing the budget gaps

As explained previously, there are a range of budget positions that we may face depending on the future shape of the retained business rates system. Officers will formulate budgetary plans to address all potential scenarios and over the summer of 2018 Senior Management Team will prepare options for members to consider throughout the 2019/20 budget setting process.

In addition, the MTFP 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.

Housing Revenue Account – Biart Place

On 24th April 2018, Council considered a report concerning the need to repair or regenerate two of our high-rise sites in the borough

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

The focus of the report was on Biart Place because intrusive structural surveys were commenced at an earlier date for this site meaning more is understood about the blocks. The surveys identified a potential risk to the structure of the buildings in a shock event (fire or explosion), as well as potential issues of fire resistance between individual flats.

In respect of Biart Place, the total estimated cost of a new development scheme is in the region of £25m, which includes costs over and above construction, for example decant and design costs. No refurbishment or redevelopment costs for Rounds Gardens are included in the £25m estimate.

The HRA Capital Programme for 2018/19 was approved by Council on 5th February 2018. The programme is approximately £2.9m. In addition, £7.3m of budgets from the 2017/18 were underspent at the year-end and requested to be slipped forward to the new year. Approval has also been given for the redevelopment of Bell House and the procurement of a new Housing Management System, adding a further £2.3m to the HRA capital programme.

Taking account of all the above schemes, should a redevelopment of Biart Place be required at an estimated cost in the region of £25m, the HRA capital programme is likely to exceed £37m.

A capital programme of this scale will place pressure on the HRA's financial resources. After considering contributions from the Major Repairs Reserve Account, likely available grant funding and Right to Buy Receipts, it is anticipated that approximately £31m of internal resources would be required to fund the expanded capital programme.

In terms of resources available, at the end of 2017/18 £14m is available in HRA Capital Investment Balances, some of which are already allocated to recent commitments for acquisitions. However, the remainder, in excess of £10m, can be used towards this project. We also have £21m of borrowing capacity available, which is represented as the headroom between current debt levels and our £82m debt cap.

Assuming a staggered phasing of the financing over a couple of years and that the scheme is financed using a mix of borrowing and contributions from Capital Investment Balances, we would likely see our headroom shrink to approximately £10m at its lowest point. Therefore, based on current estimates and assumptions, there should be sufficient resources available to fund a development of Biart Place.

However, this constrains our ability to acquire new homes to increase our housing stock and does not leave much resources available for refurbishment works/redevelopment at Rounds Garden should these be required.

As stated previously, to provide additional flexibility and bolster the level of revenue resources available, Council also approved the 2017/18 Voluntary Revenue Provision for the repayment of debt to be diverted to HRA revenue balances.

Once the costing estimates for a potential development have been advanced and refined it will be necessary for consideration to be given to a detailed financing strategy for the scheme, alongside further anticipated demands on HRA financial resources, such as from Rounds Gardens. It should be noted that work is in progress in respect of seeking financial support from Government. However, the magnitude and likelihood of any support is uncertain. After consideration of all available resources, should there be insufficient borrowing capacity to fund any residual capital financing requirement then we would need to seek Secretary of State approval for our borrowing cap to be lifted.

Conclusion

A balanced draft General Fund revenue budget has been presented for 2018/19. However, due to the current challenging financial environment it is highly probable that further savings still need to be identified in order to deliver a balanced budget across the medium term. In particular, the high level of uncertainty around retained business rates and the potential for a reset of the system presents a considerable risk to our finances from 2020/21 onwards.

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

9. Risks

Financial Risk Management

It is considered prudent to hold sufficient reserves and balances to give us the ability to smooth out peaks in expenditure and troughs in income over the medium-term, by making short-term contributions towards balancing the budget and give us time to plan service changes and further efficiencies.

At Cabinet's meeting on the 30th October 2017 a risk assessment against General Fund balances was presented, considering various risks that may affect the Council's finances over the short to medium term to arrive at a recommended prudent level of balances of £1.95m. This assessment was revisited for 2018/19 council tax setting determination and the recommended balances were still considered to be appropriate. This minimum prudent level, is below our 2017/18 year-end balance of £3.069m.

For the HRA our balances at the end of 2017/18 are of £6.493m, which is significantly more than the £1.0m minimum provision identified in the risk assessment during HRA 2018/19 budget setting. As previously stated revenue balances have been increased by this amount to provide additional funding security in light of the uncertainty around the regeneration or repair Biart Place and Rounds Gardens.

Similarly to the General Fund, there are numerous areas of policy development that may result in a greater risk exposure and subsequently there may be a need for us to hold a higher level of reserves and balances to mitigate this in the future. Officers are monitoring these developments closely and an updated financial risk assessment will be incorporated into the 2019/20 rent setting process.

Corporate Risk Management

The Risk Management Strategy is a foundation for embedding effective risk management within the day-to-day work. The Strategy is formally reviewed, endorsed and approved by Cabinet on an annual basis to ensure it remains fit for purpose.

We monitor and manage our corporate risks through the Strategic Risk Register. The Strategic Risk Register is focussed to reflect the risks associated with delivery of the Corporate Strategy and the corporate priorities that it identifies. The Strategic Risk Management Group (SRMG) review the register on a quarterly basis, ensuring that it remains valid and up-to-date, as part of a broader review of Risk Management.

The Strategic Risk Register is subsequently endorsed by Cabinet on an annual basis, and is subject to scrutiny and review by the Audit & Ethics Committee. Our current risk register was endorsed by Cabinet in April 2018.

In addition to the Strategic Risk Register each department has an Operational Risk Register and these are currently being reviewed. Specific consideration is being given to any additional risks associated with the key projects planned to support delivery of our Corporate Strategy. Following completion of this exercise, the rolling programme of Operational Risk Register reviews will continue.

10. Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31st March 2018. 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 2017/18, which in turn is underpinned by International Financial Reporting Standards; A Glossary of key terms can be found at the end of this publication.

The Primary Financial Statements

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

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

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

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

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

Notes to support the primary statements

The Expenditure and Funding Analysis (EFA)

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

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

Additional Notes

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



Supplementary Statements

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

The Collection Fund Statement includes transactions relating to council tax and business rates income. Rugby Borough Council is responsible for collecting local taxes on behalf of Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire, Parish Councils and the Borough Council itself, these are all accounted for within the Collection Fund.

The Annual Governance Statement

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

11. Further Information

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

Email: contactcentre@rugby.gov.uk

Telephone: (01788) 533533

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



STATEMENT OF RESPONSIBILITIES

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility of those affairs. In Rugby Borough Council, this is the Head of Corporate Resources and Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

The Head of Corporate Resources and Chief Financial Officer's Responsibilities

The Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

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

Head of Corporate Resources and Chief Financial Officer's certificate

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31st March 2018 and its expenditure and income for the year then ended.

Mannie Ketley CPFA

Head of Corporate Resources and Chief Financial Officer

Date: 30th July 2018

Approval of Statement of Accounts

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

Paul Dudfield

Chairman of the Audit & Ethics Committee

Date: 30th July 2018

EXPENDITURE AND FUNDING ANALYSIS NOTE

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

		2017/18				
		Amounts Report to Members and Management	Management Accounting Adjustments	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
		£000	£000	£000	£000	£000
Growth and Investment		3,303	(1,123)	2,180	1,264	3,444
Environment and Public Realm		6,298	(1,769)	4,529	582	5,111
Communities and Homes General Fund		1,249	(554)	695	668	1,363
Communities and Homes HRA		(6,716)	(3,356)	(10,072)	1,961	(8,111)
Corporate Resources		1,481	(314)	1,167	262	1,429
Executive Directors Office		1,828	(39)	1,789	67	1,856
Net Cost of Services		7,444	(7,156)	288	4,804	5,092
Other Income and Expenditure		(13,344)	6,662	(6,682)	(3,486)	(10,168)
(Surplus) or Deficit		(5,900)	(494)	(6,394)	1,318	(5,076)
Opening General Fund and HRA Balance				(23,763)		
Plus (Surplus) or Less Deficit on General Fund and HRA Balance in Year				(6,394)		
Closing General Fund and HRA Balance at 31 st March				(30,157)		



Amounts Reported to Management

These net figures represent the amounts to be reported to Cabinet in the 2017/18 Finance and Performance year-end report on 25th June 2018. The surplus of £5.901m represents the £839,000 increase in General Fund balance plus the £5.062m increase in the HRA revenue balance, as reported in the Narrative Statement.

Management Accounting Adjustments

The total £493,000 for management accounting adjustments is equivalent to the net movement on General Fund and HRA earmarked reserves, with £1.963m transferred to General Fund earmarked reserves and £1.470m taken from HRA earmarked reserves. These movements are explained further in Note 13.

Net Expenditure Chargeable to the General Fund and HRA Balances

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

Adjustments Between the Funding and Accounting Basis

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

Net Expenditure in the Comprehensive Income and Expenditure Statement

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

	2016/17				
	Amounts Report to Members and Management	Management Accounting Adjustments	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£000	£000	£000	£000	£000
Growth and Investment	3,224	(1,221)	2,003	1,057	3,060
Environment & Public Realm	7,083	(1,369)	5,714	1,640	7,354
Communities and Homes – General Fund	1,066	(656)	410	443	853
Communities and Homes - HRA	(948)	(9,427)	(10,375)	(40,782)	(51,157)
Corporate Resources	2,085	(228)	1,857	51	1,908
Executive Directors Office	1,638	(12)	1,626	32	1,658
Net Cost of Services	14,148	(12,913)	1,235	(37,559)	(36,324)
Other Income and Expenditure	(13,114)	13,900	786	(11,024)	(10,238)
Surplus or Deficit	1,034	987	2,021	(48,583)	(46,562)
Opening General Fund and HRA Balance			(25,784)		
Plus (Surplus) or Less Deficit on General Fund and HRA Balance in Year			2,021		
Closing General Fund and HRA Balance at 31 March			(23,763)		

THE PRIMARY FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

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

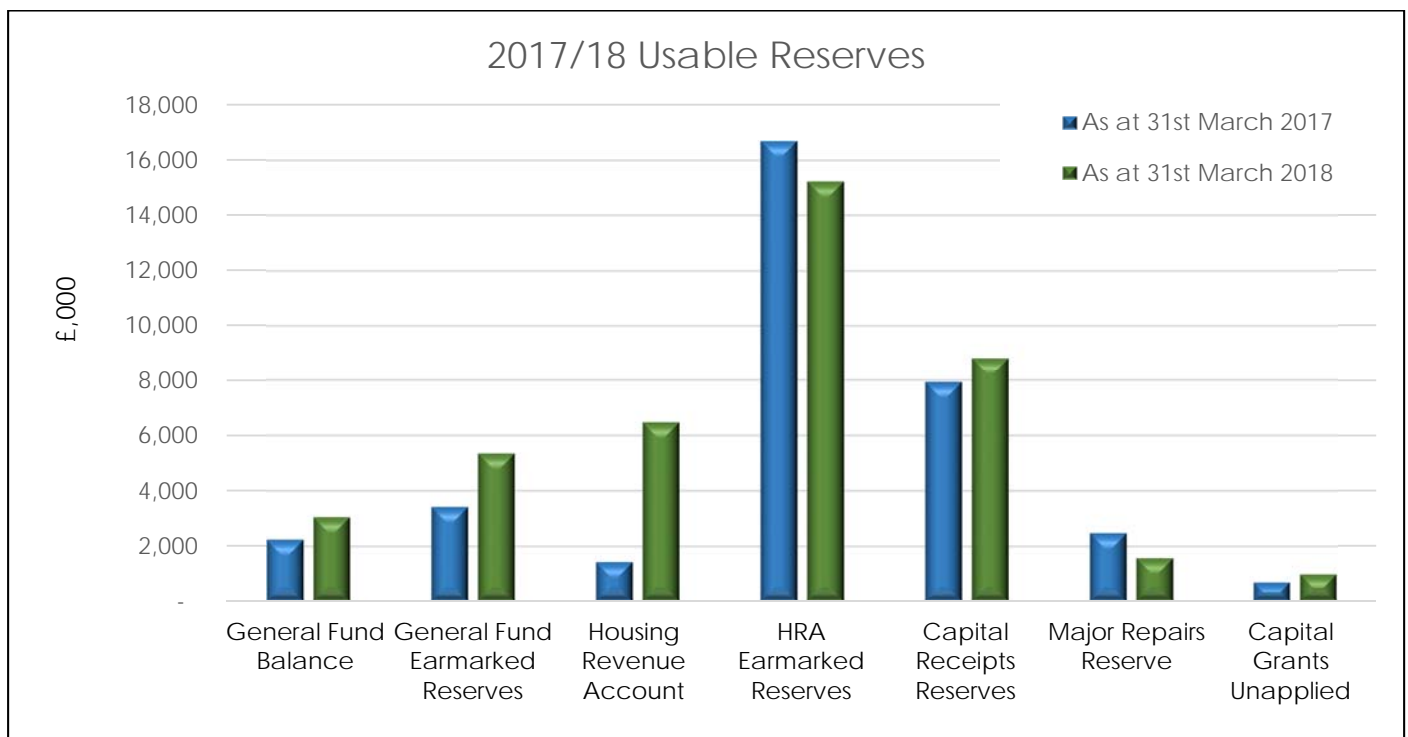
31 st March 2017				31 st March 2018		
Exp £000	Inc £000	Net £000		Exp £000	Inc £000	Net £000
5,332	(2,272)	3,060	Growth and Investment	5,975	(2,531)	3,444
16,583	(9,229)	7,354	Environment and Public Realm	15,334	(10,223)	5,111
2,578	(1,725)	853	Communities and Homes – General Fund	3,556	(2,193)	1,363
6,601	(18,218)	(11,617)	Communities and Homes - HRA	9,862	(17,973)	(8,111)
-	(39,540)	(39,540)	Exceptional item – full stock revaluation & change to regional adjustment factor	-	-	-
22,816	(20,908)	1,908	Corporate Resources	18,645	(17,216)	1,429
1,944	(286)	1,658	Executive Directors Office	2,193	(337)	1,856
55,854	(92,178)	(36,324)	Cost of services	55,565	(50,473)	5,092
		3,197	Other operating expenditure (Note 14)			2,987
		2,746	Financing and investment income and expenditure (Note 15)			2,442
		(16,181)	Taxation and Non-Specific Grant Income and Expenditure (Note 16)			(15,597)
		(46,562)	(Surplus) or Deficit on provision of services			(5,076)
		(268)	(Gains) or Losses on hedging instruments			-
		(10,605)	(Surplus) or Deficit on revaluation of property, plant & equipment (Note 22)			(5,580)
		(58)	(Upwards) or Downward valuation of financial instruments (Note 40)			(81)
		5,091	Re-measurements of the net defined benefit liability (Note 36)			(2,608)
		(5,840)	Other comprehensive income and expenditure			(8,269)
		(52,402)	Total comprehensive income and expenditure			(13,345)

Movement in Reserves Statement

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

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

The following graph shows how the Council's usable reserves have changed during 2017/18.



The reasons for the movement on some of the reserves is as follows:

General Fund Balances and Earmarked Reserves

The General Fund Balance at 31st March 2018 is £3.069m, with £839,000 was added to general balances in 2017/18.

In addition, there was a net transfer of £1.963m to General Fund earmarked reserves in 2017/18, to support General Fund services and mitigate budget volatility, providing a year-end total of £5.372m within earmarked reserves.

Therefore, a total of £8.441m is held in General Fund reserves and balances at year-end.

Details of the £1.963m earmarked reserve transfers can be seen in Note 13.



HRA Revenue Balances and Earmarked Reserves

The HRA revenue balance at 31st March 2018 is £6.493m, increasing by £5.062m during the year. This increase largely relates to the Council's approval on 24th April 2018 for the reallocation of Voluntary Revenue Provision (VRP) for the repayment of debt in 2017/18, in order to supplement HRA revenue resources to prepare for potential pressures concerned with the redevelopment or repair of Biart Place.

In 2017/18 a net total of £1.470m was taken from HRA earmarked reserves, with reserves totalling £15.223m at 31st March.

Therefore, a total of £21.716m is held in HRA reserves and balances at year-end.

Details of the £1.470m earmarked reserve transfers can be seen in Note 13.

