



23 November 2022

AUDIT AND ETHICS COMMITTEE – 1 DECEMBER 2022

A meeting of Audit and Ethics Committee will be held at 6pm on Thursday 1 December 2022 in the Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley
Chief Executive

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 29 September 2022.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

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

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

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

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

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

4. Approval of the Financial Statements for 2021/22.
5. Treasury Management Mid-Year Report 2022/23.
6. Internal Audit Plan Progress Update.
7. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

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

PART 2 – EXEMPT INFORMATION

1. Exemption to Contracts Standing Orders – Renewal of HR Payroll Software Contract for 3 Years.
2. Exemption to Contract Standing Orders – The Rugby Market.
3. Whistle Blowing Incidents – Standing Item – to receive any updates.
4. Fraud and Corruption Issues – Standing Item – to receive any updates.

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

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Mistry, Mrs Roberts, Roodhouse and Willis

Named Substitutes: Councillors Mrs A'Barrow, Lewis, Moran and Ms Watson-Merret

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

AGENDA MANAGEMENT SHEET

Report Title: Approval of the Financial Statements for 2021/22

Name of Committee: Audit and Ethics Committee

Date of Meeting: 1 December 2022

Report Director: Chief Financial Officer

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: All wards

Prior Consultation: None

Contact Officer: Jon Illingworth
Section 151 and Chief Financial Officer01788
533410; jon.illingworth@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: Yes

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

Summary: This report asks Members to consider the Council's updated Financial Statements and approve for signature and publication.

Financial Implications: As detailed in the financial statements.

Risk Management Implications:	As detailed in the financial statements.
Environmental Implications:	There are no environmental implications arising from this report.
Legal Implications:	The Council is required to produce and publish its Financial Statements under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
Equality and Diversity:	There are no equality and diversity implications arising from this report.
Options:	None
Recommendation:	<p>RECOMMENDATION</p> <ol style="list-style-type: none"> 1) The updated Audit Findings Report for 2021/22, as attached at Appendix A, be considered. 2) The Management Representation Letter for 2021/22, as attached at Appendix B, be considered and approved. 3) The Statement of Accounts for 2021/22, as attached at Appendix C, be approved. 4) That authority be delegated to use the Chair of the Audit and Ethics Committee and the Chief Financial Officer's electronic signatures to sign the Statement of Accounts.
Reasons for Recommendation:	The Council is statutorily required to produce and publish its Financial Statements for the 2021/22 financial year.

Audit and Ethics Committee - 1 December 2022

Approval of the Financial Statements for 2021/22

Public Report of the Chief Financial Officer

Recommendation

- 1) The updated Audit Findings Report for 2021/22, as attached at Appendix A, be considered.
- 2) The Management Representation Letter for 2021/22, as attached at Appendix B, be considered and approved.
- 3) The Statement of Accounts for 2021/22, as attached at Appendix C, be approved.
- 4) That authority be delegated to use the Chair of the Audit and Ethics Committee and the Chief Financial Officer's electronic signatures to sign the Statement of Accounts.

1 Purpose

- 1.1 This report asks Members to approve the Council's updated Statement of Accounts for signature by the Chair of Audit and Ethics Committee and the Chief Financial Officer and publish the accounts on the Council's website.

2 Background

- 2.1 The Council is required to produce and publish its Financial Statements under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
- 2.2 The Accounts and Audit (Amendment) Regulations 2022 require that the Council publish its draft financial statements by 31 May 2022 and its audited financial statements by 30 November 2022. Where a Council is unable to publish its audited financial statements by the due date, it needs to publish a note on its website to state that the accounts have not yet been published and the reasons why.
- 2.3 The draft financial statements were published on 29 July 2022 and the accounts have subsequently been subject to audit by Grant Thornton LLP.
- 2.4 This Committee considered and approved updated Financial Statements at its meeting on 28 July 2022. Subsequently one material adjustment to the 2021/22 accounts has been identified and there has been a number of minor corrections to spelling and to correct rounding errors.

- 2.5 As the Financial Statements have been amended, the Committee will need to consider updates to:
- The draft Audit findings report is included as Appendix A of this report, once the Council's responses have been agreed a final version of the Audit findings report will be circulated.
 - The Management Representation Letter for 2021/22 is included as Appendix B of this report.
 - An updated Statement of Accounts is included as Appendix C of this report.

3 Adjustment to the Financial Statements

- 3.1 In completing the 2021/22 Financial Statements, it has been identified that the non-current assets needed adjusting as follows:
- an incorrect valuation of one property has resulted in the gross value being understated, this does not affect the net cost of services; and
 - incorrect presentation of the impairment of non-current assets resulting in the adjustment of gross cost and depreciation, this does not affect the net value as reported.
- 3.2 The analysis of short and long-term investments, the total value of investments is unchanged and the gross value of Debtors and Creditors, was incorrectly reported,
- 3.3 Amendments have also been made to the Financial Instruments note to ensure consistency through the accounts.
- 3.4 The changes made to the Council's Financial Statements as a result of the above amendments are set out in the table below:

Rugby Borough Council 2021/22 Accounts Post audit adjustments			
Area of Accounts	Items Affected	Comprehensive Income and Expenditure Statement £000s	Balance sheet Net assets £000s
Surplus on Provision of Services per draft accounts		446	
Net assets			216,203
Impairment of assets - prior years	Gross valuation of assets	0	(364)
	Gross accumulated Depreciation		364
Impairment of assets - 2021/22	Gross valuation of assets	0	1,405
	Gross accumulated Depreciation		(1,405)
Use of incorrect revaluation - EUV SH rather than MV	Gross valuation of assets	0	509

before discounting. Therefore double counting			
	Unusable reserves		
Incorrect analysis of debtors and Creditors	Balance sheet value of Debtors	0	590
	Balance sheet value of creditors		(590)
Incorrect analysis of Investments	Long term Investments	0	23,506
	Short term Investments		(23,506)
Surplus on Provision of Services		446	
Net assets			216,712

3.5 The external auditors have found no material misstatements within the accounts and expect to be able to issue an unqualified audit opinion.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 1 December 2022

Subject Matter: Approval of the Financial Statements for 2021/22

Originating Department: Finance, Performance, Legal and Governance

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

The Audit Findings for Rugby Borough Council

Year ended 31 March 2022

Rugby Borough Council

December 2022



Contents



Your key Grant Thornton team members are:

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Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion
- F. Management Letter of Representation
- G. Audit letter in respect of delayed VFM work

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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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1. Headlines

This table summarises the key findings and other matters 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 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site/remotely during July-November. Our findings are summarised on pages 5 to 16. We have identified 3 adjustments to the financial statements that have resulted in a £508k adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- Completion of our testing of a sample of other land and buildings, surplus assets, investment properties and council dwellings
- Receipt of management representation letter – see appendix F; and
- Review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was communicated to the Chair of the Audit and Ethics Committee on 21 September 2022. A copy of this letter is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 March 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of the medium term financial sustainability of the Council. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report by 31 March 2023.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

Management's assumptions and estimates

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For property valuations in particular, there has been significant enquiry and challenge with the Council's valuer over the inputs and assumptions applied, as discussed on page 8. Our work in this area is still ongoing.

2. Financial Statements

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) and the Code, 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;
- 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 1st December 2022. These outstanding items include:

- Completion of our testing of a sample of other land and buildings, surplus assets, investment properties and council dwellings
- Receipt of management representation letter – see appendix F; and
- Review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted within our audit plan presented to the Audit & Risk Committee on 30 June 2022, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote access to financial systems, video calling, verification of the completeness and accuracy of information provided remotely produced by the entity and similar challenges relating to pandemic working conditions.

2. Financial Statements

Council Amount (£) Qualitative factors considered

Materiality for the financial statements	£1,300,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 2% of prior year gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements.
Performance materiality	£910,000	Based on the internal control environment at the Council we determined that 70% of headline materiality would be an appropriate benchmark.
Trivial matters	£60,000	We decided that matters below 5% of materiality were trivial.
Materiality for Senior Officer Remuneration	£11,600	We identified senior management remuneration as a sensitive item and set a lower materiality of £11,600 for testing these items which is approximately 2% of expenditure.



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 levels remain the same as reported in our audit plan on 30 June 2022

We detail in the table our determination of materiality for Rugby Borough Council.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Fraud in revenue recognition (rebutted)	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • 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. <p>Therefore we did not consider this to be a significant risk for Rugby Borough Council.</p> <p>There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.</p> <p>Whilst not a significant risk, as part of our audit work we have undertaken work on material revenue items. Our work has not identified any matters that would indicate our rebuttal was incorrect.</p>
The expenditure cycle includes fraudulent transactions (rebutted)	<p>Having considered the risk factors set out in Practice Note 10 and the nature of expenditure at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition. • opportunities to manipulate expenditure 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. <p>Therefore we did not consider this to be a significant risk for Rugby Borough Council.</p> <p>There were no changes to our assessment as reported in the audit plan that we need to bring to your attention.</p> <p>Whilst not a significant risk, as part of our audit work we have undertaken work on material expenditure items. Our work has not identified any matters that would indicate our rebuttal was incorrect.</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> - evaluated the design effectiveness of management controls over journals - analysed the journals listing and determined the criteria for selecting high risk unusual journals - identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration - gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>Valuation of land and buildings and investment properties</p> <p>The Council revalues its Land and Buildings (including HRA dwellings) on a 5 year cyclical basis and its investment properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value at the financial statements date, the Authority seeks assurance from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£227.87m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings and investment properties as a significant risk.</p>	<p>We:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation experts • wrote to the valuers to confirm the basis on which the valuations were carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register • We challenged the data and assumptions used in the valuations and agreed them back to auditor obtained supporting data <p>Our audit work on the valuation of the Council's land and buildings and investment properties is ongoing at the time of writing this report. To date, we have the following matter to report to you:</p> <ul style="list-style-type: none"> • For Council Dwellings a social discount factor is applied to the valuation. Our testing has identified that the discount factor has been incorrectly applied twice to the dwelling valuations. Officers have agreed to amend the accounts for this issue and the amendment is reflected in appendix C of this report. <p>We will report our final conclusions to members on completion of our outstanding procedures</p> <p>Also refer to the detailed assessment of the estimation process as described on pages 10 and 11 of the report</p>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of the net defined benefit pension fund liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£40.41m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- requested assurances from the auditor of Staffordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

As part of our substantive approach, we obtain assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. At the time of writing this report, this assurance is outstanding, however we do not foresee any further matters that would impact on our audit.

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £29.773m	<p>Other land and buildings comprises of specialised assets, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision and assets not specialised in nature, and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Godfrey Payton to complete the valuation of the majority of assets in April 2021 with car parks being valued as at the year end. Assets are revalued on a four year cyclical basis and by value around 50% of the Council's other land and buildings were revalued during 2021/22. The four yearly cyclical basis is allowable under the CIPFA Code, providing the carrying amount of non-valued assets is not materially different from the current value at the year-end.</p> <p>In reporting a valuation for land and buildings, the valuer has considered a range of relevant sources of information, including, for EUV assets: relevant market data; current and prospective lease terms and income; for DRC assets: build costs and internal floor areas; and for both EUV and DRC assets: condition assessments from inspections carried out and other relevant industry guidance. Management maintain regular dialogue with the valuer and review the valuation certificates provided and challenge where required.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £115k.</p> <p>Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued in April 2021, to determine whether there has been a material change in the total value of these properties. This has been confirmed by the valuer in their report.</p>	<ul style="list-style-type: none"> • We are satisfied that management's expert, is competent, capable and objective • We have documented and are satisfied with our understanding of the Council's processes and controls over property valuations • We have validated sources of information used by management and the valuer for a selection of assets – work is ongoing • We have analysed the method, data and assumptions used by management to derive the estimate - work is ongoing • We have reviewed and are satisfied with management's assessment that assets not valued are not materially misstated - work is ongoing • The estimate is adequately disclosed in the financial statements. 	TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Dwellings - £197.411m	<p>The Council owns 3,676 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Godfrey Payton to complete the valuation of these properties. A full revaluation was undertaken in 2020 and a desktop valuation in January 2022.</p> <p>The year end valuation of Council Housing was £197.411m.</p>	<ul style="list-style-type: none"> We are satisfied that management's expert, is competent, capable and objective The housing stock was revalued in full in the prior period. The stock base has been split into geographical areas and beacon properties selected to represent the groupings For a sample of housing assets, we have agreed the beacon assigned to the property system and comparable market data – work is ongoing We have considered the completeness and accuracy of the underlying information used to determine the estimate - work is ongoing 	TBC

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £40.4m	<p>The Council's total net pension liability at 31 March 2022 is £40.4m (PY £53.6m), comprising the Warwickshire Local Government pension scheme and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £20.6m net actuarial gain during 2021/22.</p>	<ul style="list-style-type: none"> Undertaken an assessment of management's expert; Reviewed and assessed the actuary's roll forward approach taken; Use of PwC as auditors expert to assess actuary and assumptions made by actuary, summarised below; <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.7%</td> <td>2.7 % to 2.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.15% to 3.30%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.0%</td> <td>CPI to CPI + 1%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.7 / 21.6 years</td> <td>21.4 to 24.3 years & 20.1 to 22.7 years</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.9 / 24.1 years</td> <td>24.8 to 26.7 years & 22.9 to 24.9 years</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Completeness and accuracy of the underlying information used to determine the estimate Impact of any changes to valuation method Reasonableness of the Council's share of LPS pension assets. Reasonableness of decrease in estimate Adequacy of disclosure of estimate in the financial statements. 	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.7%	2.7 % to 2.75%	●	Pension increase rate	3.2%	3.15% to 3.30%	●	Salary growth	4.0%	CPI to CPI + 1%	●	Life expectancy – Males currently aged 45 / 65	22.7 / 21.6 years	21.4 to 24.3 years & 20.1 to 22.7 years	●	Life expectancy – Females currently aged 45 / 65	25.9 / 24.1 years	24.8 to 26.7 years & 22.9 to 24.9 years	●	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.7%	2.7 % to 2.75%	●																								
Pension increase rate	3.2%	3.15% to 3.30%	●																								
Salary growth	4.0%	CPI to CPI + 1%	●																								
Life expectancy – Males currently aged 45 / 65	22.7 / 21.6 years	21.4 to 24.3 years & 20.1 to 22.7 years	●																								
Life expectancy – Females currently aged 45 / 65	25.9 / 24.1 years	24.8 to 26.7 years & 22.9 to 24.9 years	●																								

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and Useful Economic Lives of Fixed Assets	<p>Management set out to depreciate items of property, plant and equipment over their remaining useful lives in a manner consistent with the consumption of economic or service deliver benefits. Appropriate componentisation is used in calculating depreciation. Freehold land is considered to have an infinite life and is not depreciated. Assets under construction are also not depreciated in line with the CIPFA Code.</p> <p>Depreciation for the year 2021/22 was estimated to be £5.247m (£5.063m in 20/21).</p> <p>Depreciation is calculated in reference to management's assessment of the expected useful life of each asset.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated management's processes around depreciation • Evaluated the application of the accounting policy to ensure it has been applied consistently and appropriately • Assessed the reasonableness of the depreciation charge in year. 	<p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

Issue	Commentary
Matters in relation to fraud	<p>We have previously discussed the risk of fraud with the Audit and Ethics Committee and through discussion with management been made aware of one instance in the period. 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</p> <p>We have confirmed that the matter identified is clearly immaterial and therefore no risk of material misstatement exists. We have followed up on our discussions and are satisfied that management have investigated the matter thoroughly and measures are being implemented to prevent recurrence.</p>
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
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.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Ethics Committee papers
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bodies with which the Council hold cash and cash equivalent balances, investments and borrowings. This permission was granted and the requests were sent.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.