Capital Receipts Reserves

The Council sold 25 properties under the Right-to -Buy scheme in 2017/18 generating net receipts (after pooling) of £2.123m which will be utilised to fund replacement properties (up to 30% of cost) in future years. The level of acquisitions is forecast to rise in future years to provide one-for-one replacement subject to market conditions.

Major Repairs Reserve

£884,000 was transferred from this reserve during 2017/18 to finance the final year of a £12m programme for the total door and window replacement of HRA stock. At the end of 2017/18 the balance on this reserve is £1.579m

2017/18	General Fund (GF) Balance	Housing Revenue Account (HRA)	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
Balance at 31 st March 2017	(5,639)	(18,124)	(7,921)	(2,463)	(689)	(34,836)	(126,970)	(161,806)
Movement in reserves during 2017/18								
Total Comprehensive Income & Expenditure	382	(5,458)	-	-	-	(5,076)	(8,269)	(13,345)
Adjustments between accounting basis & funding basis under regulations	(3,184)	1,866	(881)	884	(300)	(1,615)	1,615	-
(Increase) or Decrease in 2017/18	(2,802)	(3,592)	(881)	884	(300)	(6,691)	(6,654)	(13,345)
Balance at 31st March 2018 carried forward	(8,441)	(21,716)	(8,802)	(1,579)	(989)	(41,527)	(133,624)	(175,151)

2016/17	General Fund (GF) Balance	Housing Revenue Account (HRA)	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
Balance at 31 st March 2016	(5,624)	(20,160)	(6,539)	(3,839)	(709)	(36,871)	(72,533)	(109,404)
Movement in reserves during 2016/17								
Total Comprehensive Income & Expenditure	1,326	(47,888)	-	-	-	(46,562)	(5,840)	(52,402)
Adjustments between accounting basis & funding basis under regulations	(1,341)	49,924	(1,382)	1,376	20	48,597	(48,597)	-
(Increase) or Decrease in 2016/17	(15)	2,036	(1,382)	1,376	20	2,035	(54,437)	(52,402)
Balance at 31st March 2017 carried forward	(5,639)	(18,124)	(7,921)	(2,463)	(689)	(34,836)	(126,970)	(161,806)

Balance Sheet

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

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (for example the Revaluation Reserve), where amounts only become available if 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'.

31 st March 2017 £000		Notes	31 st March 2018 £000
229,490	Property, Plant & Equipment	18	235,866
21,753	Heritage Assets	24	22,519
695	Investment Property	19	723
370	Intangible Assets		469
11,834	Long Term Investments	38	20,829
1,066	Long Term Advances	26	52
208	Long Term Debtors	27	163
265,416	Long Term Assets		280,621
33,560	Short term Investments	38	27,856
76	Assets Held for Sale less than 1 year	20	120
171	Inventories		200
5,195	Short Term Debtors	27	5,886
12,386	Cash and Cash Equivalents	29	17,723
51,388	Current Assets		51,785
(19,668)	Short Term Borrowings	38	(38,082)
(9,462)	Short Term Creditors	28	(9,209)
(1,058)	Short Term Provisions	41	(1,504)
(30,188)	Current Liabilities		(48,795)
(82,109)	Long Term Borrowing	38	(61,509)
(40,174)	Net Pension Liability	36	(40,646)
(1,521)	Capital / Revenue Grants Receipts in Advance	17	(3,329)
(1,006)	Long Term Provisions	41	(2,976)
(124,810)	Long Term Liabilities		(108,460)
161,806	Net Assets		175,151
(34,836)	Usable reserves	MIRS	(41,527)
(126,970)	Unusable reserves	MIRS	(133,624)
(161,806)	Total Reserves		(175,151)

Signed		Date	28/07/2018
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These financial statements replace the unaudited financial statements confirmed by Mannie Ketley, CPFA, Head of Corporate Resources and Chief Financial Officer on 28th July 2018.

Cash Flow Statement

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

31 st March 2017 £'000		Notes	31 st March 2018 £'000
46,562	Net surplus or (deficit) on the provision of services		5,076
(26,423)	Adjustment to surplus or deficit on the provision of services for noncash movements		10,528
(6,199)	Adjust for items included in the net surplus or deficit on the provision of services that are investment and financing activities		7,647
13,940	Net Cash flows from Operating Activities	30	23,251
(26,825)	Net Cash flows from Investing Activities	31	(17,447)
8,262	Net Cash flows from Financing Activities	32	(467)
(4,623)	Net increase or (decrease) in cash and cash equivalents		5,337
17,009	Cash and cash equivalents at the beginning of the period	29	12,386
12,386	Cash and cash equivalents at the end of the reporting period	29	17,723

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

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

The Council has adopted the indirect method in 2017/18 (with comparator values for 2016/17). The indirect method is required for Whole of Government Accounts purposes and therefore it is recommended that authorities use this approach to avoid having to prepare the statement twice.



NOTES TO THE ACCOUNTING STATEMENTS

Note 1. Basis for Preparation

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

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

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

General

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Council is required to prepare annual Accounts by the Accounts and Audit Regulations 2015, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

Where material income and expenditure amounts have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

This concept is not applied to electricity and gas supplies and other routine on-going business expenses. However, the Accounts do reflect twelve months' supply in each year and this does not have a material effect on the Accounts.

Fair Value Measurement

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

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

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

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

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

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Normal examples are those of software or software licences, which have a value, but over a fairly short life of 3 –10 years and are therefore written down over that useful life.

Joint Operations

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

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

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

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

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

Overheads and Support Services

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

Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Value Added Tax (VAT)

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

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

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

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

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It includes:

- a single classification approach for financial assets driven by cash flow characteristics and how an instrument is managed
- a forward looking 'expected loss' model for impairment rather than the 'incurred loss' model under IAS 39

The adoption of this new standard could increase the financial risks the Council faces in holding some financial assets that have previously been classified as Available for Sale under the current IAS39 Financial Instruments. Under the existing IAS39 any changes in the valuation of these financial assets have been transferred to and held in an unusable Available for Sale reserve, with no cash impact on the Council's usable reserves and balances. However, under the new IFRS 9, depending on the asset classification, the movement in some of these assets may have to be charged to the General Fund balance. Notably this would impact on the accounting treatment of the Property Funds that the Council has invested £4 million in.

The local authority sector has been lobbying government to provide a statutory override so that these movements will not impact the Council's General Fund balance, but the outcome of this action remains uncertain. Should an over-ride not be granted the Council may be able to take a one-off election to take those losses, or any gains, to an unusable reserve instead. Or alternatively if this is option is not possible, consideration will be given to creating a stability/equalisation reserve from existing gains to mitigate General Fund balance volatility.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations. The core principle in IFRS 15 for local authorities is that they should recognise revenue to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the Council expects to be entitled in exchange for those goods or services.

Other Changes

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

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

Note 4. Critical Judgements in Applying Accounting Policies

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

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

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

The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision for Business Rate Appeals	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	Following a comprehensive assessment of the outstanding business rates appeals at 31 st March 2018, a total provision of £11m was made for potential future appeal refunds. Rugby Borough Council's 40% share of this provision is £4.4m. The effect of a change in the provision is as follows: 25% higher/lower: £1.1m 50% higher/lower: £2.2m
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. Warwickshire County Council utilise consulting actuaries to provide all Warwickshire authorities with expert advice about the assumptions to be applied.	The effect on the pension net liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pension liability of £13.693m. However, the assumptions interact in complex ways and actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term. A sensitivity analysis upon other variables affecting the net liability is set out in Note 36 Pension Costs.

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



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

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There are no Prior Periods Adjustments to disclose in the 2017/18 Accounts.

Note 7. Officers Remuneration

Benefits payable during employment

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

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

Post Holder		Salary, Fees & Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total	Notes
		£	£	£	£	£	
Executive Director	2017/18	93,920	1,020	-	17,840	111,780	
	2016/17	88,440	690	-	13,270	102,400	
Head of Communities & Homes	2017/18	67,920	-	-	13,040	80,960	
	2016/17	63,320	-	-	9,500	72,820	
Head of Corporate Resources	2017/18	67,920	-	-	13,040	80,960	
	2016/17	64,120	190	-	9,480	73,790	
Head of Environment & Public Realm (A)	2017/18	13,900	-	-	2,030	15,930	1
	2016/17	63,320	2,050	-	9,500	74,870	
Head of Environment & Public Realm (B)	2017/18	16,490	-	-	3,170	19,660	2
	2016/17	-	-	-	-	-	
Head of Growth & Investment	2017/18	67,920	-	-	13,040	80,960	
	2016/17	63,320	-	-	9,500	72,820	

Senior Officers served for the whole of 2017/18 and 2016/17 unless as stated:

1. On the 28th May 2017 following a death in service of the Head of Environment & Public Realm (A) the position became vacant and was filled on the 2nd January 2018.
2. Head of Environment & Public Realm (B) commenced service on the 2nd January 2018 following appointment to the position.

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

Remuneration Band	2016/17 Number of employees	2017/18 Number of employees
£50,000 - £54,999	2	1
£55,000 - £59,999	-	-
£60,000 - £64,999	1	-
£65,000 - £69,999	-	1
£70,000 - £74,999	1	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1

The two officers presented in the bandings between £60,000 and £89,000 include compensation payments for the loss of office. These redundancy payments will result in long term savings for the Council.

Termination Benefits

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

Rugby Borough Council terminated the contracts of 10 employees in 2017/18, incurring liabilities of £177,260 (£552,030 in 2016/17). 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	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
£0 - £20,000	-	-	13	7	13	7	£152,470	£61,680
£20,001 - £40,000	-	-	8	2	8	2	£216,400	£64,390
£40,001 - £60,000	1	-	1	1	2	1	£99,510	£51,190
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	1	-	1	-	£83,650	-
Total	1	-	23	10	24	10	£552,030	£177,260



Note 8. Members Allowances

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

2016/17 £		2017/18 £
334,460	Allowances	337,920
5,940	Employers' National Insurance	5,660
12,420	Expenses	11,100
352,820	Total	354,680

Note 9. Deposits in Icelandic Banks

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

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

Glitnir

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

However, an element of the distribution (£446,000) was made in Icelandic Kroner that had been placed in an escrow account Iceland. In June 2017 the Council accepted the Central Bank of Iceland's offer to purchase its assets that were held in Icelandic Kroner. The Council received £610,000, representing a gain of £81,000 against the carrying value of £529,000 at balance sheet date.

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

Landsbanki

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

The Landsbanki administration process was completed in 2013/14.

Note 10. Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Growth and Investment	981	76	-	1,057
Environment and Public Realm	1,441	199	-	1,640
Communities and Homes General Fund	356	87	-	443
Communities and Homes HRA	(40,880)	98	-	(40,782)
Corporate Resources	23	28	-	51
Executive Directors Office	7	25	-	32
Rugby World Cup	-	-	-	-
Net Cost of Services	(38,072)	513	-	(37,559)
Other income and expenditure from the Expenditure and Funding Analysis	(10,553)	1,177	(1,648)	(11,024)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(48,625)	1,690	(1,648)	(48,583)

1) Adjustments for Capital Purposes

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

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

2) Net Change for the Pensions Adjustments

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

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

3) Other Differences

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

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

Note 11. Expenditure and Income Analysed by Nature

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

	2016/17 £000	2017/18 £000
Expenditure		
Employee benefits expenses	17,290	18,539
Other service expenses	36,525	33,605
Depreciation, amortisation, impairment	(37,440)	3,421
Interest payments	2,335	2,245
Net interest on the net defined benefit liability	1,117	1,069
Precepts and levies	715	731
Payments to housing capital receipts pool	497	837
Loss on the disposal of assets	1,983	1,419
Total expenditure	23,022	61,866
Income		
Fees, charges and other service income	(15,453)	(16,632)
HRA dwelling rents	(16,322)	(16,220)
Interest and investment income	(766)	(873)
Income from council tax, non-domestic rates	(10,641)	(10,513)
Government grants and contributions	(26,402)	(22,704)
Total income	(69,584)	(66,942)
(Surplus) or Deficit on the Provision of Services	(46,562)	(5,076)

The key movements can be explained as follows:

- **Depreciation, amortisation, impairment** – the movement is mainly due to the £39.5m exceptional item recorded in the 2016/17 CIES for the full housing stock revaluation & change to regional adjustment factor
- **Fees, charges and other service income** – the £1.2m increase is primarily due to the £900,000 of income that has been received in 2017/18 from the new charged for garden waste service.
- **Other Services expenses and Government grants and contributions** – the reductions on both these lines are primarily due to a reduction in housing benefit payments and related subsidy income in 2017/18 compared to 2016/17. This reduction has occurred due to an increase in claimants being transferred from Housing Benefit to Universal Credit.

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

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

General Fund Balance

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

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

Housing Revenue Account

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2017/18	Usable Reserves				
	General Fund Balances	Revenue Account	Housing Receipts Reserve	Capital Receipts Reserve	Major Repairs Reserve
	£'000	£'000	£'000	£'000	£'000
Amounts involving the Capital Adjustment Account					
Depreciation of non-current assets	(2,453)	(2,868)	-	-	-
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	1,395	1,318	-	-	-
Movements in the fair value of investment properties	28	-	-	-	-
Amortisation of intangible assets	(94)	(57)	-	-	-
Capital grants and contributions applied	707	-	-	-	-
Revenue expenditure funded from capital under statute	(661)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(24)	(3,648)	-	-	-
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	1,737	-	-	-	-
Capital expenditure charged against revenue balances	299	1,662	-	-	-
Adjustments involving the Capital Grants Unapplied Account					
Interest credited to Section 106's	1	-	-	-	(1)
Capital grants and contributions unapplied credited to the CIES	362	-	-	-	(362)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	63
Adjustments involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or (loss) on disposal/unattached receipts to the CIES	47	2,206	(3,253)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	535	-	-
Capital Receipts set aside for repayment of Local Authority Mortgage Scheme (LAMS)	-	-	1,000	-	-
Contribution from the Capital Receipts Reserve to finance payments to the government capital receipts pool	(837)	-	837	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-
Adjustments involving the Major Repairs Reserve (MRR)					
Interest credited to MRR	18	-	-	(18)	-
Reversal of Major Repairs Allowance credited to the HRA	-	3,790	-	(3,790)	-
Use of the MRR to finance new capital expenditure	-	-	-	4,692	-
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits	(4,633)	(923)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	2,090	386	-	-	-
Adjustments involving the Collection Fund Adjustments Account					
Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements	(1,166)	-	-	-	-
Adjustments involving Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
Total Adjustments	(3,184)	1,866	(881)	884	(300)

2016/17	Usable Reserves				
	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Amounts involving the Capital Adjustment Account					
Depreciation of non-current assets	(2,165)	(2,703)	-	-	-
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(457)	43,601	-	-	-
Movements in the fair value of investment properties	-	-	-	-	-
Amortisation of intangible assets	(136)	(69)	-	-	-
Capital grants and contributions applied	724	51	-	-	-
Revenue expenditure funded from capital under statute	(606)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(9)	(4,121)	-	-	-
Statutory provision for the financing of capital investment	1,215	6,453	-	-	-
Capital expenditure charged against revenue balances	266	1,014	-	-	-
Adjustments involving the Capital Grants Unapplied Account					
Interest credited to Section 106's	2	-	-	-	(2)
Capital grants and contributions unapplied credited to the CIES	24	-	-	-	(24)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	46
Adjustments involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain or (loss) on disposal/unattached receipts to the CIES	43	2,103	(2,146)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	267	-	-
Capital Receipts set aside for repayment of Local Authority Mortgage Scheme (LAMS)	-	-	-	-	-
Contribution from the Capital Receipts Reserve to finance payments to the government capital receipts pool	(497)	-	497	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-
Adjustments involving the Major Repairs Reserve (MRR)					
Interest credited to MRR	31	-	-	(31)	-
Reversal of Major Repairs Allowance credited to the HRA	-	3,893	-	(3,893)	-
Use of the MRR to finance new capital expenditure	-	-	-	5,301	-
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits	(3,500)	(582)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	2,109	284	-	-	-
Adjustments involving the Collection Fund Adjustments Account					
Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements	1,615	-	-	-	-
Adjustments involving Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
Total Adjustments	(1,341)	49,924	(1,382)	1,376	20

Note 13. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2017/18.

	Balance at 1 st April 2016 £'000	Transfers Out 2016/17 £'000	Transfers in (-) 2016/17 £'000	Balance at 31 st March 2017 £'000	Transfers Out 2017/18 £'000	Transfers in (-) 2017/18 £'000	Balance at 31 st March 2018 £'000
Business Rates Equalisation Reserve	(1,353)	914	-	(439)	-	(846)	(1,285)
Budget Stability Reserve	(141)	259	(192)	(74)	-	(464)	(538)
Carry Forward Reserve	-	-	-	-	-	(354)	(354)
Section 106 (Developer Contributions)	(1,508)	111	(36)	(1,433)	179	(35)	(1,289)
New Homes Bonus Reserve	(70)	70	-	-	-	-	-
Revenue Grants & Contributions from 3 rd Parties	(202)	46	(386)	(542)	216	(546)	(872)
Hall of Fame Reserve	-	-	(300)	(300)	-	-	(300)
Works Services Unit Operational Reserve	(107)	35	(55)	(127)	-	-	(127)
Other smaller reserves	(376)	83	(201)	(494)	102	(215)	(607)
Total GF Earmarked Reserves	(3,757)	1,518	(1,170)	(3,409)	497	(2,460)	(5,372)
Housing Repairs Account	(631)	3,007	(3,330)	(954)	-	(135)	(1,089)
Capital Investment Balances	(16,701)	1,014	-	(15,687)	1,662	-	(14,025)
Sheltered Accommodation	-	-	(52)	(52)	-	(57)	(109)
Total HRA Earmarked Reserves	(17,332)	4,021	(3,382)	(16,693)	1,662	(192)	(15,223)

Earmarked Reserves

Business Rates Equalisation Reserve

This reserve was established in 2013/14 in order to allow mitigation of fluctuations in the business rates base and resultant income. £846,000 has been added to this reserve in 2017/18, leaving a balance of £1.285m.

The Council's share of the Collection Fund deficit on collection of business rates for 2017/18 was £1.055m, the balance on this reserve can be used to fund this deficit when it is charged to the General Fund in 2019/20.



Budget Stability Reserve

This was also created in 2013/14 to allow short term contributions towards balancing the budget. 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 underspends arise.

£200,000 was contributed in relation to the overachievement of planning fee income, whereas the other £264,000 related to a planned budgeted contribution to the reserve.

Carry Forward Reserve

This is a new reserve, introduced in 2017/18, to hold the balances of underspent General Fund revenue budgets that will be requested for approval from members to be carried forward in to the new financial year. This allows the earmarking of these funds to be spent in the forthcoming financial year and aids the smoothing of volatility in General Fund balances.

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 & Contributions from 3rd Parties

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

Hall of Fame Reserve

The cost of the works to install the World Rugby Hall of Fame and reconfigure the entrance foyer and atrium was £1.2m. The Council has a four-year licence for the operation of the Hall of Fame from 2016/17 to 2020/21. However, this capital outlay will be financed from revenue budgets in the form of four £300,000 Minimum Revenue Provision (MRP) payments from 2017/18 to 2021/22, resulting in a timing difference between the operational budgets and financing requirements. To address this difference, £300,000 was contributed to an earmarked reserve in 2016/17 to give a more accurate reflection of the Hall of Fame's financial performance for the year within the service's revenue budget. This £300,000 balance will be maintained until 2020/21 when it will be called upon to meet the final MRP instalment.

Works Services Unit Operational Reserve

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

Other Smaller Reserves e.g. Plant & Equipment Reserves

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

Housing Repairs Account and HRA Capital Investment Balances

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

Note 14. Other Operating Expenditure

2016/17 £'000		2017/18 £'000
715	Parish council precepts	731
497	Payments to the government housing capital receipts pool	837
(43)	Other income – unattached receipts	(89)
2,028	Gains / losses on the disposal of non-current assets	1,508
3,197	Total	2,987

Note 15. Financing and Investment Income and Expenditure

2016/17 £'000		2017/18 £'000
2,322	Interest payable and similar charges	2,245
1,177	Net interest on the net defined benefit liability	1,069
(718)	Interest receivable and similar income	(714)
(47)	Income and expenditure in relation to investment properties and changes in their fair value	(78)
12	Loss on forward contract	-
-	Gain / impairment of financial assets	(81)
2,746	Total	2,442

The £81,000 gain on financial assets relates to the gain realised on the disposal of Icelandic banking assets. See Note 9 for further details.

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

2016/17 £'000		2017/18 £'000
(6,850)	Council tax income	(7,151)
(17,561)	Retained business rates	(15,757)
13,770	Business rates tariff payment	12,395
(5,296)	Non-ringfenced government grants	(4,642)
(244)	Capital grants and contributions	(442)
(16,181)	Total	(15,597)

Note 17. Grant Income

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

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

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

Rugby Borough Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	1,098	511
New Homes Bonus	3,221	2,671
Business Rates Section 31 Grants	531	1,082
Other Non-Specific Revenue Grants	446	378
Revenue grants	5,296	4,642
Section 106 Capital Funding	1	362
Woodland Trust	-	68
Local Public Service Agreement Property Purchases Funding	55	-
Play Areas Contribution from SitaTrust	80	-
Play Areas Contribution from Veolia Environmental Trust	52	-
Play Areas Contribution from WREN Community Action Fund	50	-
Other grants (Less than £25,000)	6	13
Capital grants and contributions	244	443
Total Grants Credited to Taxation and Non-Specific Grant Income	5,540	5,085

	2016/17 £'000	2017/18 £'000
Credited to Services		
Department for Work and Pensions (DWP) - Housing Benefits Rent Allowances Subsidy	10,691	8,420
DWP - Housing Benefits Rent Rebates Subsidy	8,677	7,356
DWP- Trailblazer Homelessness Early Intervention Prevention	285	280
DWP - Discretionary Housing Allowance Subsidy	112	141
DWP – Local Authority Data Share	26	-
Ministry of Housing, Communities and Local Government (MHCLG) - Preventing Homelessness	67	27
The Cabinet Office - Individual Electoral Registration	46	58
Warwickshire Police & Crime Commissioner - Safer and Stronger Communities	35	30
Sport England ESC Lottery Grant	29	-
Warwickshire County Council Partnership Grant for Green Waste Collection	25	-
MHCLG- Custom Build Grant	-	30
MHCLG- Flexible Homelessness Support Grant	-	150
DWP Universal Credit Additional Management Support	-	85
Walsall Council – ASH Project	-	121
Universal Credit Support – New Burdens	-	39
Other Revenue Grants (Less than £25,000)	182	144
Other Section 106 Revenue Funding	131	113
Revenue Grants and Contributions	20,306	16,994
MHCLG - Disabled Facilities Grant	493	31
Section 106 Capital Funding	63	596
Capital Grants and Contributions	556	627
Total Grants Credited to Services	20,862	17,621

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:

	2016/17 £'000	2017/18 £'000
Revenue Section 106 Funding	704	851
Amounts Held in Perpetuity / Specific Reasons	145	145
Dept. Energy & Climate Change - District Heating Network	33	-
Other Revenue grants (Less than £25,000)	57	27
Revenue Receipts Held in Advance	939	1,023
Capital Section 106 funding	582	2,243
Play Area Contributions – Veolia Environmental Trust	-	60
Other Capital grants (Less than £25,000)	-	4
Capital Receipts Held in Advance	582	2,307
Total Receipts Held in Advance	1,521	3,330

Note 18. Property Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

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

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

Impairment

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

Subsequent Expenditure on Property Plant and Equipment

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

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and
- The cost of the item can be measured reliably.

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

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

Disposals

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

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

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

Valuations

Council dwellings have been included on the basis of their valuation by an external professional valuer, Mr A George (MRICS) of George & Company Chartered Surveyors, as at 1st April 2016. All valuations (formal and desktop) are carried out on a 5-year rolling programme basis in accordance with the Guidance on Stock Valuation for Resource Accounting (the Valuation Guidance).

In addition, as per last year, a desktop review was carried out in 2017/18 using house price indexation for the West Midlands to assess any general market changes in value. The result was an increase in value of approximately £8.8m. This approach was reviewed by Mr A George (MRICS) of George & Company Chartered Surveyors, whose own data suggests a similar result to the increase in values at a local level. Further to the potential issue with the varying shifts in value between flats and houses highlighted in previous years, Mr George notes that over the year the values between the different housing styles have again remained at a comparative level.

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

In January 2018 Mr Mawson valued a number of properties for 2017/18 totalling £18.6m giving a land and buildings split, an estimated useful life and assuming a residual value for depreciation purposes. A further programme of valuations will continue in 2018/19 to maintain the revised four-year rolling programme.

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

In addition to land and buildings noted previously, Mr Mawson was also asked to review and confirm that the carrying value of all other land and buildings at the 31st March 2018 did not differ materially from the fair value of those assets at the end of the reporting period.

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

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

2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
At 1 st April 2016	131,161	31,786	11,500	5,761	798	5,624	707	187,337
Additions	5,743	363	1,363	294	46	2	615	8,426
Derecognition – disposals	(1,482)	-	(254)	(2)	-	-	-	(1,738)
Derecognition - componentisation	(2,635)	-	-	-	-	-	-	(2,635)
Reclassification	(174)	647	-	-	-	-	(647)	(174)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	10,459	144	-	-	-	-	-	10,605
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	41,946	(1,661)	-	-	-	-	-	40,285
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 st March 2017	185,018	31,279	12,609	6,053	844	5,626	675	242,104
Depreciation and impairments								
At 1 st April 2016	(1,868)	(1,340)	(6,815)	(1,312)	(20)	(3)	-	(11,358)
Charge for 2016/17	(2,633)	(471)	(1,068)	(302)	-	(4)	-	(4,478)
Derecognition – disposals	21	-	243	1	-	-	-	265
Reclassification	3	-	-	-	-	-	-	3
Depreciation written out to the Surplus / Deficit on the Provision of Services due to revaluation	1,854	1,100	-	-	-	-	-	2,954
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
At 31 st March 2017	(2,623)	(711)	(7,640)	(1,613)	(20)	(7)	-	(12,614)
Balance Sheet at 31 st March 2017	182,395	30,568	4,969	4,440	824	5,619	675	229,490

	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	-	15	-	-	-	15	9,986	10,001
Valued at current cost in:								
2017/18	188,401	17,408	55	723	120	206,707	-	206,707
2016/17	-	8,735	-	-	-	8,735	-	8,735
2015/16	-	1,872	5,203	-	-	7,075	-	7,075
2014/15	-	3,850	-	-	-	3,850	89	3,939
2013/14	-	-	-	-	-	-	249	249
Total	188,401	31,880	5,258	723	120	226,382	10,324	236,706

The statement shows the progress of the Council's rolling programme for the revaluation of current assets. The Council's housing stock was revalued as at 1st April 2016 by George & Co. Surveyors, although a desktop exercise has been undertaken in 2017/18 by George & Co. Surveyors to restate the asset values in light of market conditions.

Note 19. Investment Properties

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

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

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

Fair Value Hierarchy

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

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

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

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

The following table shows the net movement in the fair value of investment properties over the 2017/18.

	2016/17	2017/18
	£'000	£'000
Balance at start of the year	695	695
Net gains/(losses) from fair value adjustments	-	28
Balance of end the year	695	723

Note 20. Assets Held for Sale

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

	2016/17	2017/18
	£'000	£'000
Balance outstanding at start of year	23	76
Revaluation (losses)/gains	(95)	31
Assets sold	(23)	(56)
Reclassification	171	69
Balance outstanding at year-end	76	120

Note 21. Capital Expenditure and Financing

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

Government Grants and Contributions

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

Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be funded from capital financing sources under statutory provisions, but does not result in the creation of non-current assets for the Council is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. In the main this relates to expenditure on Disabled Facilities Grants and other Home Improvement Loans. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund or HRA Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

Minimum Revenue Provision (MRP)

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

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

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require local authorities to approve an MRP policy at the beginning of each financial year on setting aside a sum of money from revenue for the repayment of principal on outstanding debt. During 2015/16 the Council approved a policy such that, for capital expenditure incurred before 1st April 2008, the MRP is based on 2% straight-line method of the Council's Capital Financing Requirement for the General Fund. For General Fund capital expenditure incurred after 1st April 2008, the MRP is based upon the asset life – equal instalments of principal method where the financing was provided by borrowing.

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

Capital commitments

There were no capital commitments as at 31st March 2018. Capital commitments as at 31st March 2017 amounted to £4.0m for doors and window replacement.

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement (CFR)	91,503	86,630
Capital Investment:		
Property, Plant, and Equipment	8,427	7,860
Heritage Assets	1,285	85
Intangible Assets	147	192
Revenue Expenditure Funded from Capital under Statute	606	661
Capital Investment Total	10,465	8,798
Sources of Financing:		
Capital Receipts	(267)	(535)
Government Grants & Other Contributions	(822)	(770)
Sums Set Aside from Revenue	(1,280)	(1,961)
Earmarked Reserves	(5,301)	(4,692)
Capital Receipts set aside for repayment of Local Authority Mortgage Scheme (LAMS)	-	(1,000)
Minimum Revenue Provision / Voluntary Revenue Provision	(7,668)	(1,737)
Financing Total	(15,338)	(10,695)
Closing Capital Financing Requirement (CFR)	86,630	84,733
Explanation of movements in year:		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(4,873)	(1,897)
Increase / (decrease) in Capital Financing Requirement	(4,873)	(1,897)

Note 22. Revaluation Reserve

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

2016/17 Total £'000		General Fund £'000	HRA £'000	2017/18 Total £'000
(29,288)	Balance as at 1 st April	(28,218)	(11,118)	(39,336)
(10,670)	Upward revaluation of assets	(2,876)	(4,391)	(7,267)
67	Downward revaluation of assets & impairment losses not charged to the Surplus / Deficit on the Provision of Services	1,626	61	1,687
(39,891)	Surplus on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(29,468)	(15,448)	(44,916)
413	Difference between fair value depreciation and historical cost depreciation	339	166	505
142	Accumulated gains on assets sold or scrapped	-	131	131
(39,336)	Balance as at 31 st March	(29,129)	(15,151)	(44,280)

Note 23. Capital Adjustment Account

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

2016/17 £'000		2017/18	
		£'000	£'000
(78,211)	Balance as at 1 st April		(127,439)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,165	General Fund charges for depreciation of non-current assets	2,453	
2,703	HRA charges for depreciation of non-current assets	2,868	
(43,144)	Revaluation and impairment loss: Property, Plant and Equipment	(2,713)	
205	Amortisation of intangible assets	151	
606	Revenue expenditure funded from capital under statute	661	
4,130	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	3,672	
(33,335)			7,092
(555)	Adjusting amounts written out of the Revaluation Reserve		(636)
(112,101)	Net written out amount of the cost of non-current assets consumed in the year		(120,983)
	Capital financing applied in the year:		
(267)	Use of the Capital Receipts Reserve to finance new capital expenditure	(535)	
(1,280)	Capital expenditure charged against the General Fund & HRA balances	(1,961)	
(5,301)	Use of the Major Repairs Reserve to finance new capital expenditure	(4,692)	
(822)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(770)	
(7,668)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,737)	
(15,338)			(9,695)
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(28)
(127,439)	Balance at 31 st March		(130,706)

Note 24. Heritage Assets

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

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

The Code requires councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex. Where it is not practical to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the financial statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

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

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

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

	Intangibles £'000	Art & Social History Collections £'000	Monuments & Statues £'000	Historic Sites / Buildings £'000	Civic Regalia £'000	Total Assets £'000
Cost or valuation						
1 st April 2016	-	4,123	685	15,954	95	20,857
Additions	1,216	-	-	69	-	1,285
Revaluations	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(114)	-	-	(275)	-	(389)
31 st March 2017	1,102	4,123	685	15,748	95	21,753
Cost or valuation						
1 st April 2017	1,102	4,123	685	15,748	95	21,753
Additions	-	38	-	47	-	85
Revaluations	3	1,142	-	-	120	1,265
Reclassifications	-	-	-	-	-	-
Depreciation	(305)	-	-	(279)	-	(584)
31 st March 2018	800	5,303	685	15,516	215	22,519

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. During 2017/18 the art & social history collections and the civic regalia were valued for insurance purposes by external & internal valuers. During 2015/16 historic sites, principally the Great Central Walk bridges, were assessed for insurance purposes by council engineers on the basis of re-instatement costs, leading to a revaluation of £15.754m. These assets had previously been reported in the balance sheet at historic cost.