2. Financial Statements - other communication requirements



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).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
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 and Narrative Report), 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/Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters</p>
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.</p> <p>The NAO sets a threshold within its group instructions below which detailed procedures are not required. As in previous years, the Council is below the threshold and therefore we are not required to carry out detailed audit work over the WGA return.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit of Rugby Borough Council in the audit report due to the need for us to complete our VFM work.</p>



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit and Ethics Committee on 21st September 2022. A copy of this letter is attached Appendix G to this report.

We expect to issue our Auditor's Annual Report by 31 March 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

5. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

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, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	19,600	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 £19,600 in comparison to the total fee for the audit of £63,925 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Pooling of Housing capital receipts return	6,000	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 £6,000 in comparison to the total fee for the audit of £63,925 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related			
CFO Insights Subscription	6,000	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 £6,000 in comparison to the total fee for the audit of £63,925 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.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Ethics Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Internal Control

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●	<p>With respect to the Agresso system and journal control environment, we have noted that:</p> <ul style="list-style-type: none"> A Senior ICT Officer has an involvement in administering the automatic postings. E.g. administering the automatic postings, when requested by Finance staff, posting interface files. Our review under the journal entries - shows that the Senior ICT officer has also posted/initiated 3 journal transactions in the year. 	<p>Where individuals with privileged IT access levels are also involved in business processes and the posting of journal entries, this increases the risk of management override of controls. However, we acknowledge that in certain circumstances and where teams are limited in numbers, this is necessary Likewise, risk of transactions being posted that cannot be identified to an individual, increasing the potential for fraud or error.</p> <p>We would recommend that management review the role of senior ICT staff in business processes related to financial reporting</p> <p>Management response</p> <ul style="list-style-type: none"> [...]
●	<p>We have identified some deficiencies in the IT control environment as follows:</p> <ul style="list-style-type: none"> Whilst all changes to IT systems are tested, it is not as part of a formal documented process. The Council's IT Risk Register is outdated, being from 2018 and covers aspects and actions from 2016/17. This indicates that risks are either not being addressed timely or the Council is not regularly reviewing its IT risk register. 	<p>None of the identified deficiencies are significant in nature however we would recommend that management review points noted as part of a wholistic review of the IT control environment and where best practice improvements can be implemented these are addressed.</p> <p>Management response</p> <ul style="list-style-type: none"> [...]

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Rugby Borough Council's 2020/21 financial statements, which resulted in 2 recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>In regard to the Agresso system and journal control environment, we have noted that:</p> <ul style="list-style-type: none"> • A Senior ICT Officer has some role involvement in business processes. E.g. administering the automatic postings, when requested by Finance staff, posting interface files. • Our review under the journal entries - shows that the Senior ICT officer has also posted a journal transaction in the year. • The Agresso system includes a 'dummy user' set up in the ledger. Review shows that there have only been 4 transactions in the year posted by the 'dummy user' account. 	<p>The "dummy user" is used by the system to progress workflows in Agresso. Each workflow has steps which are clearly assigned and authorised by individual officers.</p> <p>The senior ICT officer privileges to post journals entries remains necessary for resilience. However, governance and an auditable authority process will be introduced should the senior ICT officer be required to post journal entries and each request will be authorised by Senior Finance officers.</p>
✓	<p>We have identified some deficiencies in the IT control environment as follows:</p> <ul style="list-style-type: none"> • Not all those responsible for creating new user accounts (system/administrators) are within the IT function i.e. these can be created by those in finance. • There is no process of automated notification from the HR system to ensure all users listed as leavers are communicated to IT for removal. • There is not always formal documented investigation of security violations. • There is no documented change management policy or procedure or no formal request process for program changes. • Whilst all changes to IT systems are tested, it is not as part of a formal documented process. Further, change approvers are not clearly separate from change developers / testers. • Developers have access to change and interact with the live system. • Post implementation reviews occur, but they are not formally documented or evaluated. • Although underpinned by a robust IT control environment, there is no dedicated sub-section within the control environment for cyber security. 	[...]

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	As a result of our audit procedures performed on the bad debt provision (excluding provisions for statutory debts) we have noted that the Authority do not utilise forward looking information or considerations in their calculation of expected credit losses. This is not in line with IFRS 9 and there is a risk that the provision is understated if based only a previous experience of default.	<p>The bad debt provision was calculated on the old basis but still represents a reasonable estimate of the likely level of default. However, IFRS9 does require a different approach in calculating expected losses from default and this will be adopted for future financial statements.</p> <p>A training session on the impact of IFRS9 has been presented to the finance team and attendance was mandated.</p> <p>A review of relevant working papers for the year end will be undertaken to ensure compliance with IFRS9</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. 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 ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Adjustment due to the double counting of the social housing discount value in the revaluation of Council Dwellings	Cr (Surplus)/Deficit on revaluation of PPE £508k	Dr Property, Plant & Equipment £508k Cr Revaluation Reserve £508k.	(£508k)
Adjustment of Investments to correct their classification between long term (over 12 months) and short term (less than 12 months)	-	Dr L/T Investments £23,505k Dr L/T Advances £2,266k Cr S/T Investments £25,771k	-
Correction of the Short Term Debtors and Creditors balances in the balances sheet to correct negative balances included within creditors which should be included in debtors.	-	Dr Creditors £590k Cr Debtors £590k	-
Overall impact	(£508k)	£0	(£508k)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Ethics Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Cut-off testing identified 2 items relating to 21/22 received in 2022/23 but there was no accrual for the income the total value of these items were £12,298. We have extrapolated this error across the sample population to arrive at a projected adjustment.	Cr Net Cost of Services £173k	Dr Debtors £173k	(£173k)	This is an extrapolated error and the actual error of £12.3k is not material
Overall impact	(£173k)	£173k	(£173k)	

C. Audit Adjustments



Impact of prior year unadjusted misstatements

Our audit work in 2020/21 did not identify any unadjusted misstatements.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
Note 24 Capital Commitments Note includes commitments of £2.8m that do not meet the definition for committed capital expenditure	These capital commitments should be removed from the note.	✓
The revaluation table in Note 19 Property, Plant and Equipment is incorrect and does not show the correct value for Surplus Non-Operational Assets or the correct periods of revaluation	That the table is updated to be consistent with other capital notes in the accounts and details correctly the periods that assets have been revalued in.	✓
Other disclosures	We identified a number of minor improvements required to other disclosures, none of which we consider merit reporting separately to Those Charged With Governance	✓

D. 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	£63,925	£71,425
Total audit fees (excluding VAT)	£63,925	£71,425

We have proposed a fee variation of £7,500 in respect of increased time taken to undertake the audit given delays in receiving auditable information and adjustments made to the financial statements. The fee variation is subject to approval PSAA approval and therefore not reflected in the audited financial statements for the year ended 31 March 2022.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefit subsidy claim (HBAP)	£19,600**	TBC
Certification of Pooling of Housing Capital Receipts return	£6,000**	TBC
Non-Audit Related Services		
CFO Insights	£6,000	£6,000
Total non-audit fees (excluding VAT)	£31,600	£TBC

E. Audit opinion

Our audit opinion is included below.

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 on financial statements

We have audited the financial statements of Rugby Borough Council (the 'Authority') for the year ended 31 March 2022, 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, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Chief Officer - Finance and Performance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

E. Audit opinion

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

Other information

The Chief Officer - Finance and Performance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Chief Officer - Finance and Performance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Officer - Finance and Performance.

E. Audit opinion

The Chief Officer - Finance and Performance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Officer - Finance and Performance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

E. Audit opinion

- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - The use of journal entries;
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Officer – Finance and Performance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals.
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, defined benefit pensions liability valuations and provisions.
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property, defined benefit pensions liability valuations and provisions.

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA, LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

E. Audit opinion

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

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

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

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

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Rugby Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Avtar Sohal, Key Audit Partner

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

Birmingham

Date:

F. Management Letter of Representation

Rugby Borough Council

Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Rugby Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in 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 any 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. Such accounting estimates include Revaluation of Council Dwellings, Land & Buildings and the Net Pension Liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. 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.
- vii. 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.
- 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 Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 6 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

F. Management Letter of Representation

- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

- i. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- ii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's 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. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xix. 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.

- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - 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.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. 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.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. 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

- xxv. 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

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Ethics Committee at its meeting on 1 December 2022.

G. Audit letter in respect of delayed VFM work

Mr P Dudfield
Chair of Audit and Ethics Committee
Rugby Borough Council
Town Hall
Evreux Way
Rugby
CV21 2RR
21 September 2022

Dear Paul,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 January 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Avtar Sohal

Director





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

APPENDIX B

1 December 2022

Dear Sirs

Rugby Borough Council Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Rugby Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in 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 any 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. Such accounting estimates include Revaluation of Council Dwellings, Land & Buildings and the Net Pension Liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. 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.

- vii. Except as disclosed in the financial statements:
 - i. there are no unrecorded liabilities, actual or contingent
 - ii. none of the assets of the Council has been assigned, pledged or mortgaged
 - iii. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 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 Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 6 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

 - i. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
 - ii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's 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. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.
- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xix. 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.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - 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.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. 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.
- xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. 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

- xxv. 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

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

Approval

The approval of this letter of representation was minuted by the Council's Audit and Ethics Committee at its meeting on 1 December 2022.

Yours faithfully

Name.....

Position.....

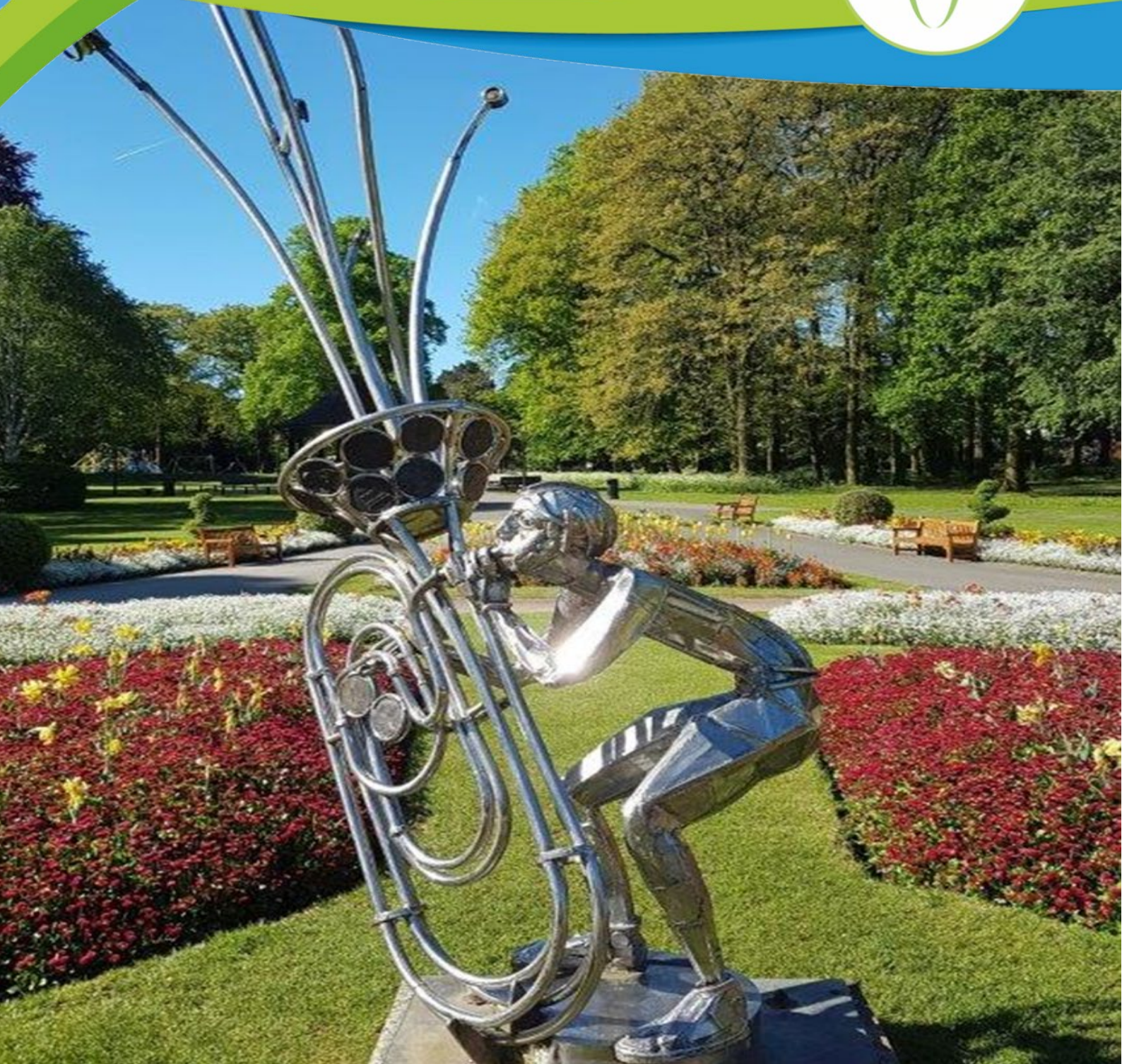
Date.....

Name.....

Position.....

Date.....

Signed on behalf of Rugby Borough Council



Statement of Accounts

Rugby Borough Council □ 2021/22

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NARRATIVE REPORT

Narrative Report of the Chief Officer – Finance and Performance

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2021/22 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2020/21 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, council members and other interested parties.