Additions and Disposals of Heritage Assets

Additions in the year were £85,000 including acquisitions to The Rugby Art Collection of works by Lubaina Himid and Claudette Johnson.

Art Collections

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

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

The Rugby Art Collection

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

The Social History Collection

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

The Redding Collection

The Redding Collection of glass plate negatives came to Rugby Museum following the closure of a local photographic business. It contains around 25,000 glass plate negatives, mostly from the 1950s and 1960s, many of them portraits and a significant number representing the immigrant communities in the borough. The collection is not on display as it is vulnerable; the content will be made accessible to the public following a digitisation programme.



Monuments & Statues

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

Historic Sites / Buildings

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

Civic Regalia

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

Intangibles

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

Note 25. Leases

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

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

The Council as a Lessee

Finance leases

The Council has acquired the Land at Brownsover for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31st March 2018. At inception, no upfront premium was payable and the minimum lease payment of "one peppercorn" has not been charged.

Operating Leases

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

The Council holds a limited number of operating leases, mainly relating to the lease of 26 photocopiers with an annual rental of £23,140 and also lease land at Hillmorton Road for the purpose of a public recreation ground with a rental of "one peppercorn" per annum.

The Council as Lessor

Finance leases

The Council as lessor did not hold any finance leases in 2017/18.

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 st March 2017 £'000	31 st March 2018 £'000
Not later than one year	84	91
Later than 1 year and not later than 5 years	142	171
Later than 5 years	1,614	1,591
	1,840	1,853

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2017/18 no contingent rents were receivable by the Council.

Note 26. Long Term Advances – Loans Outstanding

	Balance at 31 st March 2017 £'000	Advances £'000	Amounts Repaid £'000	Balance at 31 st March 2018 £'000
Local Authority Mortgage Scheme	1,011	-	(1,011)	-
Loans for the Purchase and Improvement of Private Dwellings	32	-	-	32
Repossession Fund	3	-	(3)	-
Local Capital Finance Company	20	-	-	20
	1,066	-	(1,014)	52

Note 27. Debtors (amounts due to the Council)

Net 1 st April 2017 £'000		Debt £'000	Bad Debt Provision £'000	Net 31 st March 2018 £'000
	Amounts due within one year			
434	Central government bodies	350	-	350
1,114	Other local authorities (Inc. Police)	1,607	-	1,607
14	Homelessness	77	(43)	34
463	Rent payers	1,033	(514)	519
286	Council tax payers	348	(28)	320
205	Non-domestic rate payers	481	(92)	389
1,362	Housing Benefit overpayments	2,342	(1,162)	1,180
1,317	Other entities and individuals	1,516	(29)	1,487
5,195		7,754	(1,868)	5,886
	Amounts due in more than one year			
130	Employee vehicle loans	85	-	85
78	Work in default	78	-	78
208		163	-	163
5,403	Total	7,917	(1,868)	6,049

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

As at 31 st March 2017 £'000		As at 31 st March 2018 £'000
285	HM Revenue and Customs (HMRC)	272
3,909	Other central government bodies	4,161
2,566	Other local authorities (Inc. Police)	2,619
195	Rent payers	225
93	Council tax payers	88
2,414	Other entities and individuals	1,844
9,462	Total	9,209

The overall creditor balance has reduced slightly between 2016/17 and 2017/18. The largest balances are for amounts owed to central government bodies and other local authorities at the end of 2017/18, this is largely due to the year-end deficit on the collection of business rates as recorded in the Collection Fund.

Note 29. Cash and Cash Equivalents

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

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

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

2016/17 £'000		2017/18 £'000
(475)	Cash held / (overdrawn) by the Council	(4)
-	Bank current accounts	-
12,861	Money Market Funds	17,727
12,386	Total	17,723

Note 30. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

31 st March 2017 £'000		31 st March 2018 £'000
642	Interest received	439
(1,583)	Interest paid	(2,150)
-	Dividends received	-

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

31 st March 2017 £'000		31 st March 2018 £'000
4,868	Depreciation	5,321
(43,144)	Impairment and downward valuations	(2,712)
(190)	Amortisation	151
-	Increase/(decrease) in impairment for bad debts	-
5,634	Increase/(decrease) in creditors	(2,061)
(171)	(increase)/decrease in debtors	637
(63)	(increase)/decrease in inventories	(29)
1,689	Movement in pension liability	3,080
4,130	Carrying amount of non-current assets and non-current assets held for sale, sold or recognised	3,672
444	Other non-cash items charged to the net surplus or deficit on the provision of services	2,469
(26,423)		10,528

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

31 st March 2017 £'000		31 st March 2018 £'000
(1)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	10,968
(2,140)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,238)
(3,987)	Any other items for which the cash effects are investing or financing cash flows	(1,083)
(6,128)		7,647

Note 31. Cash Flow Statement – Investing Activities

31 st March 2017 £'000		31 st March 2018 £'000
(9,504)	Purchase of property, plant and equipment, investment property and intangible assets	(8,544)
(64,129)	Purchase of short-term and long-term investments	(90,362)
	Other payments for investing activities	73
2,140	Proceeds from the sale of property, plant, and equipment, investment property and intangible assets	2,238
43,572	Proceeds from short-term and long-term investments	76,379
1,096	Other receipts from investing activities	2,769
(26,825)	Net cash flows from investing activities	(17,447)

Note 32. Cash Flow Statement – Financing Activities

31 st March 2017 £'000		31 st March 2018 £'000
15,100	Cash receipts of short and long-term borrowing	28,000
3,156	Other receipts from financing activities	79
(10,000)	Repayments of short and long-term borrowing	(30,200)
6	Other payments for financing activities	1,654
8,262	Net cash flows from financing activities	(467)

Note 33. Trading Operations

Rugby Borough Council has a number of services that operate in a commercial environment and the service manager is required to balance their budget by generating income. Details of those units with a significant turnover or deficit in 2017/18 are as follows:

2016/17 (Surplus) / Deficit	Service	Expenditure	Income	2017/18 (Surplus) / Deficit
£'000's		£'000s	£'000s	£'000s
(116)	Trade waste	816	(996)	(180)
(152)	Crematorium	652	(821)	(169)
(252)	Car parking	304	(585)	(281)
108	Benn Hall	341	(280)	61
10	Lifeline – home alarm service	88	(140)	(52)
(402)	Total			(621)

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

Note 34. External Audit Costs

In 2017/18 Rugby Borough Council incurred the following fees relating to external audit and inspection:

	2016/17 £'000	2017/18 £'000
Fees payable to the appointed auditor, Grant Thornton, regarding external audit services	55	55
Fees payable to the appointed auditor, Grant Thornton for the certification of grant claims and returns	7	9
Fees payable in respect of other services provided by, Grant Thornton during the year	3	3
Total	65	67

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

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

Note 35. Related Party Transactions

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

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Notes 16 and 17. Amounts outstanding at the end of the financial year are included in Notes 27 and 28.

Council Members and Chief Officers

Based on existing key data sources, no material related party transactions have been identified amongst either the members or chief officers. Declarations are made under section 81 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001. The following sources make up the Council's core elements for managing the risk of Fraud, Bribery and Corruption and are:

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

Senior council officers remuneration paid during 2017/18 is set out in Note 7; Councillors allowances are stated in Note 8.

During 2017/18, Six Borough Councillors were also Warwickshire County Councillors (Cllr Peter Butlin; Cllr Heather Timms; Cllr Jill Simpson-Vince; Cllr Jerry Roodhouse; Cllr Maggie O'Rourke and Cllr Howard Roberts).

In addition to their normal involvement on various council committees, most members and some senior officers and staff also act as the Council's representative on a wide range of outside and voluntary bodies – some such representation follows from their committee memberships.

A list of representatives relevant to 2017/18 was approved at the Annual Meeting of the Council on 18th May 2017.

A total of £185,000 grants were awarded to voluntary organisations in 2017/18, of which £85,000 was paid to voluntary organisations in which 4 members had an interest. All payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments.

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



Other Public Bodies (subject to control by Central Government)

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

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. WCC is the administering authority for the Pension Fund and employer's contributions paid by this Council total £2.476m for 2017/18.

£30,000 of grant was received from the Office of The Police and Crime Commissioner for Warwickshire to fund various Community Safety Projects across the Rugby Borough.

Parish Precepts

For 2017/18 the precepts issued to parish councils totalled £731,000

West Midlands Combined Authority

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

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

In 2017/18 Rugby Borough Council paid the WMCA a £21,000 contribution to help fund its programmes and initiatives.

Shared Service Arrangements with Nuneaton and Bedworth Borough Council (NBBC)

The Council is part of a shared Procurement Service with NBBC, where NBBC is the lead authority. In 2017/18 £33,000 was contributed by Rugby Borough Council to the scheme.

The Council is also operating a shared service with Nuneaton and Bedworth Borough Council on information management, which includes the new statutory Data Protection Officer appointment consequence of the new data protection regulations. The partnership also covers advice and support relating to Freedom of Information and the Environmental Information Regulations. £6,000 was received for this service in 2017/18.

Further shared officer agreements are in place with Nuneaton & Bedworth Borough Council where the Council contributes to the shared salary costs to provide IT training and support. In 2017/18 £15,000 was contributed by Rugby Borough Council to the training officer costs. A shared officer agreement is in place with Nuneaton and Bedworth Borough Council where the Council shares a member of IT staff to provide Civica APP Support and Development. In 2017/18 £20,000 was paid to by Rugby Borough Council for providing this service.

Shared Building Control Service

The Council is part of a shared Building Control Service with Warwick District Council and Daventry District Council who host and provide the Building Control Service. In 2017/18 £58,000 was contributed into the scheme.



HEART Partnership

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

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

Rugby Borough Council contributed £596,000 to the partnership in 2017/18 predominantly funded via its Disabled Facilities Grant allocation for the year of £539,000

Warwickshire Together Homelessness Early Intervention Project

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

Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2017/18; these are mainly local government associations or local groups that the Council supports with grant aid and advice. Examples include the Local Government Association, West Midlands Local Government Association, Rugby First, Rugby Citizens Advice Bureau, Rugby Age Concern and Rugby Business Improvement District (BID) Company. The majority of individual transactions may be material for the recipient organisations but are relatively immaterial in financial terms for this organisation.

Rugby First Ltd - BID Division

As Growth & Investment Portfolio Holder, Cllr Mrs Timms and as Environment & Public Realm Portfolio Holder, Cllr Lisa Parker, are on the Board of Rugby First Limited. An amount of £1.057m was paid to the BID Company in 2017/18 of which £571,000 related to the collection of BID levy income, the remaining £485,000 was paid to the BID Company to provide a CCTV Monitoring and Town Centre Management Service.

Rainsbrook Crematorium

Rainsbrook Crematorium Rainsbrook Crematorium is a joint project between Rugby Borough Council and Daventry District Council. The Crematorium is operated by Rugby Borough Council's bereavement services team on behalf of a joint committee which represents both authorities. Each council has an equal share in the entity. Rugby Borough Council paid £162,000 to Daventry District Council in 2017/18 in relation to their share of the annual operating surplus.

Queen's Diamond Jubilee Centre

The Queen's Diamond Jubilee Centre is owned by Rugby Borough Council and is operated by Greenwich Leisure Ltd (GLL). Rugby Borough Council funded £204,000 in capital charges and received £315,000 from GLL for the annual contract fee and profit share as per the contract agreement in 2017/18.

The Hall of Fame – World Rugby

The Hall of Fame is a partnership between World Rugby Ltd and Rugby Borough Council. In 2016/17, Rugby Borough Council spent £1.200m capital expenditure to underwrite the construction and implementation of the Hall of Fame project in 2016/17, in return for a four-year license to operate the Hall of Fame.

Note 36. Pension Costs

Pension Benefits

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

Participation in pension schemes

Rugby Borough Council participates in two post-employment schemes:

- **The Local Government Pension Scheme (LGPS)**, which is administered locally by Warwickshire County Council – this is a funded defined benefit career average salary scheme, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2017/18 the Council paid an employer's contribution total of £2.353m, which represented 21.53% of employees' pensionable pay of £10.931m into the Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations and the current rate was determined by the latest valuation undertaken up to 31st March 2016.
- **discretionary post-retirement benefits** upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. In 2017/18 the cost of the added years benefit awarded in the past amounted to £123,000 representing 1.13% of pensionable pay.

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

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

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arise on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Market quoted investments – current bid price on the final day of the accounting period
 - Fixed interest securities – net market value based on their current yields
 - Unquoted investments – professional estimate

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

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

Transactions relating to Post-Employment Benefits

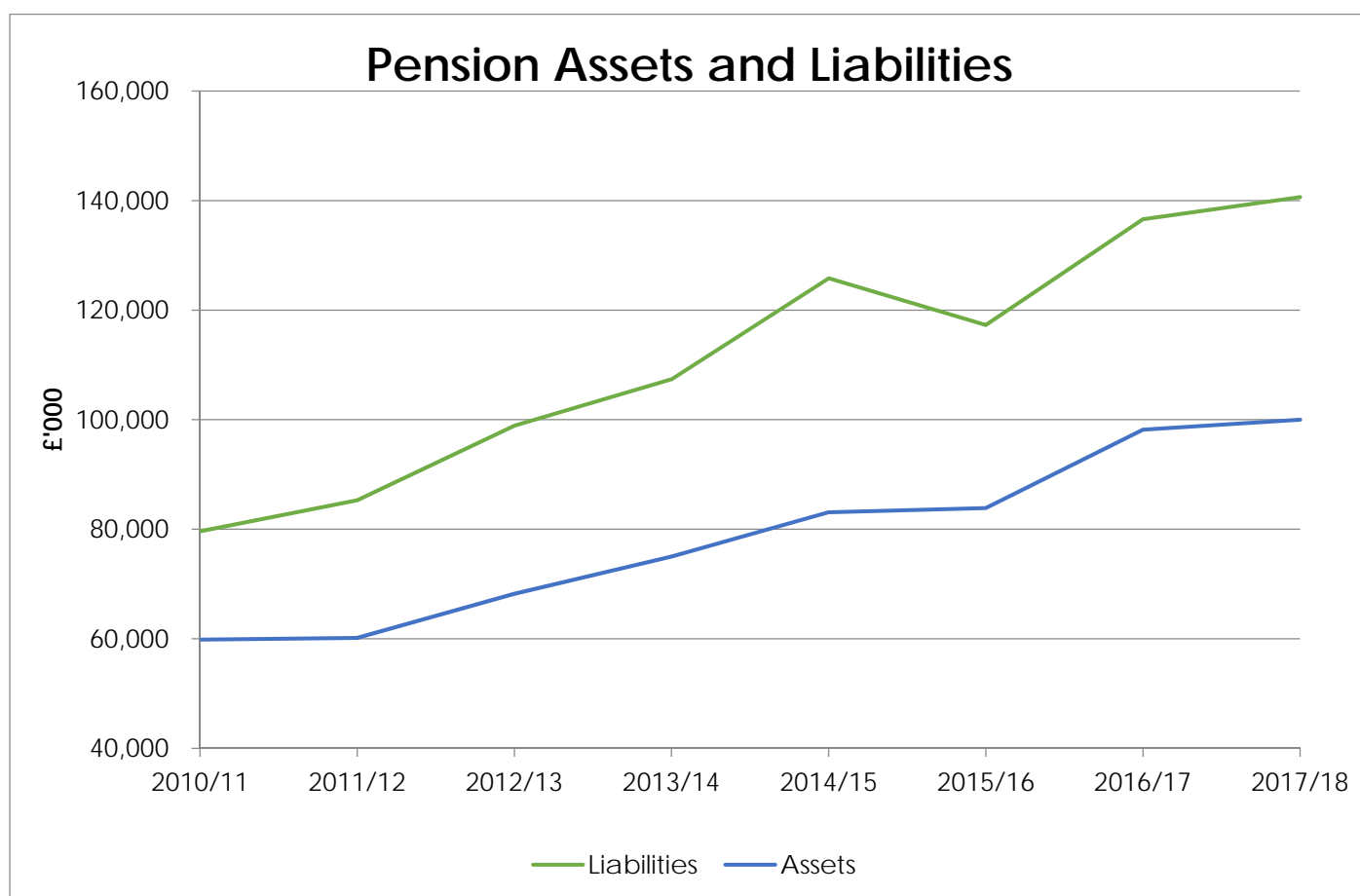
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax and HRA rents is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
• Current Service Costs	2,831	4,416	-	-
• Past Service Costs	74	70	-	-
<i>Financing and Investment Income and Expenditure</i>				
• Net Interest Expense	1,118	1,025	59	44
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,023	5,511	59	44
<i>Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Re-measurement of the net defined benefit liability comprising:				
• Actuarial gains and losses arising on changes in demographic assumptions	(1,355)	-	(22)	-
• Actuarial gains and losses arising on changes in financial assumptions	19,638	(2,501)	60	(4)
• Other experience	(750)	-	43	(48)
• Return on Plan Assets (excluding the amount included in the net interest expense)	(12,523)	(54)	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	9,033	2,956	140	(8)
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	(4,023)	(5,111)	(59)	(44)
<i>Actual amount charged against the General Fund and HRA Balances for Pensions in the year:</i>				
• Employer's contributions payable to the scheme	2,263	2,353	-	-
• Retirement benefits payable to pensioners	-	-	130	123