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

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position at 31 March 2022 and is structured as follows:

- About Rugby Borough Council
- Governance
- Corporate Strategy 2021-24
- Financial Overview 2021/22
- Future Financial Outlook and Financial Resilience
- Finance Resilience Conclusion
- Financial Statements
- Further Information

Jon Illingworth CPFA
Chief Officer – Finance and Performance
29 July 2022

About Rugby Borough Council

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

One of the fastest growing boroughs in the country, we serve around 110,000 residents. We are proud of our diverse communities, our vibrant third sector, our environmental assets and the businesses that operate here.

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

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

We employ around 550 staff working in our offices, at home, across our cultural facilities and running our direct labour services. 42 borough councillors, representing electors in 16 wards, run the council using a leader and cabinet model.

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

Our communities are generally more economically active and better paid than the average for England. Four in five adults aged 16-64 are in paid employment, earning £28,472, against £26,192 for all of England. Around three per cent are claiming Universal Credit or Job Seekers Allowance.

84 per cent of our residents are White British, and we have a significant east European community making up around five percent of our population, with South Asian communities making up just over three per cent. 63.7 per cent are Christian, 2.3 per cent are Hindu and 1.2 per cent Muslim.

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

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

On the 14 May 2021 the Council incorporated Caldecott Group Limited, this company has been established as part of the trading structure that was presented to Cabinet in June 2021. The purpose of the company is to act as a holding company for all the trading Companies that the Council is looking to establish as part of the trading structure.

As a result of the recruitment process the Directors of the company are

- Cllr Peter Eccelson
- Cllr Ish Mistry
- Cllr Ramesh Srivastava
- Dan Green, Deputy Executive Director

During the year Caldecott Development Limited was the first of the Councils Trading Companies established. This housing development company is a joint venture with Norse and will initially look to develop and deliver 60 new affordable homes across eight sites.

Political Structure in the 2021/22 Municipal Year

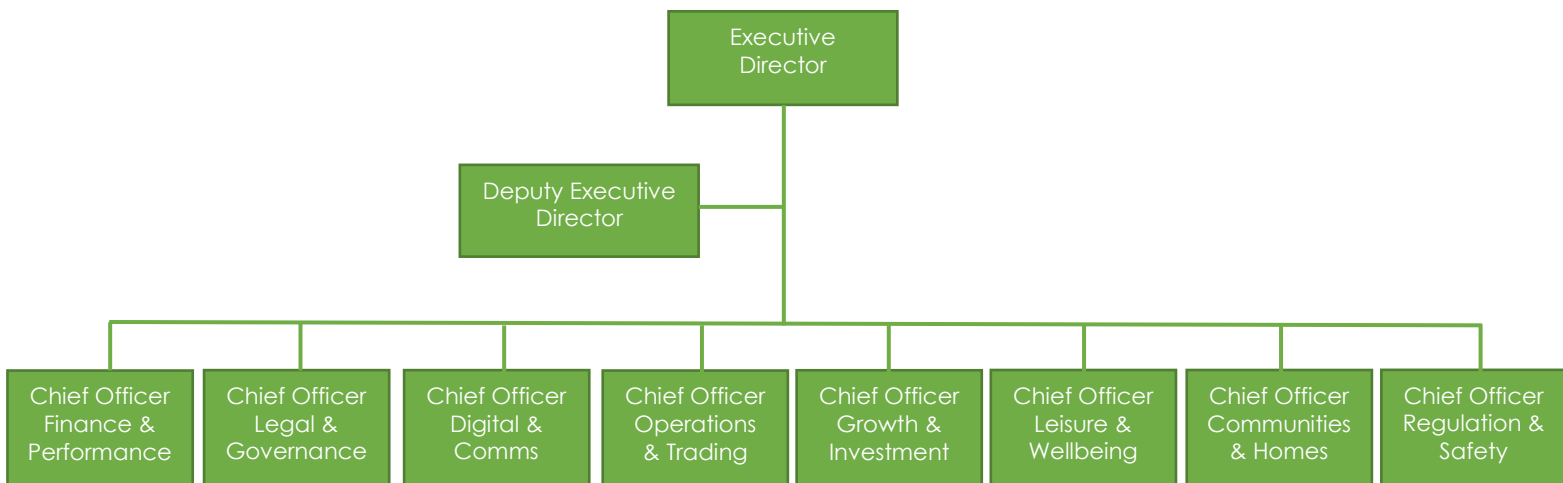
The borough of Rugby has 16 wards, and the Council consists of 42 Members and is a Conservative controlled authority. Borough elections were held on 6 May 2021.

	2020/21	Change	2021/22
Conservative Group	24	1	25
Labour Group	9	-1	8
Liberal Democrat Group	9	-	9
Independents	0	-	0

Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Leadership Team, led by Executive Director Mannie Ketley.

The management structure of the organisation changed on 1 April 2021. In addition to the appointment of the new Deputy Executive Director during 2020/21, a restructure saw the introduction of 8 new Chief Officers replacing the four previous Head of Service roles and new portfolio structure which is aligned accordingly.



Governance

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

Further enhancements were made to our governance arrangements during 2021/22 including:

- Development and implementation of an updated framework of financial regulations and instructions, ensuring officers take ownership for and are held accountable for compliance.
- Completing a comprehensive self-assessment and developing an action plan to ensure compliance with the CIPFA Financial Management Code.
- Increased accessibility to public meetings by livestreaming Committee and Council meetings, providing an improvement to engagement in the democratic process.
- Reports are presented to members only after formal and documented consideration of risk management, financial, legal, equality and diversity, and environmental considerations by the relevant officers. The Council is making better informed decisions as a result.
- A new health and safety digital system was implemented, enabling staff to report incidents and concerns. Management of health and safety risk, monitoring and analysis now takes place all on the same system.

We are committed to ensuring continuous improvement in our governance year-on-year and an action plan has been developed for 2022/23; this includes the implementation of a new Internal Constitution, updating the performance management framework and improving the use of data analysis, implementation of a new Councillor Learning and Development policy, and conducting a review and update of the Anti-Fraud, Bribery and Corruption strategy.

Corporate Strategy 2021-24

On 1 April the council launched a new Corporate Strategy for the period 2021-24 which sets out the broad priorities for the organisation and recognises the significant challenges facing the authority over the period.

The corporate strategy will drive the Council's ongoing transformation programme, with a series of sub-strategies being brought forward over the coming months to provide further detail on delivery.

It was produced during the Covid-19 pandemic and as such, incorporates the basis for the Council's proposed recovery. Indeed, the outcomes described within the proposed corporate strategy correlate to the four pillars of recovery:

- Climate;
- Economy;
- Health and Communities;
- Organisation

Furthermore, the strategy recognises some of the most significant challenges facing the Council including addressing climate change, developing the local economy, and supporting residents to live well.

A new strapline for the Council, "Right for Rugby", recognises that, irrespective of the challenges we face, the Council's commitment is to do the right thing for the residents, businesses, and communities of our Borough.

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

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

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

The Council's 'CAN DO' values remain at the heart of all we do, they represent who we are, and work will continue towards embedding these as we develop our HR and Workforce Strategies during 2022/23.

Recognising a need for cultural change, a draft Rugby Blueprint has been produced – giving detail on the case for change towards the organisation that the Council needs to become. The draft Rugby Blueprint states that:



The Corporate Assurance Manager was appointed to take a lead role in delivering business transformation programme reviews and ensuring they deliver the intended outcomes. The role includes establishing squads appropriate to each review and is a key strategic link.

A high-level transformation strategic summary document was adopted in September 2021. The main purpose of this document was to provide clarity on the purpose of the work and the outcomes that transformation will deliver.

The first transformation project consisted of a review of the Council's operating model with an external partner. The following work was completed during the operating model review:

- A briefing session for the Corporate Management Forum, giving an initial overview of the review.
- A Leadership Team workshop, from which principles were identified and have fed into the draft Rugby Blueprint.
- Employee briefing sessions detailing the approach being taken.
- Activity analysis, splitting roles according to the functions they fulfil. This, alongside an expenditure analysis, has enabled us to map activity across the organisation.
- Following the analysis, strategic alignment/ service review workshops with each Chief Officer (with support from service managers, HR and Finance Business Partners) to identify potential areas for transformation.
- Panel sessions, where each Chief Officer presented their transformation proposals, following which a long list of potential projects was identified.

Further work is required on these projects to identify which can be undertaken in the short term. It is expected that in some cases the transformation projects will require external support to progress, or investment to deliver the necessary solutions, and for these reasons a £1.500m transformation reserve was established.

In addition, staffing of the transformation programme will be fluid; at times it is expected that existing staff will be seconded to help deliver projects, and it may be necessary to back fill those roles on a short-term basis. Requests for funding from this reserve will only be considered with a robust business plan that identifies the costs and benefits of the investment.

The newly established Programme Board will oversee every aspect of the transformation programme maximising opportunities for co-benefits across, and efficiency between, individual projects. External advice has been provided to ensure the programme governance arrangements are fit for purpose and in line with good practice. Following this advice, Terms of Reference have been developed for the Programme Board.

The Leadership Team has also developed a new project management methodology for the Council. The methodology shows the workflow for projects, from conception through to delivery. A risk-based approach will be applied to all projects with the workflow including milestones being determined, based on the assessed level of risk. This will enable low risk projects to be progressed at speed whilst ensuring that those higher risk projects are subject to robust monitoring and reporting. Ultimately this methodology will enable the Council to deliver its projects efficiently and effectively.

The Council produces an annual report which identifies the delivery of the Corporate Strategy outcomes. The 2021/22 annual report was presented to Council on 19 July 2022 and can be found on the Council's website. A summary of some of the highlights are included below.

Climate -

Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change.

We hosted the first ever Rugby Climate Summit with voluntary and community organisations, residents, and businesses

We have implemented a climate change and environmental impact assessment, ensuring that decisions taken by Members take full account of all environmental implications.

We built and launched the Rugby Net Zero website, to host information for residents on tackling climate change and encourage active involvement from our communities.

IT Services have partnered with an IT recycling company, which is a free service offered to the council. This guarantees zero landfill, re-use of equipment for good causes and our contribution to their mission to plant over 2000 trees

On Global Recycling Day, the Visitor Centre launched its Rugby Town themed reusable and biodegradable takeaway cup. Several town centre cafes have signed up to a scheme offering discounts to customers presenting the cup. The scheme promotes sustainability as well as supporting local businesses.C

Economy -

Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents

We held consultation events in Spring and Autumn on the strategy to regenerate and revive the town centre. The initial ideas have received overwhelming support. Further consultation has also been undertaken with other key stakeholders which has all fed into the development of the strategy.

In Development Management, over 1,000 planning applications have been determined, 1022 dwellings have received permission and 124 affordable dwellings have been built along with the approval of 78,865 SQM of employment floorspace.

The development at Market Quarter of 360 homes is nearing completion. In supporting sustainable communities, the Council continues to work with Urban and Civic on the delivery of Houlton which opened an award winning new Secondary School in September 2021.

In March 22 we paid out £221,084 to 222 applicants of Additional Restrictions Grant to support business that were not hospitality but were affected by the loss of revenue due to Coronavirus restrictions in December 2021.

During the year we paid out 25 grants totalling £916,000 to business to support the recovery from COVID-19 – working in partnership with the Growth Hub the scheme protected 471 jobs and created 109 jobs.

£193,000 of grant funding was secured from the Welcome Back Fund. This was used to deliver and promote a free programme of Summertime and Wintertime events and activities with the aim of bringing footfall to the town centre

Health & Communities -

Residents live healthy, independent lives, with the most vulnerable protected.

The Lifeline Service was recredited by the Telcare Services Association in late 2021. Inspectors praised the dedication of staff in service delivery.

Due to the work of our Rough Sleeper Solution Officers, rough sleeping in the town continues to be very low. This Autumn's snapshot counted 3 rough sleepers, one of whom was travelling through Rugby.

We continue to invest in our council housing stock. During 2021/22 we completed 623 boiler swaps with new controls & thermostats to replace failing boilers, with new Worcester Bosch high efficiency boilers.

The Rugby Lotto awarded its first £25,000 jackpot and has surpassed £100,000 income for local voluntary and community groups since its launch three years ago.

On Track worked with key partners including Orbit Housing, The Police & Crime Commissioner, and community organisations to deliver health and wellbeing interventions for young people in the Borough.

Rugby Art Gallery and Museum obtained funding to provide 10 community group and 10 primary school classes with free workshops. The funds also subsidised 479 creative workshop places for families

We remain part of the HEART partnership ensuring that disabled facility grants continue to support people to retain both their independence and dignity in their own homes.

Organisation -

Rugby Borough Council is a responsible, effective and efficient organisation.

A brand-new leadership team was formed, and the organisation is being restructured to focus on the Corporate Strategy and transformation.

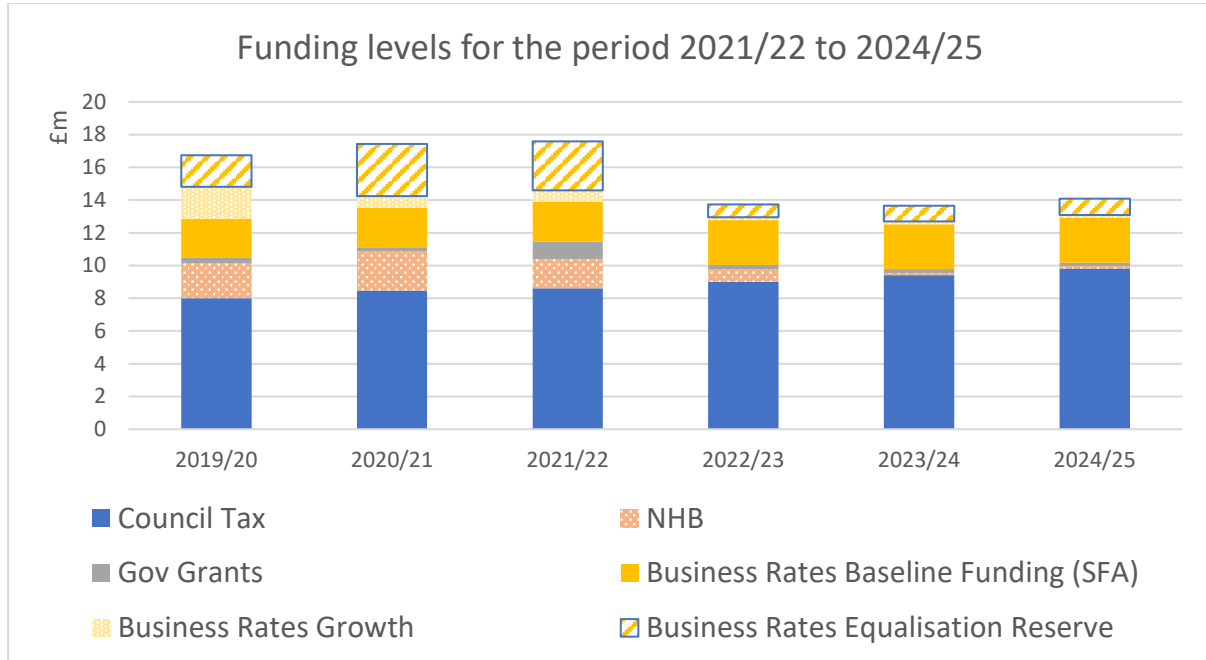
The organisation is now working in an agile way in response to our changing needs, incorporating hybrid meeting rooms, agile project delivery, collaborative portals, and remote access services such as digital signage.