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	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Present Value of the Defined Benefit Obligation	(136,585)	(139,004)	(1,769)	(1,638)
Fair Value of Plan Assets	98,180	99,996	-	-
Net Liability Arising from the Defined Benefit Obligation	(38,405)	(39,008)	(1,769)	(1,638)



The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total net liability of £40.646m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

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

	2016/17 £'000	2017/18 £'000
Opening Balance at 1 st April	83,870	98,180
Interest Income on Plan Assets	2,914	2,541
Return on Plan Assets, excluding the amount included in the net interest expense	12,523	54
Contributions from Employer	2,393	2,476
Contributions from Scheme Participants	708	695
Benefits Paid	(4,228)	(3,950)
Closing Balance at 31 st March	98,180	99,996

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2016/17 £'000	2017/18 £'000	2016/17 £'000	2017/18 £'000
Opening Balance at 1 st April	115,505	136,585	1,759	1,769
Current Service Cost	2,831	4,416	-	-
Interest cost	4,032	3,566	59	44
Contributions by Scheme Participants	708	695	-	-
Re-measurement Gain/(Loss):				
• Actuarial gains/losses arising from changes in demographic assumptions	(1,355)	-	(22)	-
• Actuarial gains/losses arising from changes in financial assumptions	19,638	(2,501)	60	(4)
• Other experience	(750)	-	43	(48)
Benefits Paid	(4,098)	(3,827)	(130)	(123)
Past Service Costs	74	70	-	-
Closing Balance at 31 st March	136,585	139,004	1,769	1,638

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 31st March 2016.

The significant assumptions used by the actuary have been:

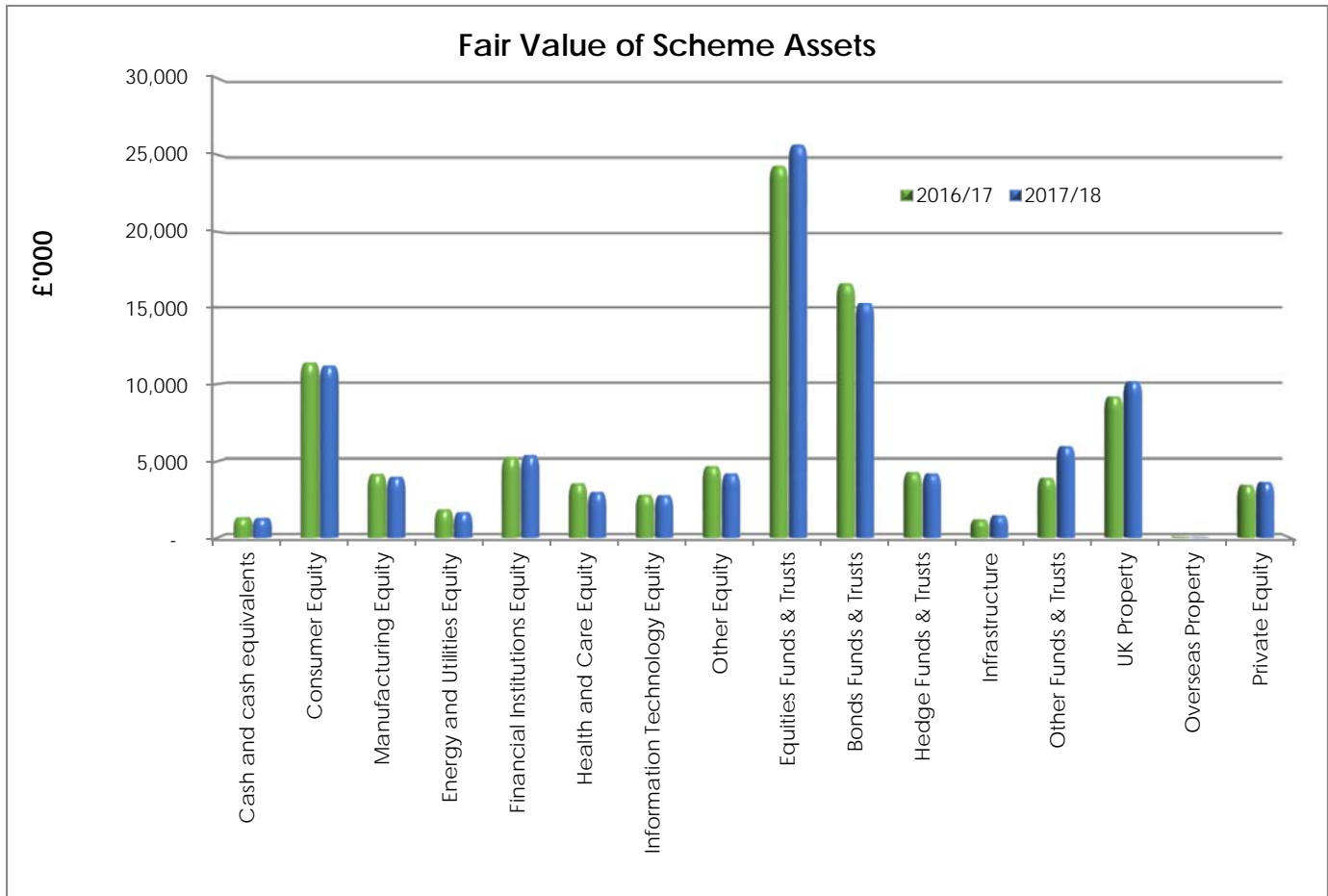
	2016/17 £'000	2017/18 £'000
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
• Men	22.5	22.5
• Women	24.7	24.7
Longevity at 65 for future pensioners (years):		
• Men	24.3	24.3
• Women	26.7	26.7
Rate of increase in salaries	3.0%	4.2%
Rate of increase in pensions	2.4%	2.4%
Rate of discounting of scheme liabilities	2.6%	2.7%

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

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

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

Local Government Pension Scheme Assets Comprised:



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

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate Monetary Amount £'000	Approximate % increase to Employer Liability
Rate of increase in salaries (increase by 0.5%)	2,020	1%
Rate of increase in pensions (increase by 0.5%)	11,492	8%
Rate for discounting scheme liabilities (decrease by 0.5%)	13,693	10%

Impact on the Council's Cash Flows

The contributions paid by Rugby Borough Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being at 31st March 2016). The objectives of the scheme are to keep employers' contributions at as constant a rate as possible; the contributions payable over the period to 31st March 2018 are set out in the Rates and Adjustments Certificate. Warwickshire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. The next triennial valuation is due to be completed as at 31st March 2019. Employer contributions for the period to 31st March 2019 are estimated to be approximately £2.408m.

Note 37. Pensions Reserve

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

2016/17 £'000		2017/18 £'000
33,394	Balance at 1 st April	40,174
5,091	Re-measurement of the net defined liability	(2,608)
4,082	Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the CIES	5,556
(2,393)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,476)
40,174	Balance at 31 st March	40,646

Note 38. Financial Instruments

Financial Liabilities (e.g. Borrowing)

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

Financial Assets (e.g. Investments)

Financial Assets are classified into two types:

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

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

Available-for-Sale Assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority. Assets are maintained in the Balance Sheet at fair value. Values 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
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

	Long Term		Current (Short Term)	
	31 st March 2017 £'000	31 st March 2018 £'000	31 st March 2017 £'000	31 st March 2018 £'000
Investments:				
Loans & receivables	6,015	17,008	4,544	12,555
Available-for-sale financial assets	5,819	3,821	29,016	15,301
Total investments	11,834	20,829	33,560	27,856
Debtors:				
Loans & receivables	130	85	1,827	2,801
Total debtors	130	85	1,827	2,801
Cash & Cash Equivalents:				
Loans & Receivables	-	-	12,386	17,723
Total cash & cash equivalents	-	-	12,386	17,723
Borrowings:				
Financial liabilities at amortised cost	(82,109)	(61,509)	(19,668)	(38,082)
Total borrowings	(82,109)	(61,509)	(19,668)	(38,082)
Creditors:				
Financial liabilities at amortised cost – trade creditors	-	-	(2,414)	(1,844)
Total creditors	-	-	(2,414)	(1,844)

Income, Expense, Gains and Losses

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

2017/18	Financial Liabilities Amortised Cost £'000	Loans & Receivables £'000	Available for Sale £'000	Total £'000
Interest expense	2,245	-	-	2,245
Change in fair value	-	(81)	-	(81)
Interest payable & similar charges	2,245	(81)	-	2,164
Interest and investment income	-	(373)	(341)	(714)
Net (gain) / loss for the year	2,245	(454)	(341)	1,450

2016/17	Financial Liabilities Amortised Cost £'000	Loans & Receivables £'000	Available for Sale £'000	Total £'000
Interest expense	2,322	-	-	2,322
Change in fair value.	12	-	-	12
Interest payable & similar charges	2,334	-	-	2,334
Interest and investment income	-	(486)	(232)	(718)
Net (gain) / loss for the year	2,334	(486)	(232)	1,616

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 st March 2017 Fair Value £'000	31 st March 2018 Fair Value £'000
Available for Sale – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,295	2,405
Available for Sale – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	-	1,926
Available for Sale – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,035	2,167
Available for Sale – Corporate Bonds / Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical shares	30,504	12,625
			34,834	19,123

The Council held £12.6m in corporate bonds and certificates of deposit. The fair value has been calculated using published price quotations. There were no transfers between input levels during the financial year 2017/18. 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)

Except for financial assets carried at fair value (described previously) all other financial liabilities and financial assets represented by loans and receivables, and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, (Level 2) using the following assumptions:

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

The fair values are calculated as follows:

As at 31 st March 2017			As at 31 st March 2018	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
50,697	54,760	PWLB Debt	43,496	46,336
51,080	57,254	Non-PWLB Debt	56,095	61,746
101,777	112,014	Total Borrowings	99,591	108,082
35,560	35,560	Money Market Loans < 1 year	27,856	27,856
11,834	11,834	Money Market Loans > 1 year	20,829	20,633
47,394	47,394	Total Investments	48,685	48,489

The fair value of total borrowing is more than the carrying amount because the Council's loans are fixed at a higher rate than was available at the 31st March 2018. This shows a notional future loss (based on economic conditions at 31st March 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £46.336m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early to the PWLB, the PWLB would raise a penalty charge, based on redemption interest rates, for early redemption of £4.65m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £48.144m.

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

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

The Council manages risk in the following ways:

- **by formally adopting** the requirements of the Code of Practice;
- **by approving annually in advance** prudential and treasury indicators for the following three years limiting
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year; and
- **by approving an investment strategy** for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which stipulates limits on credit criteria, deposit amounts and duration for deposits with each financial institution. Details of the Investment Strategy can be found on the Council's website.

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

As at 31 st March 2017		Deposits with banks and financial institutions	As at 31 st March 2018	
Carrying Amount on Balance Sheet £'000	Estimated maximum exposure to default £'000		Carrying Amount on Balance Sheet £'000	Estimated maximum exposure to default £'000
10,850	-	AAA rated counterparties/products	6,825	-
17,852	4	AA rated counterparties/products	22,990	5
11,821	9	A rated counterparties/products	8,530	7
4,870	11	BBB rated counterparties/products	10,341	23
1,957	59	Trade Debtors	2,885	87
47,350	83	Total	51,571	122



At 31st March 2018 sundry debts outstanding, arising from a contractual obligation, stood at £0.8m. Of this balance, £637,000 is past its due date for payment (30 days) and can be analysed by age as follows:

	31 st March 2017 £'000	31 st March 2018 £'000
Less than three months	174	193
Three to six months	9	77
Six months to one year	30	115
More than one year	77	252
Total	290	637

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

Liquidity risk

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

The maturity analysis of financial assets is as follows:

	31 st March 2017 £'000	31 st March 2018 £'000
Less than one year	35,561	26,860
Between one and two years	3,819	4,825
Between two and three years	2,004	6,070
More than three years	4,010	10,930
Total	45,394	48,685

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

Refinancing and Maturity Risk

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

The Financial Services team address the operational risks within the approved parameters, by;

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

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

	Approved maximum limits %	Approved minimum limits %	Actual 31 st March 2018 £'000	Actual 31 st March 2017 £'000	Actual %
Less than one year*	20	-	22,683	16,223	27
12 months to 2 years	30	-	12,017	22,683	14
Between 2 and 5 years	60	-	32,833	35,537	39
Between 5 and 10 years	60	-	11,797	19,106	14
Between 10 and 20 years	75	-	515	515	1
Between 20 and 30 years	75	-	512	512	1
Between 30 and 40 years	75	-	434	434	-
More than 40 years	75	-	3,766	3,766	4
Total*			84,557	98,776	100

* excludes short term borrowing less than 365 days.

Market risk

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

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

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

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

The Financial Services team monitors market and forecast interest rates within the year to adjust exposures appropriately. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. A 1% change in variable interest rates would be immaterial to the Council because it has no variable rate debt and a small value of variable rate investments.

Foreign exchange risk –the Council has no financial assets or liabilities denominated in foreign currencies.

Note 40. Available for Sale Financial Instruments Reserve

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

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

2016/17 £'000		2017/18	
		£'000	£'000
(228)	Balance at 1 st April		(285)
(68)	Upward revaluation of investments	(266)	
135	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	295	
(124)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(111)	
(57)	Net Movement		(82)
(285)	Balance at 31 st March		(367)

Note 41. Provisions

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

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

Provision for Business Rate Appeals

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

On 1st April 2017 the Council's provision for business rate appeals was £4.9m. During the financial year £0.7m was charged to the provision for successful appeals in 2017/18 which have been previously provided for.

After reflecting the amounts charged to the provision in 2017/18, the Council carried out an assessment of the future risk of appeal losses. The basis of this forecast was to apply 4.7% to gross rates payable being the national average of appeal losses on the 2010 rating list as measured by MHCLG. Following this, the 2017/18 overall provision in the business rates Collection Fund has been increased to £11m. Rugby Borough Council's 40% share of the total provision is £4.4m of which it is expected that £1.4m will be settled in the next twelve months and £0.47m in 2019/20 or later years.

Provision for Redundancy Costs

A provision of £43,000 has been included at 31st March 2018 to cover the anticipated redundancy costs of two posts that were placed at risk prior to the end of the financial year. The opening balance of £87,000 related to other two posts that were at risk at 31st March 2017, this balance was released during 2017/18 as these posts were made redundant.

	2017/18 Business Rates Appeals £'000	2017/18 Redundancy £'000	2017/18 Total Provision £'000
Short – Term Provisions			
Balance at 1 st April	(971)	(87)	(1,058)
Amounts used in the year	292	87	379
Increase/decrease in provision	(782)	(43)	(825)
Balance at 31 st March	(1,461)	(43)	(1,504)
Long – Term Provisions			
Balance at 1 st April	(1,006)	-	(1,006)
Amounts used in the year	-	-	-
Increase/decrease in provision	(1,970)	-	(1,970)
Balance at 31 st March	(2,976)	-	(2,976)
Total	(4,437)	(43)	(4,480)

Note 42. Contingent Liabilities & Assets

Contingent Liabilities

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

Contingent Assets

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

There are no material contingent liabilities or assets to disclose for 2017/18.