We have embedded a digital culture, including allowing council meetings to be paperless. This has resulted in a 56% reduction in use and expenditure on paper across the Council.

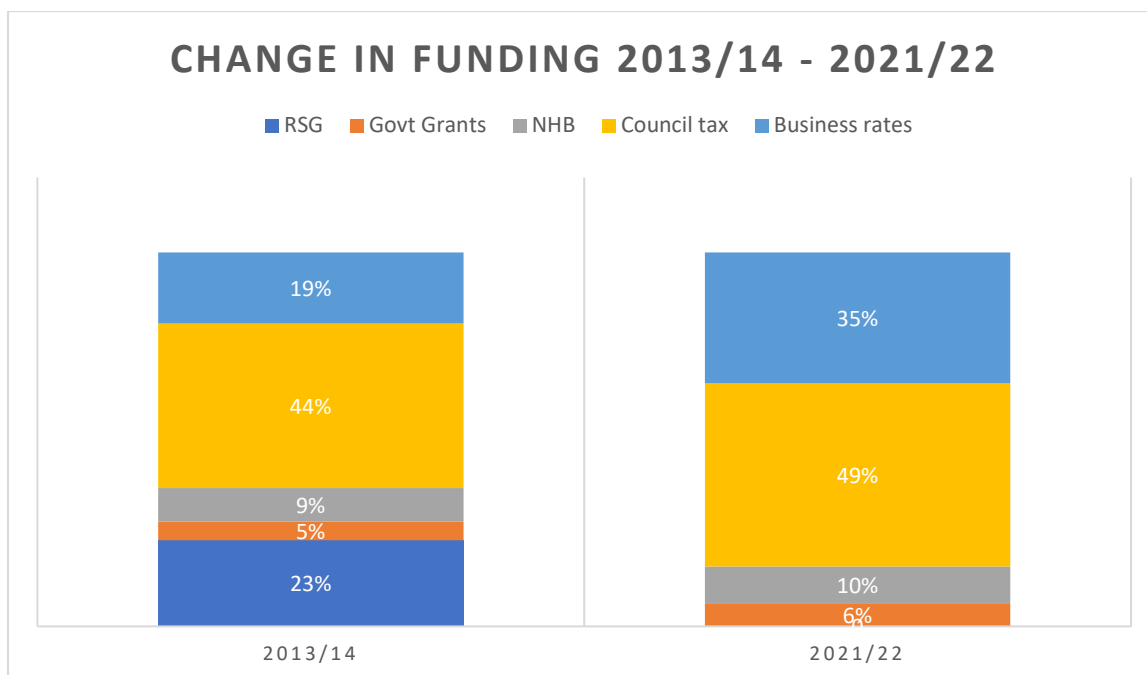
The Garden Waste process was redesigned and launched on PlaceCube with over 15,000 subscriptions purchased since going live in February 2022. We continue to promote the Waste App as a source of information for our customers whilst reducing the need for paper documents and printing.

Financial Overview 2021/22

The sources of funding for the Council since 2019/20 are detailed in the table below. Largely it comes from two sources, Council Tax and business rates. Council Tax has remained relatively consistent throughout the period at around £8m per year. The annual increases will consist of inflationary increases (currently capped at £5 for a band D property) or through growth of the taxbase which relates to the increase in households in the borough.



Under the scheme that was established in 2013/14, the Council retains any growth in business rates over its baseline value which is £2.414m in 2022/23. As a high growth borough this has been a significant advantage to Rugby with a contribution to the reserve of (£2.929) in 2021/22. Under plans announced by Government in 2017 the baseline level of business rates is expected to be reset which could mean that the benefit of all the growth gained since 2013/14 is lost. The table below demonstrates that as well as receiving a significant reduction in income as a result of the reset, the % of council funding received from business rates has increased from 19% - 35%. In 2013/14 Council tax equated to around 44% of the funding of the council, it is expected that this will increase to 64% by the time we reach 2024/25.



Medium Term Financial Strategy

On 24 April 2018, the 2018-23 Medium Term Financial Strategy (MTFS) was approved. This outlines the key principles and financial policies required to enable us to meet our objectives and achieve the ambition of becoming financially self-sufficient. During the financial year 2022/23, the MTFS will be updated in line with the Corporate Strategy and the national picture for the future.

Housing Revenue Account (HRA) Rents

Housing Rents were set by Council on 2 February 2021. Council agreed to a rent uplift of 1.5% (CPI + 1%) for 2021/22 in line with government guidance on Social Rent policy for the period 2020/21 to 2024/25.

Council Tax

The policy to apply council tax payers the flexibility to postpone the April – January instalment plan back to June – March which was in place during 2020/21 was ended for 2021/22.

The expected income for the year was established using assumptions made during the pandemic. However, at the end of March 2022, the Council tax base was 1.24% above the approved budget and as a result the Collection Fund is in surplus at year end of £0.665m, as detailed on page 18

Business Rates

In response to COVID-19, the Government provided business support through loans, tax deferrals, business rates reliefs, and general and sector-specific grants to those hit the hardest.

During the year ended 31 March 2022, the Council had given a total (£14.876m) in COVID-19 business rates reliefs to ratepayers. The General Fund is compensated for its share of these reliefs by Government Section 31 grant funding.

During 2021/22 the actual business rates billed and accounted for was more than the budgeted amount due to growth being higher than estimated.

As a result, in still challenging circumstances, there is a surplus on the Collection Fund at the end of 2021/22, as detailed on page 18.

COVID-19 Pandemic

The Covid-19 pandemic continued to affect many aspects of Council activity during 2021/22, and with the lifting of remaining restrictions in February 2022 the Council entered into a new phase of management.

Government funding was received in lower levels than in 2020/21, with further funding for income losses from sales, fees and charges for the first quarter of the year and general related pressures as announced in the 2021/22 Provisional Settlement for Local Government in December.

Note 15 to the accounts includes £14.718 million of revenue grants and contributions relating to Covid-19 (including £3.872 million of business rates relief funding).

The Council has also administered the distribution of around £2.828 million in business grants on behalf of the government. These grants are not included as income and expenditure in the Statement of Accounts as the Council has acted as an agent of the government in their distribution.

The table below summarises the grants received and how they have been applied;

Grants and Income	£000
Agent Grants	7,130
Non-Specific Government Grants	3,898
Service Grants	662
Grand Total	11,690

It can be seen from the Finance and Performance Monitoring 2021/22 year end report and the Statement of Accounts, that the Council has responded appropriately. The continued commitment and close monitoring resulted in some of the initial risks highlighted in the year being financially mitigated through maximising income support opportunities and service actions which has resulted in an overall balanced position and increased level of reserves.

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

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

This scheme was offered by Government to support local authorities for income losses resulting from the COVID-19 pandemic. This claim had conditions and provided 75% of the total income loss when compared with 95% of the budget after deducting any related cost savings. This compensation scheme continued until 30 June 2021 and the final claim resulted in a total of (£0.154m) for 2021/22. However this radical change in behaviour on the high street and flexible working may have a longer term impact on significant sources of income to the Council and will need to be considered in future budget planning.

General Fund

The budget for 2021/22 was approved on 22 February. This included portfolio related spend of £15.810m which is an increase of £0.573m from the 2020/21 financial year. Portfolio related spend includes the costs and fees and charges relating to the services that we provide.

The budget for the year included growth to mitigate against service pressures and inflation of £0.635m, savings and income of £0.758m and key decisions of £1.248m. After taking into consideration corporate items such as Minimum Revenue Provision and planned contributions to reserves the total budget for the General fund was £10.998m.

Included within the budget was income from Council Tax of (£8.606m) and business rates of (£6.114m), of which (£2.932m) is contributed to the business rates equalisation reserve to mitigate against the impact of the business rates reset expected on the 1 April 2023

As reported to Cabinet on 27 June, the 2021/22 total Portfolio expenditure was £16.364m against a revised budget of £15.545m, resulting in a pressure of £0.819m. The outturn position includes total service carryforwards of (£0.432m).

After adjusting for net cost of borrowing, the Minimum Revenue Provision for the repayment of debt and other corporate items, the net overspend on Total Net Revenue Expenditure is £0.060m.

Portfolio expenditure

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

Portfolio	Revised Budget £000	2021/22 Spend £000	Carry forward and Reserves £000	Revised Actual £000	Net Variance £000
Communities, Homes, Digital and Communications	2,490	2,678	51	2,729	239
Finance, Performance, Legal and Governance	2,839	2,873	(3)	2,870	31
Growth and Investment	1,521	1,193	319	1,512	(9)
Leisure and Wellbeing	3,200	3,364	(74)	3,290	90
Operation and Traded Services	3,908	4,020	178	4,198	290
Regulation and Safety	1,298	1,282	(3)	1,279	(19)
Executive Director	120	284	0	284	164
Change and Transformation	169	157	45	202	33
Net Portfolio Expenditure	15,545	15,851	513	16,364	819
Net cost of borrowing and Investment Income	469	31	(17)	14	(455)
Minimum Revenue Provision	1,505	1,459	0	1,459	(46)
Other corporate items	(972)	(1,979)	750	(1,229)	(257)
Total Net Revenue Expenditure	16,548	15,362	1,246	16,608	61

This year has seen a large number of vacancies within services across all portfolios. With the move to a more agile way of working, this has meant more job opportunities have become available and Rugby Borough Council is now competing with a much wider range of recruiters. As at 31 March 2022, 42.79 full time equivalent posts were vacant which equates to 11% of the budget. Due to the large number of vacancies, recruitment expenses have risen following the use of innovation such as microsites to promote Rugby Borough Council as a place to work on top of targeted recruitment using partners such as WM Employers. In addition to this, jobs have had to be re-advertised on multiple occasions following the unsuccessful campaigns.

Corporate Items, Income and Reserve Transfers

Within Corporate Items, there has been a (£0.659m) saving relating to £1.100m COVID recovery fund. This was established to support the Council with dealing the loss of income and the additional costs from dealing COVID-19; there is a saving of (£0.443m) Net Cost of Borrowing (NCoB) due to delays in the delivery of the capital programme and reviewing the funding of the schemes in the programme; and an £0.083m pressure reported against the Corporate Savings Target – which was funded via savings from vacant posts held during the financial year.

After taking into account both the portfolio pressures and the Corporate Savings the Council had an overall total saving of £1.246m. As a result of this Members have made a number of strategic decisions including;

1. (£0.500m) – Establish a new Corporate Inflation Budget, held centrally to mitigate the impact of inflation increases in 2022/23.
2. (£0.250m) –To help fund improvements to the security of the Town Hall and COVID-19 related adaptations that may be required due to the return to the workplace.
3. (£0.200m) – To continue the review of the Town Centre to incentivise growth and footfall alongside the creation of a Business Support Programme to provide grants to independent retailers to support those with a presence in the Town Centre.

Other budgeted grant funding reports a further increase in income of (£0.038m) over and above initial budgeted estimates.

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

	Revised Budget £000	Actual £000	Variance £000
Total Net Revenue Expenditure	16,548	15,426	(1,122)
Retained Business Rates	471	(2,461)	(2,932)
Council Tax	(8,606)	(8,606)	0
New Homes Bonus Grant	(1,780)	(1,780)	0
Other Grants	(1,083)	(1,121)	(38)
Total Corporate Income	(10,998)	(13,968)	(2,970)
Carry forward from 2020/21	(585)	(585)	0
Carry forward to 2021/22	0	1,182	1,182
Contribution to Earmarked Reserves	(318)	(603)	(285)
Contribution to/from Budget Stability Reserve	(671)	(407)	264
Contribution to/from Business Rates Equalisation Reserve	(3,976)	(1,045)	2,931
Total Transfers to/from Corporate Reserves and Balances	(5,550)	(1,458)	4,092
NET POSITION	0	0	0

Reserves Balances and Future Strategy

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

Prior to the financial impact of COVID-19, plans showed that over the medium term the Council was achieving levels of reserves and a general fund balance which continues to meet the risks identified in the financial planning environment. The contributions made to reserves in the past have enabled the Council to establish a level of reserves which;

- recognise the risks of service needs increasing in response to demographic growth or wider economic pressures
- recognise the potential loss of funding from forthcoming changes
- allow for emergency situations and legal challenges which the Council may face
- fund the currently assumed one off impact of the COVID-19 pandemic and help boost the economic recovery

Although the landscape of the authority has shifted post pandemic, the risk assessment completed for reserve usage still identifies that the known risks are mitigated for with the current balances of reserves. However analysis takes place on a quarterly basis to assess this.

Below is a summary of the reserve usage during 2021/22

Name of Reserve / Balance	Balance 1 April 2021 £000	Actual Contributions (To)/From £000	Balance as at 31 March 2022 £000
Earmarked Reserves	(1,495)	(719)	(2,214)
Corporate Reserves			
General Fund Balances	(2,250)	0	(2,250)
Business Rates Equalisation	(12,347)	1,045	(11,302)
Budget Stability	(3,048)	341	(2,707)
Climate Change	(500)	0	(500)
Transformation reserve	(500)	100	(400)
Sub total Corporate Reserves	(18,645)	1,486	17,159
Grand Total	(20,140)	767	(19,373)

Earmarked reserves

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

Corporate Reserves

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

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

Further information on reserves can be found in note 17 of the statements.

Inflation risk

The impact of inflation could have a significant impact on the risk assessment, at the time of producing the 2022/23 budget, the national CPI figure was at 9.0% and although there was an expectation that this would increase, scale and speed of this was unknown. To recognise the risk, 34% (£0.100m) of the gas and electricity budget was identified within the reserve risk assessment each year within the assessment to mitigate against increased costs. Based on the latest forecast it is possible that prices will increase by 33% in the year which means a pressure of £0.107m for the general fund and £0.062m for the HRA.

In order to manage the impact of inflation in the 2022/23 financial year, £0.500m from the savings within the 2021/22 position will be used to establish a Corporate Inflation Budget. This budget will be initially held centrally and will be allocated to services as the true extent of the pressure is established. This is a one year solution and will limit the drawdown of reserves during 2022/23, the budget setting process for 2023/24 will need to deal with the impact of the additional costs across the medium term financial plan.

Collection Fund

Council Tax

The amount accounted for within the General Fund in 2021/22 is fixed to the budgeted amount of council tax billed during the year, not the actual cash collected. Any difference between the actual amount collected and the initial forecast will generate a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2021/22 the actual cash position for council tax was an overall surplus of (£0.665m). This will be distributed between ourselves, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares, as detailed in the Collection Fund Statement Note 3. Our share of the surplus is (£0.074m) and this will be allocated to the General Fund in 2022/23.

Business Rates

The Council sets its business rates income budget on 31 January each year and it was anticipated that the Council would generate (£52.008m) net business rates income during 2021/22 with Rugby Borough Council retaining (£6.114m).

The outturn position is shown below.

Business Rates Income	2021/22 Budget £000	2021/22 Outturn £000	Variance £000
RBC share of BR Income @ 40% (as per the NNDR1 forecast)	(20,803)	(20,803)	0
Less Tariff	13,272	13,272	0
Gross Amount Retained	(7,531)	(7,531)	0
Section 31 Grants	(1,491)	(3,872)	(2,381)
Levy Payment	3,108	3,738	630
Net Retained Income	(5,914)	(7,665)	(1,751)
Coventry and Warks' BR Pool Income	(200)	(1,378)	(1,178)
Total Business Rates Income	(6,114)	(9,043)	(2,929)

The 2021/22 budget surplus of (£2.929m) is due to:

- In accordance with legislation, the business rates income recorded in the General Fund is fixed to the statutory NNDR1 estimate, no matter how much business rates are actually billed or received.
- Similar to 2020/21, the extended business rates relief for businesses within the retail, hospitality and leisure sector and other businesses such as nurseries (£5.490m) as well as COVID-19 Additional Relief Funds (£2.908m) has had a significant effect on the Council's accounts for 2021/22. Although such measures have been fully funded by the government through the receipt of (£9.889m) of section 31 grants received in the year, the cost of these measures will not be realised until future years due to the accounting requirements associated with this process. As a result, the grants have been contributed to Business rates equalisation reserve and will be released over the medium term financial plan (MTFP).
- The Council is a member of the Coventry and Warwickshire Business Rates Pool (the Pool). The pooling gain in 2021/22 was (£1.378m) which was higher than the budgeted amount of (£0.200m), due to higher than anticipated growth and to the risk based approach taken at budget setting.

The surplus has been transferred from the General Fund to the Business Rates Equalisation Reserve (BRER) to offset the actual cash variance on the Collection Fund that will be charged to the General Fund budget in 2022/23.

At year end there was a Collection Fund surplus of £4.187m. This arose because the financial benefits from new business growth was higher than estimated.

The surplus will be distributed between ourselves, Warwickshire County Council and Central Government in the relevant shares, as detailed in the Collection Fund Statement Note 3. The Council's share of the surplus is £1.675m and this will be charged to the General Fund in 2022/23.

Housing Revenue Account (HRA)

The year-end position for 2021/22 on the HRA is per the table below.

	Revised Budget £000	Actual £000	Variance £000
Expenditure	12,976	12,835	(141)
Income	(16,952)	(16,502)	450
Net cost of HRA Services	(3,976)	(3,667)	309
Contributions to (+) / from (-) reserves	4,252	3,943	(309)
Surplus (-) / Deficit for year	276	276	0

The saving on expenditure mainly relates to a reduction in costs such as security, cleaning and associated costs of supporting tenants, following the earlier than expected decant of Rounds Gardens.

The shortfall on income is largely due to the decant of properties at the Rounds Garden earlier than anticipated and there was a higher number of void properties than the budgeted level.

Reserve Transfers and Balances

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

In summary, there was an in year movement of £5.403m on HRA reserves and the overall balance held as at 31 March 2022 is (£18.033m) as follows;

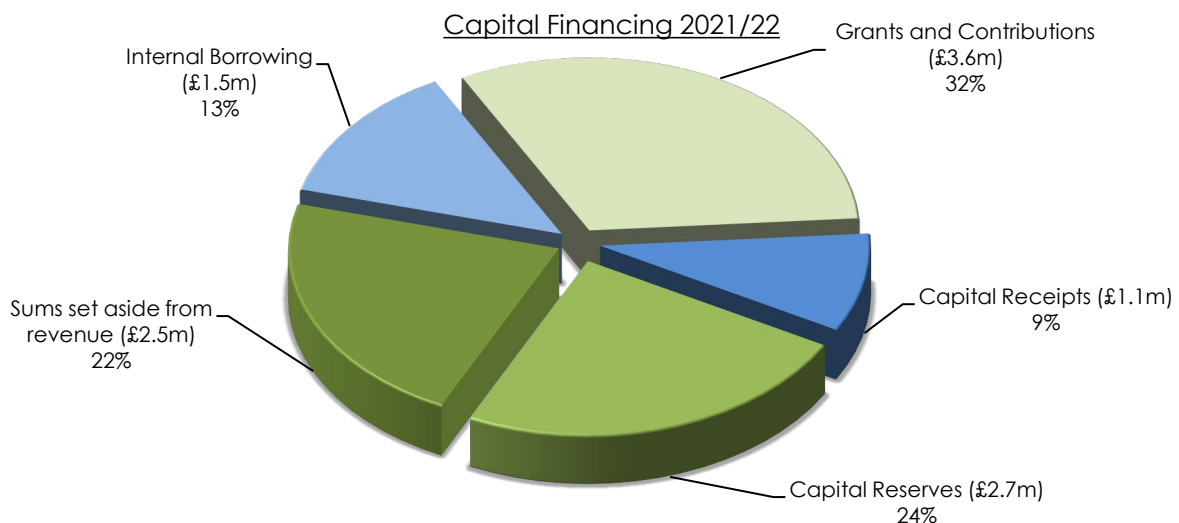
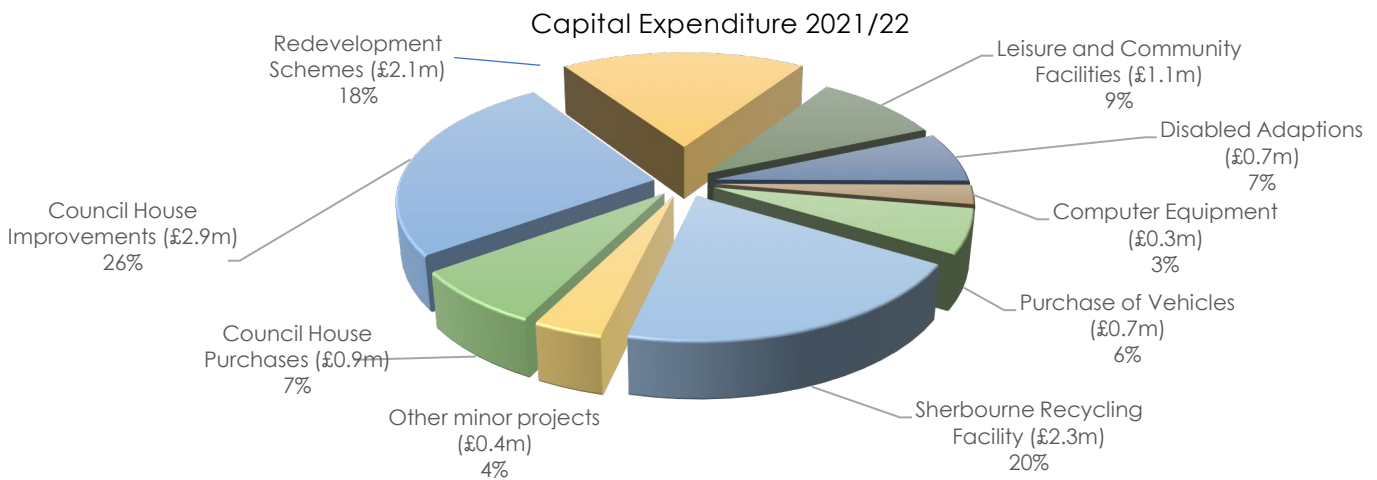
Name of Reserve / Balance	Balance 1 April 2021 £000	Actual Contributions (To)/From £000	Balance as at 31 March 2022 £000
HRA Revenue Balances	(5,085)	358	(4,727)
HRA Capital Investment Balances	(14,402)	2,365	(12,037)
HRA Major Repairs Reserve	(3,373)	2,729	(644)
Housing Repairs Account	(316)	0	(316)
Sheltered Housing Rent Reserve	(260)	(49)	(309)
Net cost of HRA Services	(23,436)	5,403	(18,033)

Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £11.398m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget	Actual	Year end Slippage into 2022/23	Variance
	£000	£000	£000	£000
Finance, Performance and Governance	69	37	32	0
Operation and Traded Services	3,986	2,945	1,180	139
Leisure and Wellbeing	1,542	858	686	2
Regulation and Safety	142	116	47	21
Communities, Homes, Digital and Communications	4,501	1,353	538	(2,610)
Total General Fund	10,240	5,309	2,483	(2,448)
HRA	12,974	6,196	5,611	(1,167)
Total	23,214	11,505	8,094	(3,615)

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



Capital Receipts and Capital Grants

At 31 March 2022, the Council also held (£15.854m) of capital receipts (HRA: (£9.942m) General Fund: (£5.912m) and (£0.022m) capital grants and contributions that had not yet been applied for financing expenditure. In 2021/22, (£2.168m) of receipts (net of pooling payments) were raised from the sale of 28 HRA properties under Right-to-Buy. Further information on capital financing can be found in Note 24.

Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2021/22, earlier years, and for future years. The total currently stands at £90.60m (both short and long-term borrowing) as shown on the balance sheet.

Pension Fund

The Council's pension fund liabilities at 31 March 2022 are £19.8m, a decrease of £20.6m on that reported at 31 March 2021. One of the major reasons behind the increase is the change in the discount rate used in the assessment of future liabilities, and the increase in the value of investments, as the economy recovers from the effects of the pandemic.

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

Future Financial Outlook and Financial Resilience

Future Funding

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

- The legacy of the COVID-19 Pandemic on the local economy .
- The loss of all existing growth due to the Business Rates Reset. The reset of the system could redistribute the business rates growth generated since 2013/14, the point at which the retained rates system was introduced.
- The outcome of the Fair Funding Review which could result in a reduction in our assessed funding need.
- The impending end of the New Homes Bonus scheme.
- The impact of rising inflation.

It was confirmed in the Spending Review 2021 (SR21) that there would be no baseline reset in 2022/23 (initially planned for 2019/20). This means the BRRS effectively rolls forward unchanged for a further year. This provides some confidence that a continued benefit of retained growth of (£4.133m) above the baseline will be available to be transferred into the BRER.

With no confirmation of any funding reforms as part of the SR22 there is still no updates to the planned reforms. This uncertainty makes financial planning for future years extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes. If all of these came into effect, cumulatively the potential losses aggregate to a sizeable financial loss.

2022/23 budget

The 2022/23 General Fund revenue balanced budget was delivered and approved on 22 February 2022 and totalled a net £20.880m. This is an increase of £9.882m from 2021/22, but this is largely as a result of the £6.586m reversal of the use of reserves required as a result of the accounting treatment of section 31 grant funding to deal with the Business rates discounts provided as a result of the pandemic in 2021/22. Portfolio service expenditure increased from £15.809m to £16.145m, an increase of £0.336m. Significant expenditure items include £0.754m in relation to inflation and salary adjustments and a reduction of £0.175m in relation the income target for Housing Benefit overpayments. To offset this, income and savings of £0.417m have been identified and through the completion of savings delivery plans the delivery will be RAG rated and through post delivery reviews the impact of the items will be analysed by the Leadership Team.

Key Decisions of (£0.698m) within services have assisted in balancing the budgets, this included a reduction of 29% of the COVID-19 recovery fund, anticipating that the ending of restrictions will lead to an increase in income and a reduction of costs.

The Government decision to continue to provide a grant for a further year with no legacy payment for New Homes Bonus with the existing thresholds set at 0.4% of growth, means that the Council does not receive NHB funding for the first 172 homes delivered each year. Funding from this scheme is (£1.934m) in 2022/23, which is an increase of £0.154m compared to 2021/22.

After taking all the previous adjustments in to account, in addition to other corporate adjustments, the 2022/23 budget was balanced with Council approving a £5 increase in the Band D equivalent council tax, which is in line with the maximum permitted as published in the provisional settlement and after taking into account the tax base increase, will generate an extra £0.390m for the Council .

Medium Term Financial Plan

The 2022-26 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 22 February 2022 is illustrated in the table below;

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Base Budget	11,066	20,875	13,977	14,817
Growth Requirements	1,175	698	556	566
Other Corporate Adjustments	(230)	362	225	125
Savings and Income	(419)	(156)	(75)	(210)
Key Decisions	9,289	(4,602)	124	(33)
Savings/transformation required	0	(3,200)	0	(64)
Revised Budget Requirement	20,881	13,977	14,807	15,201
Financed by;				
Government Funding	(2,490)	(488)	(463)	(350)
Council Tax	(9,024)	(9,828)	(9,828)	(10,244)
Collection Fund Surplus/Deficit CT	(104)	0	0	0
Business Rates including Damping	(9,263)	(4,082)	(4,516)	(4,607)
Total Funding Requirement	(20,880)	(13,977)	(14,807)	(15,201)
Net Variance	0	0	0	0

The shortfall of £3.200m in 2023/24 reflects the estimated the significant items;

- £0.698m - assumed growth and inflation,
- £1.786m - no additional in year NHB rewards deferred for a further 12 months from the original planned end date of 1 April 2022.

The MTFP also forecasts no change to the Settlement Funding Assessment and the 100% baseline reset will be re-evaluated based on the level of business rates in 2021/22. Whilst it is assumed any growth achieved after this date will be retained, the MTFP continues to budget for this to be transferred to the Business Rates Equalisation reserve. In particular, the plan assumes a total of (£1.137m) from additional business rates for 2022/23 with a total of (£4.133m) which is excluded from the net budget requirement. This will taper the net budget reductions caused by the reset and go some way to help prevent a cliff-edge drop in the estimated net budget in 2023/24.