Note 43. Events after the Reporting Period

Events taking place after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issued. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of 2017/18 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31st March 2018 – 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.

Disclosure

On 24th April 2018 Council considered a report concerning the need to repair or regenerate two Council-owned high-rise sites in the borough

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

The bulk of the report focused on Biart Place because intrusive structural surveys started earlier for this site meaning more is understood about the blocks. The surveys identified a potential risk to the structure of the buildings in a shock event (fire or explosion), as well as potential issues of fire resistance between individual flats.

In respect of Biart Place, the total estimated cost of a new development scheme is in the region of £25m, which includes costs over and above construction, for example decant and design costs. No refurbishment or redevelopment costs for Rounds Gardens are included in the £25m estimate.

A capital scheme of this scale will place pressure on the HRA's financial resources and constrain the Council's ability to acquire new homes to increase its housing stock. Furthermore, there would be limited resources available for refurbishment works/redevelopment at Rounds Garden should these be required.

Members will consider a further report in the autumn to determine whether repair or regeneration is required at both Biart Place and Rounds Gardens.

The report presented to Council on 24th April provided sufficient evidence that the value buildings at Biart Place were impaired at the end of 2017/18. Consequently, an impairment adjustment of £1.9m has been recognised in the final 2017/18 accounts, in order to remove the value of the buildings from the accounts down to nil. It should be noted that this is an accounting valuation only and the adjustment has no impact on the Council's available resources. Furthermore, the impairment does not affect the affordability or financing of the options that members will consider for the repair or redevelopment of the site in the autumn.

The impact of this adjustment on the Primary Statements is as follows:

- **Comprehensive Income and Expenditure Statement** - The impairment is recognised in full as an expense within the 'Communities and Homes – HRA' line in the CIES;
- **Movement in Reserves** – however the impairment is reversed as an accounting adjustment in the MIRS and therefore has no impact on the Council's usable reserves.
- **Balance Sheet** – The value of the Council's Property Plant and Equipment is reduced by £1.9m, with a corresponding reduction unusable reserves

HOUSING REVENUE ACCOUNT

Income and Expenditure Account

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

2016/17		2017/18
£'000		£'000
	Income	
(16,322)	Dwelling Rents	(16,220)
(213)	Non-dwelling rents	(163)
(1,427)	Charges for services	(1,403)
(256)	Contributions towards expenditure	(187)
(18,218)	Total Income	(17,973)
	Expenditure	
3,007	Repairs and maintenance	3,102
4,592	Supervision and management	4,658
2	Rents, rates, taxes and other charges	4
(39,540)	Exceptional item full stock revaluation/change to regional adjustment factor	-
(1,289)	Depreciation and impairment of non-current assets	1,607
24	Debt management costs	28
55	Movement in allowance for bad debts	263
(33,149)	Total Expenditure	9,662
(51,367)	Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(8,311)
210	HRA Share of Corporate and Democratic Core costs	200
(51,157)	Net Expenditure of HRA Services	(8,111)
2,017	(Gain) or Loss on sale of HRA non-current assets	1,442
1,324	Interest payable and similar charges	1,262
(221)	Interest and investment income	(234)
200	Pension interest and expected return on pension assets	183
(51)	Capital grants and contributions receivable	-
(47,888)	(Surplus) or Deficit for the year on HRA services	(5,458)

Movement on the HRA Statement

2016/17		2017/18
£'000		£'000
(2,828)	HRA revenue balance brought forward	(1,431)
(47,888)	(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	(5,458)
49,924	Adjustments between accounting basis and funding basis under statute	1,866
2,036	Net (increase) or decrease before transfers to or from reserves	(5,023)
(639)	Transfers to or (from) earmarked reserves	(1,470)
1,397	(Increase) or decrease in the HRA Revenue Balance	-
(1,431)	HRA revenue balance carried forward	(6,493)

Note to the Movement on the HRA Statement

	Adjustments between accounting basis and funding basis under statute	
(2,703)	Depreciation of non-current assets	(2,868)
43,601	Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	1,318
(69)	Amortisation of intangible assets	(57)
(4,121)	Amounts of non-current assets written off on disposal or sale	(3,648)
2,103	Sale proceeds credited as part of the gain/loss on disposal	2,206
-	Transfer to Accumulated Absences account	-
1,014	Capital expenditure financed from revenue balances	1,662
51	Capital grants and contributions applied	-
(582)	Net charges made for retirement benefits (IAS 19)	(923)
3,893	Reversal of Major Repairs Allowance credited to the HRA	3,790
6,453	Statutory provision for the financing of capital investment	-
284	Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	386
49,924		1,866

	Transfers to or (from) earmarked reserves	
323	Transfer to or (from) Housing Repairs Account	135
(1,014)	Transfer to or (from) HRA Capital Investment balances	(1,662)
52	Transfer to or (from) other earmarked reserves	57
(639)		(1,470)

Note 1. HRA Assets

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

2016/17		2017/18
2,162	Houses/Bungalows (including part-ownerships)	2,145
1,634	Flats	1,634
3,796		3,779

The change in the stock was as follows:

2016/17		2017/18
3,815	Stock at 1 st April	3,796
(26)	Less sales (including part-ownership)	(25)
-	Less removal from stock	-
-	Add: new build properties	-
7	Add: purchase of properties	8
3,796	Stock at 31 st March	3,779

The balance sheet includes HRA assets as follows:

2016/17 £'000		2017/18 £'000
	Balance Sheet values as at 31 st March	
182,395	Operational Assets: Dwellings	188,401
790	Operational Assets: Other Land & Buildings	799
278	Operational Assets: Equipment	395
704	Operational Assets: Infrastructure	701
76	Non-Operational Assets	120
611	Assets Under Construction	433
184,854		190,849

Note 2. Vacant Possession

2016/17 £'000		2017/18 £'000
454,446	Vacant Possession Value of Dwellings at April 2016 prices	469,406
(182,395)	Balance Sheet Value of Dwellings	(188,401)
272,051	Economic cost to Government	281,005

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

For balance sheet purposes it is necessary to adjust this value in order to show the cost of the properties at social value. This represents a value for a property if it were sold with sitting tenants enjoying rents at less than open market rents and rights such as Right to Buy. The difference between the two values represents the economic cost to the Government of providing council housing at less than open market rents. An adjustment factor is provided by the Government, which measures the difference between market and local authority rents at a regional level. The adjustment factor for Rugby is set at 40%.

Note 3. Major Repairs Reserve

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

2016/17 £'000		2017/18 £'000
(3,839)	Balance at 1 st April	(2,463)
(2,703)	Depreciation on non-current assets	(2,868)
(1,191)	Appropriations to or (from) HRA Revenue	(922)
(31)	Interest received	(18)
(7,764)	Sub-total	(6,271)
5,301	Capital financing	4,692
(2,463)	Balance at 31 st March	(1,579)

Note 4. Housing Repairs Account

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

2016/17 £'000		2017/18 £'000
(631)	Balance at 1 st April	(954)
(3,330)	Contributions during the year	(3,237)
3,007	Repairs and maintenance charged	3,102
(954)	Balance at 31 st March	(1,089)

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:

2016/17 £'000		2017/18 £'000
6,017	Council dwellings	6,451
556	Other assets	-
46	Housing Management Systems	-
2	Other expenditure	433
6,621	Sub-total	6,884
	Financed by:	
1,014	Direct Revenue Finance	1,662
51	Government Grant	-
-	S.106 Funding	-
255	Right to Buy Receipts	530
5,301	Major Repairs Reserve	4,692
6,621		6,884

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:

2016/17 £'000		2017/18 £'000
2,080	Sales of Council Houses under Right to Buy (RTB)	2,123
-	RTB Discounts repaid	-
-	Council House Mortgage Principal Repayments	-
2,080		2,123

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:

2016/17 £'000		2017/18 £'000
	Operational Assets	
2,633	Dwellings, other land, buildings	2,767
49	Equipment	78
21	Non-operational assets	23
2,703		2,868

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

Note 7. Contribution to/from Pensions Reserve

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

Note 8. Tenant Arrears

During 2017/18 rent arrears as a proportion of gross rental income have changed from 3.80% of the amount due to 6.26%. The figures, excluding service charges and debts of up to three weeks are as follows:

2016/17 £'000		2017/18 £'000
471	Arrears of current tenants (not including current weeks)	676
165	Arrears of former tenants	339
636	Total tenants arrears at 31 st March	1,015

There are a number of factors contributing to the rise in arrears between 31st March 2017 and 31st March 2018 with a significant proportion relating to delays in the payment of Universal Credit.

Bad Debts

The total provision for bad debts was £434,490 (as at 31st March 2018.) Amounts actually written off during the year totalled £23,270. 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:

2016/17 £'000		2017/18 £'000
(163)	Balance at 1 st April	(195)
23	Write off	23
(55)	Provision made in the year	(263)
(195)	Balance as at 31 st March	(435)

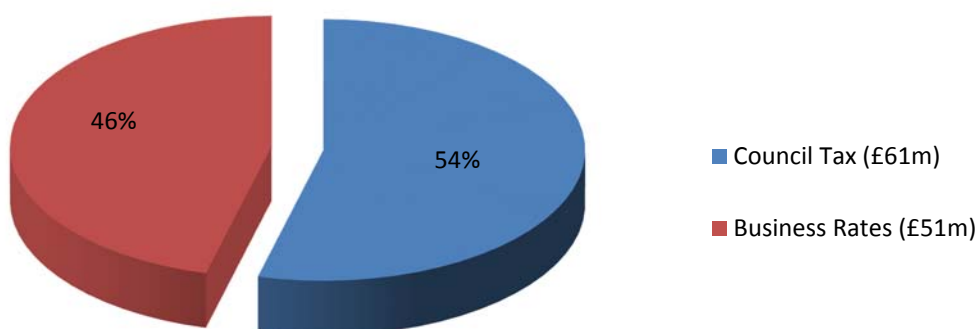
COLLECTION FUND STATEMENT

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

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

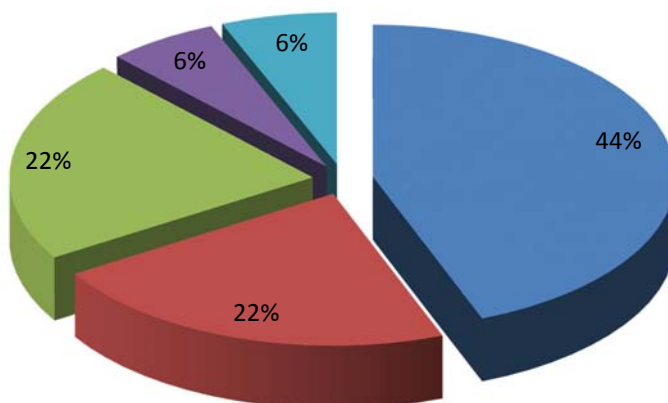
The Council's share of council tax income and retained business rate income alongside the related business rates tariff payment and levy payment will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. The difference between the business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

2017/18 Collection Fund Income £112m



2017/18 Collection Fund Expenditure £116m

- Warwickshire County Council (£51m)
- Rugby Borough Council (£26m)
- Central Government (£25m)
- Police & Crime Commissioner for Warwickshire (£7m)
- Provisions - Appeals (£6.9m) & Bad Debt (£0.3m)

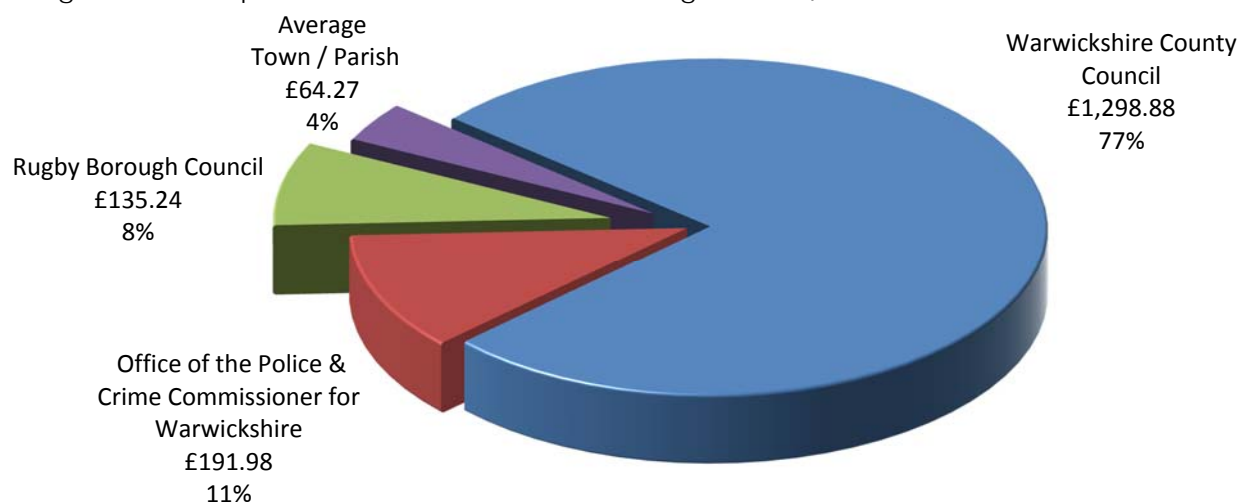


2016/17 Total £'000		2017/18 Business Rates £'000	2017/18 Council Tax £'000	2017/18 Total £'000
	INCOME			
(57,882)	Council Tax Receivable	-	(60,748)	(60,748)
(49,351)	Business Rates Receivable	(51,677)	-	(51,677)
-	Transitional Protection Payments Receivable	-	-	-
(107,233)		(51,677)	(60,748)	(112,425)
	Contribution to Previous Year Estimated Deficit			
(1,853)	Central Government	-	-	-
(370)	Warwickshire County Council	-	-	-
(1,482)	Rugby Borough Council	-	-	-
-	Office of the Police and Crime Commissioner for Warwickshire	-	-	-
(3,705)		-	-	-
(110,938)	Total Income	(51,677)	(60,748)	(112,425)
	EXPENDITURE			
3	Transitional Protection Payments	2,306	-	2,306
	Distribution of Previous Year Estimated Surplus			
-	Central Government	301	-	301
748	Warwickshire County Council	60	742	802
118	Rugby Borough Council	241	115	356
117	Office of the Police and Crime Commissioner for Warwickshire	-	114	114
983		602	971	1,573
	Precepts, Demands and Shares			
23,720	Central Government	22,594	-	22,594
48,175	Warwickshire County Council	4,519	45,981	50,500
25,722	Rugby Borough Council	18,075	7,063	25,138
6,675	Office of the Police and Crime Commissioner for Warwickshire	-	6,796	6,796
104,292		45,188	59,840	105,028
	Charges to Collection Fund			
199	Less: Increase / Decrease (-) in Bad Debt Provision	142	168	310
1,358	Less: Increase / Decrease (-) in Provision for Appeals	6,882	-	6,882
137	Less: Cost of Collection	136	-	136
1,694		7,160	168	7,328
106,972	Total Expenditure	55,256	60,979	116,235
	Movement on Fund			
(3,966)	Surplus (-) / Deficit arising during the year	3,579	231	3,810
2,920	Surplus (-) / Deficit arising at 1 st April	(209)	(837)	(1,046)
(1,046)	Surplus (-) / Deficit arising at 31 st March	3,370	(606)	(2,764)

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, Office of the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the band D council tax figure of **£1,690.37** for 2017/18.



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

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

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	7.69	5/9	4.71
A	5,448.39	6/9	3,750.91
B	8,586.06	7/9	6,785.18
C	9,218.20	8/9	8,241.91
D	5,363.69	9/9	5,494.49
E	4,070.44	11/9	5,053.26
F	2,579.00	13/9	3,803.57
G	1,471.49	15/9	2,502.02
H	65.56	18/9	133.82
			35,769.87
		Less allowance for non-collection	(500.77)
		Contributions in lieu (MOD properties)	131.70
		COUNCIL TAX BASE 2017/18	35,400.80

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



The tax base multiplied by the average band D council tax of £1,690.37 provided an original estimate of income of £59.840m for 2017/18. The actual income for 2017/18 was £60.748m thus exceeding expectations by 1.5%

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

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

The Council collects non-domestic rates for its area, based on local rateable values multiplied by a national rate. The total rateable value for the Rugby Borough area was £117.889m at 31st March 2018 (£114.162m in 2016/17). The non-domestic rating multiplier for 2017/18 was 47.9p (49.7p in 2016/17) and the small business non-domestic rating multiplier was 46.6p (48.4p in 2016/17).