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

- SFA income across the MTFP is assumed to remain at an estimated level of (£2.900m) on reset from 2023/24. The Review of Relative Needs and Resources will be focussing on this area of funding for all authorities which presents a risk to the Council if the assessment of needs is reduced.
- Following the reset, it is assumed that there will be a significant reduction in the proportion of growth that the authority retains. With total growth dropping from (£4.133m) in 2022/23 to (£1.506m) in 2023/24.
- The Council continues to contribute to the BRER with business rates growth above the sustainable baseline.

Addressing the budget gaps

Whilst the Council cannot predict the outcome of both the fair funding and business rates baseline review, we are preparing for a significant reduction in business rates funding moving forward. The MTFP 2022/23 has highlighted the future risks to funding with Officers formulating budgetary plans to address all potential scenarios.

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

Financial Resilience Conclusion

A balanced draft General Fund revenue budget has been presented for 2022/23. However, due to the current challenging financial environment further savings and transformation still need to be identified in order to deliver a balanced budget across the medium term. As well as the medium term impact of COVID-19, the high level of uncertainty around retained business rates and the reset of the system presents a considerable risk to our finances from 2023/24 onwards.

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

Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2022. 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 2021/22 which in turn is underpinned by International Financial Reporting Standards; A Glossary of key terms can be found at the end of this publication.

The Primary Financial Statements

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

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

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

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

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

Notes to support the primary statements

The Expenditure and Funding Analysis (EFA)

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

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

Additional Notes

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

Supplementary Statements

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

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

The Annual Governance Statement

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

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

Responsibilities of the Chief Officer – Finance and Performance

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

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

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

Certificate of the Chief Officer – Finance and Performance

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31 March 2022 and its expenditure and income for the year then ended.

Jon Illingworth
Chief Officer – Finance and Performance
Date xx xxx 2022

Approval of Statement of Accounts

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

Paul Dudfield
Chairman of the Audit and Ethics Committee
Date xx xxx 2022

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.

2020/21 restated				Note	2021/22		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	
19,065	(16,396)	2,669	Communities and Homes		18,578	(15,568)	3,010
247	(154)	93	Digital and Communications		734	(558)	176
221	0	221	Executive Director's Office		732	(123)	609
1,221	(320)	901	Finance and Performance		1,515	(422)	1,093
2,842	(1,257)	1,585	Growth and Investment		3,191	(1,778)	1,413
20,162	(16,564)	3,598	Housing Revenue Account		18,870	(16,522)	2,348
2,020	(51)	1,969	Legal and Governance		2,338	(247)	2,091
4,781	(1,132)	3,649	Leisure and Wellbeing		5,726	(2,000)	3,726
7,365	(3,011)	4,354	Operations and Traded		7,845	(3,203)	4,642
3,119	(1,801)	1,318	Regulation and Safety		3,323	(1,822)	1,501
3,824	(403)	3,421	Corporate Items		8,528	(76)	8,452
64,867	(41,089)	23,778	Total Cost of Services	11	71,380	(42,319)	29,061
1,499	(28)	1,471	Other Operating Expenditure	12	1,394	(1,387)	7
3,812	(1,541)	2,271	Financing and Investment Income and Expenditure	13	3,518	(2,288)	1,230
13,272	(41,507)	(28,235)	Taxation and Non-specific Grant Income	14	13,272	(44,016)	(30,744)
83,450	(84,165)	(715)	(Surplus)/Deficit on Provision of Services		89,564	(90,010)	(446)
			Other Comprehensive Income and Expenditure				
		(9,044)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment				(9,974)
		13,558	Remeasurement of the net defined benefit liability/(asset)				(20,589)
		4,514	Total Other Comprehensive Income and Expenditure				(30,563)
		3,799	Total Comprehensive Income and Expenditure				(31,009)

Movement in Reserves

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves. Usable reserves are those reserves that may be used to provide services subject to statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (for example the Revaluation Reserve) or Pension Reserves.

The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following the adjustments. The reasons for the movements are explained in the Narrative statement and in notes 16 and 17.

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	(22,391)	(20,063)	(9,901)	(3,373)	(646)	(56,374)	(129,328)	(185,702)
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	(4,414)	3,968				(446)	(30,563)	(31,009)
Adjustments between accounting basis and funding basis under regulations	4,823	(3,615)	(5,953)	(432)	15	(5,162)	5,162	-
(Increase)/Decrease in 2021/22	409	353	(5,953)	(432)	15	(5,608)	(24,892)	(30,500)
Balance at 31 March 2022	(21,982)	(19,710)	(15,854)	(3,805)	(631)	(61,982)	(154,730)	(216,712)

2020/21	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2020	(12,004)	(20,729)	(9,646)	(2,189)	(888)	(45,457)	(144,044)	(189,501)
Movement in Reserves during 2020/21								
Total Comprehensive Income and Expenditure	(3,980)	3,265				(715)	4,514	3,799
Adjustments between accounting basis and funding basis under regulations	(6,407)	(2,599)	(255)	(1,184)	243	(10,202)	10,202	-
(Increase)/Decrease in 2020/21	(10,387)	666	(255)	(1,184)	243	(10,917)	14,716	3,799
Balance at 31 March 2021	(22,391)	(20,063)	(9,901)	(3,373)	(646)	(56,374)	(129,328)	(185,702)

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.

	Note	31 March 2022 £000	31 March 2021 £000
Property, Plant and Equipment	19	243,937	246,071
Heritage Assets	20	34,428	28,546
Investment Property	21	690	690
Intangible Assets		346	274
Long Term Investments	40	25,866	39,979
Long Term Advances	25	2,294	279
Long Term Debtors	26	114	122
Long Term Assets		307,675	315,961
Short Term Investments	40	53,869	82,668
Assets Held for Sale	22	468	3,701
Inventories		304	156
Short Term Debtors	26	10,921	12,083
Cash and Cash Equivalents	28	14,380	8,542
Current Assets		79,942	107,150
Short Term Borrowings	40	(7,758)	(63,151)
Short Term Creditors	27	(19,241)	(21,088)
Short Term Provisions	32	(237)	(673)
Current Liabilities		(27,236)	(84,912)
Long Term Provisions	32	(3,615)	(2,698)
Long Term Borrowing	40	(83,409)	(90,600)
Pension Liabilities	37	(40,407)	(53,575)
Grant Receipts in Advance	15	(16,238)	(5,624)
Long Term Liabilities		(143,669)	(152,497)
Net Assets		216,712	185,702
Usable Reserves	16	(61,982)	(56,374)
Unusable Reserves	18	(154,730)	(129,328)
Total Reserves		(216,712)	(185,702)

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.

	Note	2021/22	2020/21
		£000	£000
Net (Surplus) or deficit on the provision of services		446	715
Adjustment to net surplus or deficit on the provision of services for non-cash movements	29	24,959	12,834
Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	29	(4,550)	5,648
Net cash flows from Operating activities		20,855	19,197
Investing activities	30	39,829	(17,736)
Financing activities	31	(54,846)	(10,421)
Net increase or decrease in cash and cash equivalents		5,838	-8,960
Cash and Cash equivalents at the beginning of the reporting period		8,542	17,502
Cash and Cash equivalents at the end of the reporting period		14,380	8,542

Notes to the Accounting Statements

Note 1. Basis for Preparation

The notes to the financial statements on the following pages are in order of significance, primarily based on aiding an understanding of the key drivers of the financial position of the Council, whilst maintaining the grouping of notes between the Comprehensive Income and Expenditure Statement and the Balance Sheet where appropriate. The notes relating to specific financial statement lines include the corresponding accounting policy. As a result, there is not a separate principal accounting policies note. However, note 2, General Accounting Policies, details general accounting policies where there are no accompanying notes.

Details of the order of the notes can be found on the content's pages.

Note 2. General Accounting Policies

General

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

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

Fair Value Measurement

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

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

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

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

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

Intangible Assets

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

Joint Operations

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

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

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

Overheads and Support Services

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Inventories and Long-term Contracts

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

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

Value Added Tax (VAT)

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

Note 3. Accounting Standards

The Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 has introduced some changes to the accounting policies which will be required from 1 April 2022 and will be adopted by Rugby Borough Council from this date.

The changes are related to:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year), Rugby Borough Council is not planning to adopt IFRS for the 2022/23 financial statements.
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
- IAS 37 (Onerous contracts) –clarifies the intention of the standard. Rugby Borough Council has no onerous contracts.

None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16. Note that this is based on the current position as agreed by CIPFA/LASAAC but the Code has not yet been subject to full due process so this might be subject to change.

Note 4. Critical Judgements

Going Concern

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

The Council faces significant cost pressures due to inflation, increasing demand for its services, new burdens and other pressures.

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

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

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

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

Note 5. Assumptions made about the Future

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Other land and buildings £29.8m Council Dwellings £197.4m	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £4.6m for every year that useful lives had to be reduced. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement
Financial instruments	The Council holds £3m (nominal) of units in both Property and Diversified Income Funds. The funds own retail, industrial, office, and other non-residential property holdings.	The value of Financial Instruments will be subject to review, so there may be changes to the values in the Balance Sheet in the future. Fair value gains and losses are recognised as they arrive in the Surplus/Deficit on the Provision of Services. The Council uses the statutory override introduced by MHCLG to transfer these gains/losses to the Financial Instruments Revaluation Reserve.
Provision for Business Rate Appeals	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2022 is £9.1m, of which the Council's share is 40% (£3.7 million).

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability (Pension liability - £40.4m)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Warwickshire County Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.4 million. A sensitivity analysis upon other variables affecting the net pension liability is set out in Note 37 Pension Costs.

Note 6. Prior Period Adjustments

As a result in the Council's re-configuration of service Portfolios. The 2020/21 Consolidated Revenue account, Cost of services has been restated. The prior years disclosure is set out below:

	Note	2020/21		
		Gross Expenditure	Gross Income	Net Expenditure
		£000	£000	£000
Growth and Investment		5,163	(2,083)	3,080
Environment and Public Realm		12,966	(5,119)	7,847
Communities and Homes - General Fund		18,721	(16,275)	2,446
Communities and Homes - HRA		20,228	(16,521)	3,707
Corporate Resources - Non COVID		1,703	(583)	1,120
Corporate Resources - COVID	9	3,847	(401)	3,446
Corporate Resources		5,550	(984)	4,566
Executive Directors Office		2,196	(64)	2,132
Total Cost of Services		64,824	(41,046)	23,778
Other Operating Expenditure		1,499	(28)	1,471
Financing and Investment Income and Expenditure		3,812	(1,541)	2,271
Taxation and Non-specific Grant Income		13,272	(41,507)	(28,235)
(Surplus)/Deficit on Provision of Services		83,407	(84,122)	(715)
Other Comprehensive Income and Expenditure				
(Surplus)/Deficit on revaluation of Property, Plant and Equipment				(9,044)
Remeasurement of the net defined benefit liability/(asset)				13,558
Total Other Comprehensive Income and Expenditure				4,514
Total Comprehensive Income and Expenditure				3,799

Note 7. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at 31 March 2022 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2022 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

No such events have been identified

Note 8. Material Items in the Comprehensive income and Expenditure Statement

None noted

Note 9. Expenditure and Funding Analysis

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

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

Opening General Fund Balances (Includes Earmarked Reserves)	(42,454)
Plus Surplus/(Deficit) on General Fund in Year	763

Closing General Fund Balances	(41,691)
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	2020/21 restated					Net Expenditure Chargeable to the General Fund £,000
	Net Expenditure in the CIES £,000	Adjustments between the Funding and Accounting Basis			Total Adjustments £,000	
		Adjustments for Capital Purposes £,000	Pensions Adjustments £,000	Other Differences £,000		
Communities and Homes	2,669	(167)	(190)	(59)	(416)	2,253
Digital and Comms	93	(317)	(171)	(47)	(535)	(442)
Executive Director's Office	221	0	(59)	(20)	(79)	142
Finance and Performance	901	0	(14)	(42)	(56)	845
Growth and Investment	1,585	(53)	(126)	(18)	(197)	1,388
Housing Revenue Account	3,598	(9,956)	(275)	(52)	(10,283)	(6,685)
Legal and Governance	1,969	1	(78)	(24)	(101)	1,868
Leisure and Wellbeing	3,649	(959)	(122)	(22)	(1,103)	2,546
Operations and Traded	4,354	(724)	(337)	(66)	(1,127)	3,227
Regulation and Safety	1,318	(195)	(139)	(32)	(366)	952
Corporate Items	3,421	-	-	-	0	3,421
Cost of Services	23,778	(12,370)	(1,511)	(382)	(14,263)	9,515
Other income and expenditure	(24,493)	9,548	(888)	(3,403)	5,257	(19,236)
(Surplus) or Deficit	(715)	(2,822)	(2,399)	(3,785)	(9,006)	(9,721)

Opening General Fund Balances (Includes Earmarked Reserves)	(32,733)
Plus Surplus/(Deficit) on General Fund in Year	(9,721)
Closing General Fund Balances	(42,454)

Note 10. Prior Period adjustment for EFA

The Council reconfigured its financial reporting portfolios from 1st April 2021. The Comparatives have been restated in the Comprehensive Income and Expenditure account, Below are the numbers reported in 2020/21 with the movements:

	2020/21 restated		
	As Reported in the Comprehensive Income and Expenditure Statement 2020/21	Adjustments in Internal Directorate Reporting Classifications between years	As Restated in 2020/21
Net expenditure	£000	£000	£000
Communities and Homes		(2,669)	2,669
Communities and Homes - General Fund	2,446	2,446	
Digital and Comms		(93)	93
Growth and Investment		0	
Executive Director's Office	2,132	1,911	221
Environment and Public Realm	7,847	7,847	
Finance and Performance		(901)	901
Growth and Investment	3,080	1,495	1,585
Communities and Homes - HRA	3,707	3,707	
Housing Revenue Account		(3,598)	3,598
Legal and Governance		(1,969)	1,969
Leisure and Wellbeing		(3,649)	3,649
Operations and Traded		(4,354)	4,354
Regulation and Safety		(1,318)	1,318
Corporate Resources - COVID	1,120	1,120	
Corporate Resources - Non COVID	3,446	3,446	
Corporate Items		(3,421)	3,421
Total Cost of Services	23,778	0	23,778

	2020/21 restated		
	As Reported in the Comprehensive Income and Expenditure Statement 2020/21	Adjustments in Internal Directorate Reporting Classifications between years	As Restated in 2020/21
Gross Expenditure	£000	£000	£000
Communities and Homes		(19,065)	19,065
Communities and Homes - General Fund	18,721	18,721	
Digital and Comms		(247)	247
Growth and Investment		0	
Executive Director's Office	2,196	1,975	221
Environment and Public Realm	12,966	12,966	
Finance and Performance		(1,221)	1,221
Growth and Investment	5,163	2,321	2,842
Communities and Homes - HRA	20,228	20,228	
Housing Revenue Account		(20,162)	20,162
Legal and Governance		(2,020)	2,020
Leisure and Wellbeing		(4,781)	4,781
Operations and Traded		(7,365)	7,365
Regulation and Safety		(3,119)	3,119
Corporate Resources - COVID	1,703	1,703	
Corporate Resources - Non COVID	3,847	3,847	
Corporate Items		(3,824)	3,824
Total Cost of Services	64,824	(43)	64,867

	As Reported in the Comprehensive Income and Expenditure Statement 2020/21	Adjustments in Internal Directorate Reporting Classifications between years	As Restated in 2020/21
Gross Income	£000	£000	£000
Communities and Homes		16,396	(16,396)
Communities and Homes - General Fund	(16,275)	(16,275)	
Digital and Comms		154	(154)
Growth and Investment		0	
Executive Director's Office	(64)	(64)	0
Environment and Public Realm	(5,119)	(5,119)	
Finance and Performance		320	(320)
Growth and Investment	(2,083)	(826)	(1,257)
Communities and Homes - HRA	(16,521)	(16,521)	
Housing Revenue Account		16,564	(16,564)
Legal and Governance		51	(51)
Leisure and Wellbeing		1,132	(1,132)
Operations and Traded		3,011	(3,011)
Regulation and Safety		1,801	(1,801)
Corporate Resources - COVID	(583)	(583)	
Corporate Resources - Non COVID	(401)	(401)	
Corporate Items		403	(403)
Total Cost of Services	(41,046)	43	(41,089)

Note 11. Expenditure and Income Analysis by Nature

	2021/22	2020/21
	£000	£000
Expenditure		
Employee benefits expenses	23,221	20,801
Other service expenses	35,662	30,908
Depreciation, amortisation, impairment	12,496	13,115
Interest payments	2,384	2,781
Net interest on the net defined benefit liability	1,134	1,031
Precepts and levies	901	856
Payments to housing capital receipts pool	493	405
(Gain)/Loss on the disposal of non-current assets	(1,281)	238
Total expenditure	75,010	70,135
Income		
Fees, charges and other service income	(12,286)	(10,703)
HRA dwelling rents	(15,561)	(15,482)
Interest and investment income	(2,235)	(1,541)
Income from council tax, non-domestic rates	(13,170)	(10,150)
Government grants and contributions	(32,045)	(32,946)
Other Income - Unattached Receipts	(106)	(28)
Other income	(53)	(0)
Total income	(75,456)	(70,850)
(Surplus)/Deficit on the Provision of Services	(446)	(715)

Note 12. Other Operating Expenditure

Other Operating Expenditure	2021/22	2020/21
	£000	£000
Parish Council Precepts	901	856
Payments to the Government housing capital receipts pool	493	405
Other Income - Unattached Receipts	(106)	(28)
(Gains)/Losses on the disposal of non-current assets	(1,281)	238
Total	7	1,471

Note 13. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2021/22 £000	2020/21 £000
Interest Payable and similar charges	2,384	2,781
Net interest on the net defined benefit liability	1,134	1,031
Interest Receivable and similar income	(1,417)	(1,440)
Income and expenditure in relation to investment properties and changes in their fair value	(52)	(49)
(Gains)/Impairment of financial assets	(819)	(52)
Total	1,230	2,271

Note 14. Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income	2021/22 £000	2020/21 £000
Council Tax Income	(8,740)	(8,351)
Retained Business Rates	(17,703)	(15,072)
Business Rates Tariff Payment	13,273	13,272
Non-ring-fenced Government grants	(14,718)	(15,898)
Capital grants and contributions	(2,856)	(2,186)
Total	(30,744)	(28,235)

Note 15. Grant Income

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

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

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

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

Total Grants Credited to Taxation and Non-Specific Grant Income	2021/22	2020/21
	£000	£000
New Homes Bonus	(1,780)	(2,382)
Business Rates Section 31 Grants	(3,872)	(8,121)
Other Non-Specific Revenue Grants	(1,120)	(296)
COVID-19 Non-Specific Revenue Grants	(7,945)	(5,098)
Revenue Grants	(14,717)	(15,898)
Capital Grants Non-Conditional	(2,046)	(16)
Capital Section 106 Funding Non-Conditional	0	(32)
Capital Grants Conditional	(337)	(834)
Capital Section 106 Funding Conditional	(474)	(1,305)
Capital Grants	(2,857)	(2,186)
Total	(17,574)	(18,084)

Grants included as income in the Net Cost of Services	2021/22	2020/21
	£000	£000
Credited to Services		
Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(12,517)	(12,937)
Other DWP grants	(504)	(490)
MHCLG grants	(283)	(1,133)
Section 106 Revenue Contributions for Grounds and Waste Services	(172)	(160)
Covid grants	(99)	(524)
Other Revenue Grants and Section 106 Funding	(1,378)	(30)
Revenue Grants and Contributions	(14,953)	(15,544)
MHCLG - Disabled Facilities Grant	(717)	(717)
Section 106 and Other Capital Conditional and Non-Conditional Funding	(18)	(26)
Capital Grants and Contributions	(735)	(743)
Total Grants Credited to Services	(15,689)	(16,287)

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

	2021/22 £000	2020/21 £000
Revenue Section 106 Funding	(3,204)	(783)
Amounts Held for Specific Reasons	(48)	(48)
Council tax rebate	(5,632)	-
Covid 19 Additional relief grant	(2,908)	-
Restart grant	(741)	-
Other Revenue grants	(1,088)	(2,143)
Revenue Receipts Held in Advance	(13,622)	(2,974)
Capital Section 106 funding	(2,411)	(2,578)
Other Capital grants	(205)	(71)
Capital Receipts Held in Advance	(2,617)	(2,649)
Total Receipts Held in Advance	(16,238)	(5,624)

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

Grants received where the Council acts as an Agent	31 March 2021 £000	Income £000	Expenditure £000	31 March 2022 £000
Dept of Business, Energy and Industrial Strategy - Creditor	(3,076)	(37)	2,445	(669)
Test and Trace Support Scheme	(54)	(280)	370	36
England Sports Council	-	(14)	13	(2)
Total	(3,130)	(332)	2,828	(634)

Note 16. 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.

2021/22	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources					
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	(4,464)	(308)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	819	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	5,975	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	43	6	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,169)	(11,842)	-	-	15
Total Adjustments to Revenue Resources	(796)	(12,144)	0	0	15
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,489	2,937	-	(7,426)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(493)	-	-	493	-
Posting of HRA resources from revenue to the Major Repairs Reserve	1,459	-	-	-	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	164	2,365	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	66	-	(66)	-
Other Adjustment	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	5,619	5,368	0	(6,999)	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	1,046	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,729	-	-
Application of capital grants to finance capital expenditure	-	3,161	(3,161)	-	-
Total Adjustments to Capital Resources	0	3,161	(432)	1,046	0
Total Adjustments	4,823	(3,615)	(432)	(5,953)	15

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

Note 17. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22 and future years.

	31 March 2020 £000	Movement 2020/21	31 March 2021 £000	Movement 2021/22 £000	31 March 2022 £000
General Fund					
Budget Stability Reserve	(2,494)	(554)	(3,048)	341	(2,707)
Business Rates Equalisation Reserve	(3,646)	(8,701)	(12,347)	1,045	(11,302)
Section 106 (Developer) Contributions - Revenue	(1,152)	172	(980)	(517)	(1,497)
Emergency climate reserve	0	(500)	(500)	0	(500)
Transformation Fund	0	(500)	(500)	100	(400)
Revenue Grants and Contributions from Third Parties	(409)	(204)	(613)	220	(393)
Welfare Support Reserve	(439)	(21)	(460)	136	(324)
Town Centre Improvement Reserve	(327)	135	(192)	30	(162)
Hall of Fame Licence Reserve	(300)	120	(180)	129	(51)
Carry forward Reserve	(331)	(254)	(585)	(597)	(1,182)
Other smaller reserves e.g., plant and equipment reserves	(655)	(80)	(735)	(120)	(855)
Total General Fund Earmarked Reserves	(9,753)	(10,387)	(20,140)	767	(19,373)
HRA					
Housing Repairs Account	(668)	352	(316)	223	(93)
Housing Revenue Account Capital Balances	(14,765)	363	(14,402)	(611)	(15,013)
Sheltered Accommodation	(212)	(48)	(260)	(49)	(309)
Total HRA Earmarked Reserves	(15,645)	667	(14,978)	(437)	(15,415)
Total Earmarked reserves	(25,398)	(9,720)	(35,118)	330	(34,788)

Budget Stability Reserve

There are various items within the Council's budget that are subject to significant degrees of volatility or variation from one year to another, often due to factors that are outside the Council's control or influence. This reserve assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where favourable variances arise

Business Rates Equalisation Reserve

This reserve is established to mitigate future fluctuations in the business rates base alongside the risks faced by the Council through the anticipated changes in business rates baseline and fair funding

Emergency climate Reserve

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

Transformation Fund Reserve

The reserve will help to facilitate significant service redesign which will support the delivery of the Corporate Strategy and in the achievement of delivering a balanced medium-term financial plan.

Section 106 Developer Contributions

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

Revenue Grants and Contributions from 3rd Parties

These are grant payments and contributions from 3rd parties to fund expenditure in future years.

Welfare Support Reserve

This reserve will be used to support the Council's housing acquisition plans to reduce temporary accommodation costs.

Town Centre Improvement Fund

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

Hall of Fame Reserve

This reserve is established to cover any remedial costs in the closure of the Hall of Fame.

Carry Forward Reserve

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

Other Smaller Reserves

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

Housing Repairs Account and HRA Capital Investment Balances

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

Note 18. Unusable Reserves

The following table shows the value of unusable reserve balances that have arisen as a result of accounting adjustments. These reserves are not available to spend.

	31 March 2022 £000	31 March 2021 £000
Housing Act - Deferred Capital Receipt	(29)	(29)
Revaluation Reserve	(69,368)	(62,856)
Capital Adjustment Account	(125,911)	(129,682)
Financial Instruments Revaluation Reserve	(1,123)	(304)
Pension Reserve	43,070	58,888
Collection Fund Adjustment Account	(1,829)	4,146
Accumulated Absences Account	460	509
	(154,730)	(129,328)

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

Revaluation Reserve

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

	2021/22		2020/21	
	General Fund	HRA	Total	Total
	£000	£000	£000	£000
Opening Balance	(35,267)	(27,589)	(62,856)	(54,965)
Upward Revaluation of assets	(6,364)	(6,590)	(12,954)	(10,698)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	178	3,312	3,490	1,654
Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(41,453)	(30,867)	(72,320)	(64,009)
Difference between fair value depreciation and historical cost depreciation	496	470	966	949
Accumulated gains on assets sold or scrapped	1,659	327	1,986	204
Balance as at 31 March	(39,298)	(30,070)	(69,368)	(62,856)

Capital Adjustment Account

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

	2021/22 £000	2020/21 £000
Opening Balance	(129,680)	(132,405)
Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
General Fund charges for depreciation of non-current assets	2,514	2,240
HRA charges for depreciation of non-current assets	3,158	3,249
Revaluation and impairment loss: Property, Plant and Equipment	5,334	6,395
Amortisation of Intangible Assets	191	428
Changes in the Fair Value of Financial Instruments	0	20
Revenue Expenditure funded from Capital under Statute	790	803
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,104	2,113
	18,091	15,248
Adjusting Amounts written out of the Revaluation Reserve	(2,952)	(1,153)
Net written out amount of the cost of non-current assets consumed in the year	(114,541)	(118,310)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,046)	(1,243)
Capital expenditure charged against the General Fund and HRA balances	(2,529)	(3,441)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,729)	(2,065)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(3,606)	(3,163)
Provision for the financing of capital investment charged against the General Fund and HRA	(1,460)	(1,458)
	(11,370)	(11,370)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0	0
	(125,911)	(129,680)

Pension Reserve

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

The difference of £2.6m between the Pensions Reserve and the Pensions Liabilities has been estimated at 31 March 2022 and represents the net present value of the employer contributions for 2022/23 paid in April 2020.

	31 March 2022	31 March 2021
	£000	£000
Balance at 1 April	58,888	42,787
Remeasurement of the net defined benefit liability	(20,590)	13,558
Reversal of items relating to retirement benefits included in the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	7,668	5,323
Employer's pensions contributions and direct payments to retiree's payable in the year	(2,896)	(2,780)
Balance as at 31 March	43,070	58,888

Collection Fund Adjustment Account

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

	31 March 2022	31 March 2021
	£000	£000
Balance at 1 April	4,146	646
Difference between Council Tax and Business Rates income is accounted for in the Comprehensive Income and Expenditure Statements and the Collection Fund.	(5,975)	3,500
Balance as at 31 March	1,829	4,146

Accumulated Absences Account

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

	2021/22 £000	2020/21 £000
Balance at 1 April	509	128
Settlement or cancellation of accrual made at the end of the preceding year	(509)	(128)
Amounts accrued at the end of the current year	460	509
Balance as at 31 March	460	509

Note 19. 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 on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

Depreciation

Depreciation is provided for on the opening value of 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 – 5-40 yrs.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £0.5m for determining whether an asset needs to be componentised and any individual element of more than 25% to determine whether an asset is considered as a component.

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

Subsequent Expenditure on Property, Plant and Equipment

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

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

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

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

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written out. The receipts from the disposal is used to calculate the gain or loss on disposal disclosed in note 12: Other Operating Expenditure

Amounts received for a disposal of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are payable to the Government. The balance of receipts is required to be added to the Capital Receipts Reserve and can then only be used for new capital investment.

Valuations

The Council's valuer is, Mr P Mawson FRICS of Godfrey Payton Chartered Surveyors.

Council dwellings have been included on the basis of their valuation as at 1 January 2021. All valuations are carried out annually in accordance with the Guidance on Stock Valuation for Resource Accounting (the Valuation Guidance).

Other land and buildings owned by both the General Fund and the Housing Revenue Account have also been valued on the basis of a four-year rolling programme.

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.

The valuer reviewed the carrying value of all other land and buildings at the 31 March 2022 and confirmed that these did not differ materially from the most recent valuation.