Note 3. Collection Fund Balance Apportionment

The Collection Fund balance as at 31st March 2018 will be split between the authorities and recovered in 2019/20 in the following proportions:

2016/17 Total £'000		Council Tax 2017/18 £'000	Business Rates 2017/18 £'000
(104)	Central Government	-	1,319
(660)	Warwickshire County Council	(465)	264
(99)	Office of the Police and Crime Commissioner for Warwickshire	(69)	-
(183)	Rugby Borough Council	(72)	1,055
(1,046)		(606)	2,638

The Balance Sheet as at 31st March 2018 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 overall deficit on the Collection Fund of £983,000 is recognised in the Comprehensive Income and Expenditure Statement in 2017/18, but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

Collection Fund Adjustment Account

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

Total		Council Tax	Business Rates	Total
2016/17		2017/18	2017/18	2017/18
£'000		£'000	£'000	£'000
1,433	Balance at 1 st April	(99)	(84)	(183)
(1,616)	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.	27	1,139	1,166
(183)	Balance at 31 st March	(72)	1,055	983

Coventry & Warwickshire Business Rates Pool

The Council has been part of the Coventry & Warwickshire Business Rates Pool since the introduction of the Business Rates Retention scheme in 2013/14. The outturn performance of the Pool since 2013/14 has resulted in an accumulated Safety Net Reserve Balance of £2.208 million of which our share is £722,000. This would be allocated to pool members under the agreed proportions set out in the Memorandum of Understanding upon closure of the Pool.



INDEPENDENT AUDITOR'S REPORT



Annual Governance Statement 2017/18

1. SCOPE OF RESPONSIBILITY

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's annual governance statement for 2017/18.

2. WHO IS RESPONSIBLE FOR ENSURING GOOD GOVERNANCE?

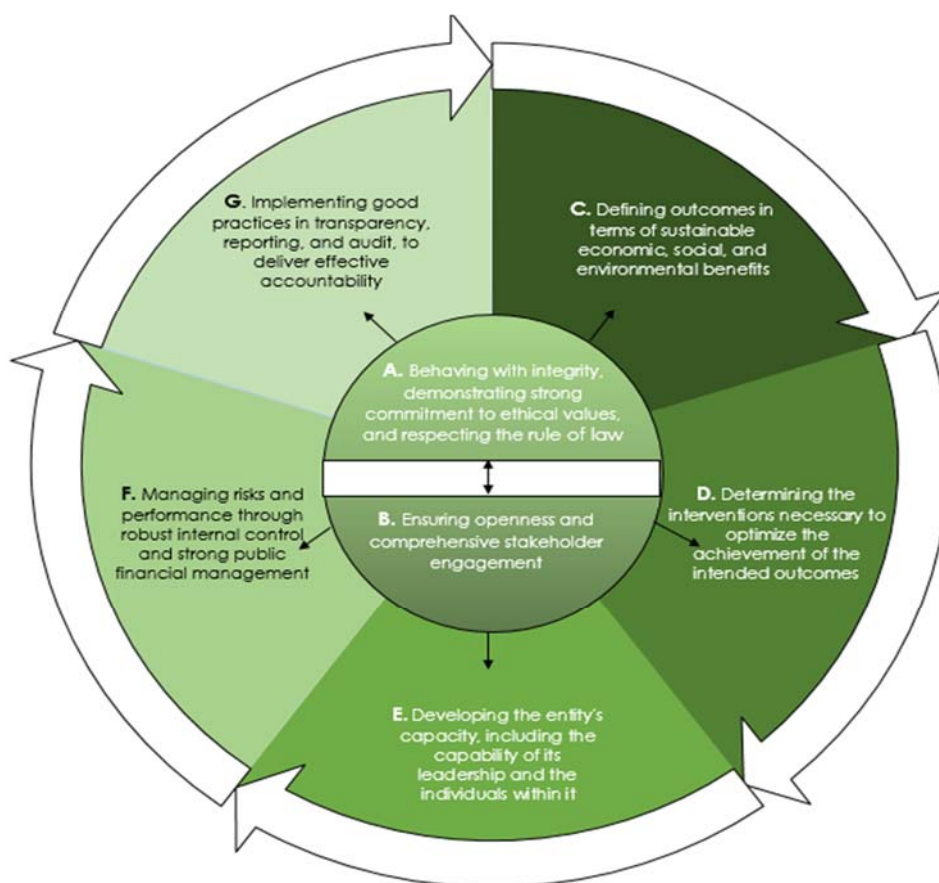
- 2.1 The Council's governance arrangements are overseen by the Audit & Ethics Committee. The Executive Director has overall responsibility for ensuring that effective controls and processes are implemented across the Council and these are regularly reviewed and updated. Regular reports are submitted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

3. WHAT THIS STATEMENT TELLS YOU

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

4. THE PRINCIPLES OF GOOD GOVERNANCE

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



Principles A and B permeate implementation of principles C to G

5. THE GOVERNANCE FRAMEWORK

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

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

Arrangements in place

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

Effectiveness and future developments

Implementation of the Counter Fraud Strategy and Fraud Response Plan has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. Furthermore, dedicated time has been set aside within the internal audit work plan to ensure that resources are available to thoroughly investigate any allegations and to enable proactive risk based testing to be conducted during the year. This included the provision of training to five additional managers, which has improved the resilience of the fraud investigation function. Counter Fraud, Bribery and corruption awareness training was delivered to all managers in March 2018 and the roll out of training to individual teams has commenced. Further work will take place in 2018/19 to further embed the Strategy. This will include continuing the roll out of training to teams, delivering awareness training to Members, and requiring all officers to confirm that they have read and understood the Counter Fraud Strategy and Fraud Response Plan as part of the new programme of meta compliance. A further review of fraud risks and mitigating controls will also be completed in 2018/19. **See Action 1**



Following full consultation with almost 200 employees a framework of corporate values and behaviours was implemented in early 2017/18. There is a high commitment to embedding the values across the organisation. A behaviours document was issued to all officers with a covering letter and compliance is mandatory. There are five core corporate values: **C**ustomer First, **A**ct With Respect, **N**urture People, **D**rive Excellence, and **O**wn It, (CANDO). Communications regarding the framework took place via the Corporate Management Forum, Core Briefs, Employee Briefs, and team meetings. In line with the new values all members of staff are expected to have regular one to one meetings with their line manager at which success is recognised and any concerns regarding conduct are also raised. Such meetings are expected to take place on a monthly basis unless agreed by exception with the relevant head of service. This replaced the previous Review and Development Scheme and also ensures that staff development needs are considered on a rolling basis rather than once or twice per year. Customer Care training is being made mandatory for all staff in accordance with the Council's value of putting "customers first". An internal audit review was completed which assessed the extent to which the values framework was embedded across the Council. The review concluded that the overall level of maturity of the framework was "Defined". A further internal audit review will be completed in late 2018/19 which will consider and report on the progress made and the direction of travel.

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

The feedback and complaints procedure is robust, and senior management has taken steps during the year to ensure that positive feedback and successes are celebrated and recognised. Recognising success is built in to the one to one process. Furthermore, notable successes are celebrated at employee briefing sessions and at the Corporate Management Forum. The Senior Management Team is currently considering the introduction of an additional mechanism for formally recognising those staff who have excelled at a particular piece of work or project. This would take the form of allowing colleagues to periodically nominate colleagues or teams which have excelled. One person or team would then be selected from the list of nominees and awarded a prize.

The Council's information security procedures are comprehensive but the new General Data Protection Regulations (GDPR) take effect in May 2018. Steps have been taken during the year to prepare the Council for implementation of the new regulations. These steps include the roll out of eLearning training to officers and completing data reviews across the organisation. Cabinet approved the statutory appointment to the Data Protection role in December 2017. Information asset owners, who are mostly managers and team leaders, have completed personal data audits covering their areas of responsibility. Together, these comprise the Council's register of processing activity (ROPA), and each processing activity has been assigned one of the six lawful bases of processing identified in the GDPR. Personal data breaches and near misses are reported to the communications, consultation and information team for triage, and are then referred to the information panel that includes the senior information risk owner (SIRO), the data protection officer (DPO), the Corporate Assurance and Improvement Manager, and the Corporate ICT Manager. The panel decides on what further action to take, which may include making a statutory report to the Information Commissioner. An internal audit review of compliance with the GDPR has been scheduled for 2018/19.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

Arrangements in place

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

Effectiveness and future developments

On May 24th 2017 the Council was reaccredited as "excellent" under the equalities framework for local government, the first and only district Council to have achieved the reaccreditation. Equality and diversity training is mandatory for all staff. Equality Impact Assessments are a key element of the Council's decision making. A revised template for completing the assessments has been put in place and all managers will receive training in 2018/19 to ensure that the assessments are carried out in a consistent manner. **See Action**

2

The Council uses a range of approaches to engage with communities including through associations, forums, leafletting, parish councils, drop in events, Facebook, our website, surveys, and face to face. There is a contract with language line to support any face to face communication issues and the Council accesses the Warwickshire County Council interpretation and translation service to translate written documents. The Council is a partner of Warwickshire Observatory, which provides information and intelligence about Warwickshire and its people. The information provided was used to inform the Council's vision for Rugby Town Centre and to inform the development of the Corporate Strategy for 2017-20. The information is also used by staff when completing Equality Impact Assessments, which helps to ensure that decisions are taken after due consideration of the impacts across the community.

In 2017/18 residents were consulted on a final draft of the Local Plan for a 12 week period; this was double the required length of time. The consultation generated over 6,000 submissions in relation to the development proposals. This fed in to the public examination of the Local Plan and the Council summarised and responded to every submission.

The Council is reviewing options for the future of the Borough's Council owned multi storey flats and has been consulting extensively with residents. An example of this is the Biart Place tower block with a public meeting being held, letters delivered by hand and one to one discussions held on doorsteps. An in depth report has also been placed in the public domain.

There is an annual 'Our Rugby, Our Future' event which enables voluntary and community sector and statutory partners to contribute their views on progress on the Regeneration Strategy priorities and amend them as appropriate. This informs the work which is undertaken with community partners.

As part of the strategy of ensuring the Council is fit for the future, residents helped shape changes to the way the housing warden service is delivered. This resulted in improved service resilience and consistency of service quality whilst delivering greater efficiency and value for money. Furthermore, the residents' panel and housing association champions provide greater community involvement and shaping of decisions which concern them.

Following a number of public meetings and the involvement and support of the National Society of Allotment and Leisure Gardeners, the Council identified a self-management model as the most sustainable way to secure affordable allotments for future generations. Further site specific meetings were held and working groups were formed from each allotment site to work through the details of self-management. This led to the creation of fully elected and constituted allotment associations at all sites that lease the land from the Council.

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

Arrangements in place

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

Effectiveness and future developments

The Council has implemented further measures to support independent living during the year. An Independent Living Officer is running coffee mornings with sheltered housing tenants to help them determine how they can live their lives more independently. Research activity is also being used to help those tenants who feel lonely. The usage of communal areas within sheltered housing has been reviewed to ensure that

Council resources are well utilised, the outcome being that such communal areas are now being used to facilitate group activities aimed at supporting individuals to live independently. This is in line with the Council's health and wellbeing agenda. In 2018/19 homelessness and financial inclusion strategies will be developed in line with the corporate strategy aim of ensuring that residents have a home that works for them and is affordable.

The Council has recently established an informal tourism partnership of local businesses and other organisations which have an interest in generating more visitors to the Borough. Although in its infancy it is envisaged that the new partnership will result in additional benefits to the local economy.

The RAGM/ Hall of Fame education programme has been expanded during 2017/18. The programme provides facilitated education sessions at the Roman Gallery, Art Gallery and Hall of Fame for primary school Key Stage 2 pupils. In addition the RAGM runs a programme for persons suffering with dementia, which enables individuals to develop and utilise their skills, for example by doing craft activities, in an environment which also provides a form of social therapy.

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

Future plans include the introduction of a lottery which will support community and voluntary sector activity and the specific organisations that the community values. This will protect funding for community based projects whilst ensuring that the community has a direct stake in determining which projects and activity will be supported.

The Benefits team was merged with the Housing Options team and this decision was driven by the outcomes that joined up service delivery can bring to customers, particularly in relation to financial inclusion and homelessness prevention.

Following a number of public meetings and the involvement and support of the National Society of Allotment and Leisure Gardeners, the Council identified a self-management model as the most sustainable way to secure affordable allotments for future generations. The benefits of this approach are; the ability for tenants to determine site rents and what rules to apply to their site; the allotment holders can influence the future management of the sites; the ability to apply for external funding to improve sites and membership benefits from the National Allotment Society. Further site specific meetings were held and working groups were formed from each allotment site to work through the details of self-management. This led to the creation of fully elected and constituted allotment associations at all sites that lease the land from the Council. The Council remains as landlord with some residual responsibilities but all the day to day management and maintenance is now undertaken by the allotment tenants themselves.

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

Arrangements in place

- We manage performance through local and management performance indicators; this enables intervention to be targeted where it is needed.
- The service planning process is designed to ensure that we target the actions necessary to deliver our Corporate Strategy.
- The corporate performance management system (RPMS) is used to monitor the delivery of action plans.
- There are four distinct service areas with a Head of Service and dedicated member portfolio holder for each area.
- Committee and Cabinet reports set out the risks and options associated with decisions.
- A "clean" Value for Money opinion was received from the external auditors in 2017 and the Contract Standing Orders and financial instructions are designed to ensure best value.
- Quarterly finance and performance reports are submitted to and reviewed by Cabinet.
- An annual budget report is submitted and there is an established budget setting and monitoring process.
- Medium Term Financial Plan is regularly reviewed and updated, with the latest iteration presented to Cabinet in February 2018 and then approved in April 2018 as an appendix to the Medium Term Financial Strategy.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a Forward Plan of key decisions and a scrutiny committee arrangement in place.
- A customer feedback and complaints procedure is in place.

Effectiveness and future developments

As part of the corporate strategy the Council continued to facilitate investment and growth in Rugby. This is evidenced by progress in developing the site of the old Rugby Radio Station and the implementation of phase 2 of the Elliott's Field retail park. The new community development at the old Rugby Radio station now has people living there, the first school has been built and a major link road is being developed linking the site to the town centre. Both the school and the new road are being delivered ahead of schedule. Furthermore, a marketing plan was developed and implemented including sponsorship of £600,000 for the Rugby Hall of Fame. The Council is also working in partnership with Warwickshire County Council to develop a sustainable transport plan for the Borough, including where interventions could be made to expand road capacity in Rugby.

The Council has continued to take difficult decisions to ensure it is financially fit for the future, including the introduction of green waste collection charges with effect from April 1st 2017. These decisions enabled the Council to continue presenting a sustainable balanced budget and will enable highly valued local services to be preserved whilst delivering the outcomes set out in the corporate strategy.

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

Action was taken in 2017/18 to implement the business plan for the Benn Hall, improving the events offering for the local community and improving its financial sustainability. The café in Caldecott park was leased to a local business which resulted in an improved community facility.



The Council led the bid to Central Government to set up and run a Warwickshire wide pilot service to prevent homelessness at an early stage. This way of working was new and untested in a Local Authority environment. PHIL (Preventing Homelessness Improving Lives) has now completed 16 preventions. This has been achieved through setting up an enhanced partnership working approach including receiving referrals from partnership agencies, sending out regular correspondence to partners through a newsletter, having a social media presence, facilitating an online housing options self-assessment tool and presenting at strategic meetings. This new way of working is expected to lead to an increase in the number of homelessness preventions in 2018/19 and the project is currently funded until December 2019.

Every department in the Council participated in workshops to determine the projects and actions which will be initiated across the Council to ensure successful delivery of the corporate strategy. This included the development of a new updated suite of key performance indicators linked to the outcomes set out in the strategy. Improved reporting arrangements will be implemented early in 2018/19 to ensure that delivery of associated projects and action plans is closely monitored **See Action 3**

PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Arrangements in place

- Each member of the senior management team undertakes professional development appropriate to their role.
- The respective roles of the Executive Director and Leader are clearly defined.
- The senior management team meets formally every two weeks and informally every week and Cabinet meets on a regular basis.
- Section 151 (Chief Finance) and Monitoring Officers are in post.
- The Constitution, which was revised and updated in 2017/18, sets out roles and responsibilities and the Council's decision making process. An approved scheme of delegation is in place. Contract Standing Orders and associated toolkits were reviewed in 2017/18 and are designed to ensure procurement activity is cost effective and ethical.
- Registers of gifts, hospitality and conflicts of interest in place.
- Protocol in place setting out the relationship between and roles of members and officers.
- Member training and development programme in place including dedicated training for planning and licensing committee members.
- Thorough induction processes are in place for all new employees and members, linked to the corporate values.
- Job profiles clearly set out the responsibilities of officers throughout the organisation.
- Learning and Development Strategy and Corporate Learning Group in place.
- There is a system of regular team meetings and one to one meetings between managers and staff.
- Employee health and wellbeing days are arranged and confidential employee counselling support is available at all times.
- A comprehensive suite of training and development courses is offered to all employees.
- All managers are expected to complete the "Way We Manage" training programme.
- Corporate Management Forum in place, where managers work together to review what has gone well and where the Council can do better.
- The Council has a comprehensive suite of HR policies covering employee capability, disciplinary, recruitment and selection, disciplinary and grievance, and flexible working.



- An established Corporate Apprenticeship Scheme in place.
- Where projects are required, teams are put in place based upon the skills and experience available.
- The Council develops the capacity of community groups to do things themselves.
- The Council participates in the Local Authority Challenge.

Effectiveness and future developments

The Council has a Corporate Apprenticeship scheme and there have been 39 apprentices since the scheme started. The apprentices provide a range of valuable support to various Council services whilst undergoing a structured programme of self-development.

Over 100 managers have completed the Council's "Way We Manage" corporate training programme. This is a significant investment in the workforce. The training includes governance issues such as financial management, performance management, health and safety and procurement procedures.

A more consistent format has been implemented for one to one meetings between managers and staff. A standard formal agenda is in use which enables staff development needs to be identified and addressed throughout the year rather than at six monthly intervals. Furthermore, the Council's HR Strategy now links training to the corporate values and there are a number of mandatory training courses directly linked to those values.

A review of the Constitution was completed in 2017/18 and given that there is no longer a Standards Board, there was also review and update of the protocol for member/ officer relations. The updated Constitution, which was approved in December 2017, included modifications to the authorised financial limits delegated to officers, to prevent unnecessary transactional delays.

Implementation of the Counter Fraud Strategy and Fraud Response Plan has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. This included the provision of investigative training to five additional managers, which has improved the resilience of the fraud investigation function. Counter Fraud, Bribery and corruption awareness training was delivered to all managers in March 2018 and the roll out of training to individual teams has commenced.

A Housing restructure and realignment exercise was completed during 2017/18 to ensure that resources and capacity are directed towards the priorities set out within the Corporate Strategy. The Tourism and Town Centre team structure was also reviewed to create capacity to support the visitor economy and the town centre.

The Council trialled a reward and recognition system during 2017/18 and is developing plans for an employee forum including the appointment of mental health first aiders. These people will be trained in how to spot the signs and symptoms of mental ill health and provide help on a first aid basis. In the same way as learning physical first aid, Mental Health First Aiders will know how to recognise those crucial warning signs of mental ill health and feel confident to guide someone to appropriate support. Embedding this initiative within the Council will encourage people to talk more freely about mental health, reducing stigma and creating a more positive culture. **See Action 4**

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

Arrangements in place

- The Council has a risk management strategy in place which is reviewed and refreshed regularly. Strategic and operational risk registers are in place. Senior management, Audit & Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health & Safety Members Working Party, all oversee the risk management arrangements.
- A regular risk assessment of the Council's financial reserves and balances is conducted. Key risks are identified and the financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- Financial information is published on a regular basis and established and embedded budget setting and monitoring procedures are in place.
- Cabinet and Committee system in place including two scrutiny committees and an Audit & Ethics Committee with independent Chair and Vice Chairs.
- Training is provided annually to all members of the Audit & Ethics Committee to ensure that they are suitably skilled to carry out their role effectively.
- Counter fraud strategy, fraud response plan and confidential reporting code in place.
- The internal audit service provides an independent and objective annual report and opinion.
- Service planning and Key Performance Indicators (KPIs) are being developed in line with the Corporate Strategy.
- A corporate system is used to monitor, manage and report performance and conduct verification checks on the quality of our data. Performance data is reported quarterly to Cabinet and is reviewed by a scrutiny committee.
- Data sharing protocols are in place covering, for example, the HEART service, Trailblazer and the County Counter Fraud Initiative.

Effectiveness and future developments

The annual report of the Corporate Assurance and Improvement Manager provides a Substantial level of assurance that the Council has an adequate and effective control environment in place. An internal audit review of corporate Health & Safety conducted in 2016/17, however, resulted in only Limited assurance. A full action plan was agreed with management and delivery is being monitored by internal audit, senior management, and the health & safety members' working party and by the Audit & Ethics Committee. Whilst the Council is taking appropriate steps within its means, the action plan has not yet been fully implemented and, as such, risks identified at the time of the audit have not yet been fully mitigated. **See Action 5**

The Internal Audit Service uses Risk Based Internal Auditing (RBIA), which is recognised as best practice. The work of internal audit is aligned closely with the aims and risk profile of the organisation and the service is responsive to emerging issues and risks.

A full review and update of corporate performance indicators was completed during the final quarter of year to ensure that measures are relevant to the needs and objectives of the organisation, and in line with the new Corporate Strategy. The content, format and presentation of the Council's performance data will also be radically changed in 2018 to ensure it reflects the things that matter and is easier for stakeholders to read and understand. To add an additional level of independent review, scrutiny and assurance, corporate performance reporting will also be submitted to the Audit & Ethics Committee for consideration. **See Action 6**

An internal audit of fleet management completed in March 2018 highlighted a number of deficiencies, most notably the lack of a strategic approach towards the purchasing and replacement of vehicles, and the lack of monitoring of vehicle usage. Management has agreed an action plan which will improve the financial management of this area. Delivery of the action plan will be monitored by the Audit & Ethics Committee. **See Action 7**

Further progress has been made to implement the Anti-Fraud, Bribery and Corruption Strategy in 2017/18. Proactive assurance work was completed in related to two areas of potential fraud risk – Council Tax and NDR, and use of the corporate credit cards. Fraud awareness training was provided to all managers via the Corporate Management Forum. The same awareness training will be delivered to members in July 2018, and to individual teams with the first team already having received the training. Furthermore, the Council's fraud risks and mitigating controls will be subject to a re-review during 2018/19. **See Action 1**

A review of operational risk registers carried out during corporate strategy action planning workshops highlighted a number of risks which cut across service areas and which need to be considered at a corporate level. Officers will develop a corporate risk register in 2018 to ensure these risks are effectively managed through the Strategic Risk Management Group. Furthermore, all managers will receive mandatory risk management training in July 2018 as the Council works to embed a consistent and effective approach to operational risk management across the organisation. **See Action 8**

Future plans include the implementation of a new housing management system across the Council in 2018/19. It is expected that this will provide an improved customer experience in line with the corporate strategy priorities, delivering digitally enabled services that residents can access.

The Council has continued to implement policies to support its route to financial self sufficiency by 2020. This includes ongoing work to understand the costs of running the various services and the benefits to customers, ensuring that services are run efficiently and effectively. A review of fees and charges was also carried out during the year.

A cross party working group has been formed to examine and determine the Council's asset management plan, which forms part of a new Asset Management Strategy approved in April 2018. A list of projects was developed which the cross party group will prioritise. Delivery of the plan will ensure efficient and effective use of the Council's assets, in line with the corporate strategy. Governance arrangements for the Housing Management Strategy have been formally documented.

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Arrangements in place

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- All reports are subject to a robust internal review process to ensure they are presented in an understandable style.
- The performance information set out in the financial statements is prepared in consideration of the presentational approach adopted by other similar authorities.
- There is an open data section on the Council's website which includes details of senior officer salaries.

- Implementation of external audit recommendations is monitored by the Financial Services Manager and Deputy Section 151 officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance and Improvement Manager and reported to senior management and the Audit & Ethics Committee.
- The Corporate Assurance and Improvement Manager is provided with direct unfettered access to the Chair and Vice Chairs of the Audit & Ethics Committee.
- Internal audit plan coverage has been extended to include governance and ethics related audits, in line with the Public Sector Internal Audit Standards.
- The Council submits itself to external peer reviews including by the Local Government Association, and in May 2017 welcomed an equalities and diversity peer review and challenge. Action plans arising from these reviews are monitored by the senior management team.
- An internal audit review of governance arrangements for jointly managed organisations and partnerships was completed in 2017/18 and provided a Substantial level of assurance.
- Invitations to tender are published along with the contracts register.

Effectiveness and future developments

The Annual Audit Letter for 2016/17 provided assurance over the Council's financial control and overall governance arrangements.

The presentation of the Council's financial statements was redesigned in 2017 to make them easier to read and for stakeholders to understand. The design of this annual governance statement was also updated to make it easier to read, and it has been prepared in line with good practice guidelines published by the Chartered Institute of Public Finance & Accountability (CIPFA). Furthermore, the draft financial statements and annual governance statement are now published earlier; this provides stakeholders with more timely information.

In May 2017 the Council welcomed an external review which resulted in it being the first and only district authority to be recredited as "excellent" under the equalities framework for local government.

An internal audit review of the Council's governance arrangements for jointly managed organisations and partnerships has been scheduled for 2017/18 which provided a Substantial level of assurance. In line with recommended practice the results of this review have been published.

Whilst the Council's corporate performance information is published within Cabinet and scrutiny committee reports and in the financial statements, in 2018 this information will be made easier for stakeholders to access because it will be added to the open data section of the website. **See Action 6**

In September 2017 an independent external quality assessment of the internal audit service was carried out. The review compared the operation of the service with the Public Sector Internal Audit Standards (the Standards). The results were reported to senior management, Cabinet and the Audit & Ethics Committee. The report concluded that there are "no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Significant progress has been made over the last two years to update the audit approach". The report also highlighted "some minor actions needed to ensure full compliance with the standards". The formal recommendations arising from the assessment, details of which were reported to the Audit & Ethics Committee in November 2017, have all been implemented. The Internal Audit service is therefore operating in conformance to the Standards.

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

	Improvement Action	Assessment of Progress
1	<p>Update the feedback and complaints procedure, ensuring that:</p> <ul style="list-style-type: none"> • Common themes are identified for which lessons may need to be applied across the Council; and • There is a common approach to recognising and celebrating positive feedback from customers. 	<p>In Progress</p> <p>The arrangements are overseen by the Communications team, which reports to the Executive Director.</p> <p>A system for sharing and celebrating feedback has been trialled and a more formal option is currently being considered. See Action 4</p>
2	<p>Implement and embed compliance with the new General Data Protection Regulations.</p>	<p>Completed</p> <p>Steps have been taken during the year to prepare the Council for implementation of the new regulations. These steps include the roll out of eLearning training to officers and completing data audit reviews across the organisation, the statutory appointment of a data protection officer, and the formation of a panel which will determine what action to take as and when breaches and near misses are reported.</p>
3	<p>Review and update the service planning process, ensuring that delivery of action plans is monitored and that there are clear linkages between key performance measures and the outcomes envisaged in the corporate strategy.</p>	<p>Completed</p> <p>The service planning process was reviewed and updated in September 2017.</p>
4	<p>Review, update and communicate the protocol for member/ officer relations</p>	<p>Completed</p> <p>The protocol was reviewed and updated in December 2017.</p>
5	<p>Develop a corporate risk register; ensuring risks are effectively managed through the Strategic Risk Management Group (SRMG).</p>	<p>Not Completed</p> <p>When the service planning process was amended, it was recognised that the new process would highlight a more comprehensive list of risks which would benefit from being managed at the corporate level. It was therefore</p>

	Improvement Action	Assessment of Progress
		decided to delay the development of the corporate risk register until the service planning had been completed in the fourth quarter. The corporate risk register will be developed for consideration by the SRMG in August 2018. See Action 8
6	Complete and publish the review of governance arrangements for jointly managed organisations and partnerships.	Completed The results of the review were published in May 2018.
7	Add corporate performance information to the open data section of the Council website	Not Completed It was agreed that this information would be added once the service planning workshops had been completed, which included a full review and update of the Council's KPIs ensuring they contain the information that matters to stakeholders and reflecting the corporate priorities. The Council will begin publishing the information with effect from August 2018. See Action 6
8	Report the results of the internal audit external quality assessment to the Audit & Ethics Committee and update the service improvement plan to reflect the results of the assessment.	Completed The results were reported in November 2017 and the formal recommendations have all been implemented.
9	Develop Business Continuity Plans for critical services	Completed The plans were completed in December 2017.
10	Review and update of the Constitution, including the Code of Conduct for Officers	Completed An updated Constitution was approved in December 2017.
11	Introduce a dedicated governance forum, ensuring that any emerging governance issues are reviewed and addressed during the year.	Completed The remit of the SRMG was reviewed and amended to incorporate governance issues,

	Improvement Action	Assessment of Progress
		which are considered at each quarterly meeting.
12	Fully implement and embed the new Anti-Fraud, Bribery and Corruption Strategy, including provision of further training to members and individual teams.	<p>Substantially Completed</p> <p>Proactive assurance work was completed in related to two areas of potential fraud risk – Council Tax and NDR, and use of the corporate credit cards. Fraud awareness training was provided to all managers via the Corporate Management Forum. The same awareness training will be delivered to members in July 2018, and to individual teams with the first team already having received the training. Furthermore, the Councils fraud risks and mitigating controls will be subject to a re-review during 2018/19. See Action 1</p>

7. UPDATED ACTION PLAN

	Action	Lead officer	Target completion date
1	Deliver fraud awareness training to teams and members. Re-review the Council's fraud risks. Require all employees to confirm that they have read and understand the Anti-Fraud, Bribery and Corruption Strategy and Fraud Response Plan.	Head of Corporate Resources & Chief Finance Officer	31/12/2018
2	Develop and implement a revised template for completing equality impact assessments. Provide training to all managers to ensure that the assessments are carried out in a consistent manner.	Head of Communities and Homes	31/12/2018
3	Implement new reporting arrangements to ensure that delivery of projects and action plans associated with the corporate strategy is closely monitored.	Head of Corporate Resources & Chief Finance Officer	30/09/2018
4	Implement the employee forum and mental health first aider initiatives.	Head of Corporate Resources & Chief Finance Officer	30/09/2018

5	Fully implement the action plan arising from the internal audit review of corporate health and safety.	Head of Environment and Public Realm	31/12/2018
6	Review and update the content, format and presentation of the Council's performance data. Submit corporate performance reports to the Audit & Ethics Committee for consideration. Add corporate performance information to the open data section of the Council website.	Head of Corporate Resources & Chief Finance Officer	30/09/2018
7	Implement the action plan arising from the internal audit review of fleet management.	Head of Environment and Public Realm	31/03/2019
8	Develop a corporate risk register; ensuring risks are effectively managed through the Strategic Risk Management Group (SRMG). Deliver risk management training to all managers.	Head of Corporate Resources & Chief Finance Officer	30/09/2018

8. SUMMARY, CONCLUSION AND CERTIFICATION

- 8.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 8.2 This statement has been considered by the Audit & Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A number of future developments have been highlighted and these are specifically addressed within the Action Plan.
- 8.3 The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2018/19.
- 8.4 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations.



Adam Norburn - Executive Director

Date:

Councillor M Stokes - Leader of Rugby Borough Council

Date:



GLOSSARY OF TERMS

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Appointed Auditors

From 1st April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton is the Council's appointed Auditor.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of council tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Accounts.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.



Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Ministry of Housing, Communities and Local Government (MHCLG)

MHCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.



Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Asset

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

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patent

International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.



Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Non- Domestic Rate (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Net Book Value (NBV)

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

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, elected members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

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

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.



Section 106 (Developer) Contributions

Planning obligations are legal contracts made under section 106 of the 1990 Town and Country Planning Act. They are generally entered into by agreement between councils and landowners.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.