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	205,382	31,782	14,423	7,149	915	3,897	3,628	267,176
Additions	4,963	590	1,150	811	-	-	739	8,253
Derecognition - disposals	(1,498)	(4)	(212)	(481)	-	-	-	(2,195)
Derecognition - componentisation	(997)	-	-	-	-	-	-	(997)
Reclassification	2,405	(44)	94	47	0	0	(2,997)	(495)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,312	(154)	-	-	-	-	-	3,158
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(7,573)	(1,399)	-	-	-	-	-	(8,972)
Other movements in cost or valuation	(1,769)	-	-	-	-	-	-	(1,769)
At 31 March 2022	204,225	30,771	15,455	7,526	915	3,897	1,370	264,159
Depreciation and impairment								
At 1 April 2021	(7,970)	(1,228)	(9,021)	(2,841)	(20)	(25)	-	(21,105)
Charge for 2021/22	(2,994)	(560)	(1,210)	(478)	-	(5)	0	(5,247)
Derecognition - disposals	36	-	199	482	-	-	0	717
Reclassification	6	-	-	-	-	-	-	6
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	2,848	790	-	-	-	-	-	3,638
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	0
At 31 March 2022	(6,305)	(998)	(10,032)	(2,837)	(20)	(30)	0	(20,222)
Balance Sheet at 31 March 2022	197,920	29,773	5,423	4,689	895	3,867	1,370	243,937

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

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

	Council dwellings	Other land and buildings	Surplus Non-Operational assets	Investment Non-Operational assets	Assets held for sale	Total non-current assets carried at current value	Assets carried at other value	Total Valuation (All Assets)
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	-	12	-	-	-	12	11,482	11,494
Valued at current cost in:	-	-	-	-	-	-	-	-
2021/22	196,378	13,469	-	690	468	211,005	-	211,006
2020/21	1,033	10,453	1,110	205	-	12,596	-	12,595
2019/20	-	1,129	2,757	-	-	3,886	-	3,884
2018/19	-	4,206	-	-	-	4,206	-	4,688
2017/18	-	504	-	-	-	504	-	504
Net book value at 31 March 2022	197,411	29,773	3,867	895	468	232,414	11,482	243,896

Note 20. Heritage Assets

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

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

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

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

	Intangibles	Art and Social History Collections	Monuments and Statues	Historic Sites/Buildings	Civic Regalia	Total Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
1 April 2020	190	5,306	685	14,952	215	21,348
Additions	-	32	-	60	-	92
Revaluations	-	6	-	7,716	-	7,722
Reclassifications	-	-	-	-	-	-
Depreciation	(190)	-	-	(426)	-	(616)
31 March 2021	-	5,344	685	22,302	215	28,546
Cost or Valuation						
1 April 2021	-	5,344	685	22,302	215	28,546
Additions	-	-	-	-	-	0
Revaluations	-	-	-	6,306	-	6,306
Reclassifications	-	-	-	-	-	0
Depreciation	-	-	-	(425)	-	(425)
31 March 2022		5,344	685	28,184	215	34,428

Revaluations of Heritage Assets

In accordance with the Council's accounting policy on Heritage Assets, valuations may be made by any method that is appropriate and relevant to the heritage asset. The art and social history collections and the civic regalia were valued for insurance purposes by external and internal valuers in 2017/18.

Historic sites, principally the Great Central Walk bridges, are assessed for insurance purposes by council engineers based on re-instatement costs. A further revaluation of the bridges was undertaken in 2021/22, leading to an increase in value of £5.89m based on the latest insurance valuations.

Art Collections

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

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

Note 21. Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation or disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement and are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustments Account

Rentals received in relation to investment properties are shown in the Financing and Investment Income line and result in a gain for the General Fund Balance.

Fair Value Hierarchy

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

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

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

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

The following table shows the net movement in the fair value of investment properties during 2021/22.

	2021/22	2020/21
	£000	£000
Balance at 1 April	690	740
Net gains/(losses) from fair value adjustments	0	0
Derecognition - disposals	-	(50)
Balance at 31 March	690	690

Note 22. Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell. Once revalued, 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.

	2021/22	2020/21
	£000	£000
Balance at 1 April	3,701	2,988
Revaluation gains/(losses)	-	-
Assets unsold transferred back to PPE	(72)	
Assets Sold	(3,629)	-
Assets transferred from PPE	468	4
Reclassification	-	709
Balance at 31 March	468	3,701

Note 23. Leases

The Council as a Lessee

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

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

The Council as a Lessee

Finance leases

The Council has acquired the Land at Brownsover for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31 March 2022. At inception, no upfront premium was payable and the minimum lease payment of "one peppercorn" has not been charged.

Operating Leases

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

The Council has entered several short-term leases to provide temporary accommodation within the Borough. The future minimum lease payments receivable under the non-cancellable leases in future years are:

	31 March 2022 £000	31 March 2021 £000
Not later than one year	338	396
Later than 1 year and not later than 5 years	60	327
	398	723

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

The Council also subleases Car Parking spaces on part of the Rugby Central Car Park (formally Clock Towers), income is received from the owners based upon the annual surplus shown in their accounts. Payments were received in 2021/22 of Nil and in 2020/21 £0.011m.

The Council as Lessor

Finance leases

The Council has taken out finance leases on WSU vehicles in 2021/22

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

	31 March 2022 £000	31 March 2021 £000
Not later than one year	12	0
Later than 1 year and not later than 5 years	103	0
Later than 5 years	0	0
	115	0

Operating leases

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

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

	31 March 2022 £000	31 March 2021 £000
Not later than one year	87	104
Later than 1 year and not later than 5 years	300	310
Later than 5 years	1,554	1,905
	1,941	2,319

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered, such as adjustments following rent reviews. In 2020/21 no contingent rents were receivable by the Council.

Note 24. Capital Expenditure and Financing

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

Government Grants and Contributions

Grants used to finance capital expenditure are included in 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 (REFCUS)

The Council can incur capital expenditure that does not result in the creation of Council non-current assets, e.g. Disabled facility grants to individuals 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, the MRP, by way of an adjusting transaction within the Movement in Reserves Statement. 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.

The Council's policy is that the MRP is based upon the asset life – annuity 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

At 31 March 2022, the Council had capital commitments of Nil (31 March 2021: £1.6m) in respect of bathroom upgrade contracts, Bell House redevelopment and Biart Place demolition contract

Capital Financing Requirement (CFR)

	2021/22	2020/21
	£000	£000
Opening Capital Financing Requirement	86,744	82,592
Capital Investment:		
Property, Plant, and Equipment and Assets Held for Sale	8,253	14,480
Heritage Assets	0	92
Intangible Assets	170	148
Revenue Expenditure Funded from Capital under Statute	790	803
Long term loan	2,292	0
Capital Investment Total	11,505	15,523
Sources of Financing:		
Capital Receipts	(1,046)	(1,243)
Government Grants and Other Contributions	(3,607)	(3,163)
Sums Set Aside from Revenue	(2,529)	(3,441)
Earmarked Reserves	(2,729)	(2,065)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,459)	(1,459)
Financing Total	(11,370)	(11,371)
Closing Capital Financing Requirement	86,879	86,744
(Increase)/Decrease in underlying need to borrow	(135)	4,152

Note 25. Long Term Advances and Loans Outstanding

	2021/22	2020/21
	£000	£000
Balance at Start of Year	279	49
Advances made in year	0	250
Repayments made in year	(250)	0
Change in Fair Value	0	(20)
Balance at End of Year	29	279

Note 26. Debtors

	31 March 2022	31 March 2021
	£000	£000
Amounts due within one year		
Central Government Bodies	839	1,516
Other local authorities (inc. Police)	5,586	6,486
Homelessness	29	48
Rent payers	791	628
Council taxpayers	765	655
Non-domestic rate payers	359	32
Housing Benefit overpayments	741	970
Other entities and individuals	1,811	1,748
	10,921	12,083
Amounts due in more than one year		
Employee vehicle loans	49	57
Work in default	65	65
	114	122
Total	11,035	12,205

Note 27. Creditors

	31 March 2022	31 March 2021
	£000	£000
HM Revenue and Customs	392	316
Central Government Bodies	10,575	12,614
Other local authorities (inc. Police)	4,498	4,848
Rent payers	355	334
Council taxpayers	116	118
Other entities and individuals	3,304	2,858
Total	19,240	21,088

Note 28. Cash and Cash Equivalents

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

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

	31 March 2022	31 March 2021
	£000	£000
Cash held by the Council	23	19
Bank current accounts	8,852	2,515
Money Market Funds	-	-
Call Accounts	5,505	6,008
	14,380	8,542

Note 29. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2021/22 £000	2020/21 £000
Interest received	1,440	2,781
Interest paid	(2,384)	(1,440)

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

	2021/22 £000	2020/21 £000
Depreciation/Impairment charge	5,254	5,679
Amortisation of Intangible Assets	191	238
(Increase)/Decrease in Investments	0	(217)
Revaluation of Non-Current Assets	6,260	9,843
Derecognition of Non-Current Assets	6,176	(1,335)
(Increase)/Decrease in Debtors	1,759	(4,313)
Increase/(Decrease) in Creditors	(2,437)	7,707
(Increase)/Decrease in Inventories	(148)	15
Increase/(Decrease) in Provisions	482	(2,014)
Movement in Pension Liability	7,422	(2,769)
Total non-cash movements	24,959	12,834

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

	2021/22 £000	2020/21 £000
Capital Grants	(2,856)	(2,186)
Proceeds from the Sale of Properties	(7,426)	(2,773)
Council Tax and NNDR Adjustments	5,975	10,607
	(4,307)	5,648

Note 30. Cash Flow Statement – Investing Activities

	2021/22 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(8,423)	(14,592)
Purchase/Proceeds of short-term and long-term investments	40,647	(5,667)
Net payments/receipts for other investing activities	250	(250)
Other investing activity	(71)	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,426	2,773
Net cash flows from investing activities	39,829	17,736

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

	2021/22 £000	2020/21 £000
Other receipts from financing activities	2,856	2,186
Capital grants received	10,614	
Cash receipts/repayments of short-term and long-term borrowing	(62,584)	(2,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	-
Other payments for financing activities	(5,975)	(10,607)
	(55,089)	(10,421)

Note 32. 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.

	2021/22			2020/21
	Business Rates Appeals	Other	Total	Total
	£000	£000	£000	£000
Short-Term Provisions				
Balance at 1 April	(550)	(123)	(673)	(913)
Additional Provision made in year	(663)	-	(663)	(123)
Amounts used in year	664	-	664	774
Transfer between Long Term and Short Term	435	-	435	(411)
Unused amounts reversed in year	-	-	-	-
Other Movements	-	-	-	-
Balance of Short-Term Provisions at 31 March 2022	(114)	(123)	(237)	(673)
Long Term Provisions				
Balance at 1 April	(2,698)	-	(2,698)	(4,473)
Additional Provision made in year	(1,270)	-	(1,270)	(1,142)
Amounts used in year	788	-	788	-
Transfer between Long Term and Short Term	(435)	-	(435)	411
Unused amounts reversed in year	-	-	-	2,506
Other Movements	-	-	-	-
Balance of Long-Term Provisions at 31 March 2022	(3,615)	-	(3,615)	(2,698)
Total Provision	(3,729)	(123)	(3,852)	(3,371)

Provision for Business Rate Appeals

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

Other Provisions

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

Note 33. Contingent Assets and Liabilities

Contingent Liabilities and assets

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

The Council has no contingent assets or liabilities at 31 March 2022

Note 34. Trading Operations

The Council has a number of services that operate in a commercial environment and the Service Manager is required to balance their budget by generating income.

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

- Identify contract - agreement that creates enforceable rights and obligations
- Identify performance obligations in the contract
- Determine transaction price
- Allocate transaction price to performance obligations
- Recognise revenue when or as an entity satisfies performance obligation.

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

Details of those units with a significant turnover in 2021/22 are as follows:

Service	2021/22				2020/21
	Expenditure	Income	Reimbursed by MHCLG	(Surplus) / Deficit	(Surplus) / Deficit
	£000	£000	£000	£000	£000's
Trade waste	1,179	(1,001)	(30)	148	41
Car parking	328	(293)	(52)	(17)	(96)
Total	1,507	(1,294)	(81)	131	(55)

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

Note 35. Audit Fees

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

	2021/22	2020/21
	£000	£000
Fees payable for external audit services	64	49
Additional fees payable for external audit services in relation to previous years	11	10
Fees payable for the certification of grant claims and returns	20	(1)
Additional fees payable for the certification of grant claims and returns in relation to previous years	10	(1)
Public Sector Audit Appointments Refund	(22)	0
Fees payable in respect of other services provided by the auditor	6	2
Total	89	60

Note 36. 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 14 and 15.

Council Members and Chief Officers

Based on existing key data sources, no material related party transactions have been identified

- Senior council officers remuneration paid during 2021/22 is set out in Note 39;
- Members allowances are stated in Note 38.

Other Public Bodies (subject to control by Central Government)

Based on a review of transactions made by the Council in 2021/22 there following transactions were made to other public bodies.

- West Midlands Combined Authority: £0.025m contribution to help fund its programmes and initiatives.
- HEART Partnership: £0.8m contribution funded via the Disabled Facilities Grant allocation for the year of £0.7m.

Shared Service Arrangements

The council has the following shared service arrangements. There were no material interactions in 2021/22.

Rainsbrook Crematorium

Shared Building Control Service

Local Authority Emergency Planning Officer Scheme

Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2021/22; these are mainly local Government associations or local groups that the Council supports with grant aid and advice.

Rugby First Ltd - BID Division - An amount of £0.864m was paid to the BID Company in 2021/22 of which £0.582m related to the collection of BID levy income £0.268m is used to provide a CCTV Monitoring and Town Centre Management Service and £0.014m for contributions to the BikeFest and Christmas lights

Queen's Diamond Jubilee Centre - Rugby Borough Council funded £0.277m in capital charges in 2021/22 and received £0.358m for the annual contract fee and profit share as per the contract agreement.

Other significant related parties

Sherbourne recycling – Sherbourne Recycling was established in 2021 to develop and operate a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council). In 2021/22 The council purchased shares £0.1m and made loan advances of £2.1m.

Note 37. 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)

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 that need to be disclosed at the time that employees earn their future entitlement.

The scheme 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. The Council pays an employer's contribution of 20.1% (2020/2 – 20.1%) of employees' pensionable pay into the Pension Fund. Contributions are set every 3 years because of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out during 2022/23 (as at 31 March 2022) and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. Funding levels are monitored on an annual basis.

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.

The net liability balance that arises from the Pensions accounting measures the beneficial impact to the Council of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

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 must be generated to meet actual pension payments as they eventually fall due

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

Transactions relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax and HRA rents is based on the sums specified on the actuary certificate published as part of the valuation as at 1 April 2019, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement.

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

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
• Current Service Costs	6,535	4,292	-	-
• Past Service Costs	-	-	-	-
Financing and Investment Income and Expenditure				
• Net Interest Expense	1,109	1,003	25	28
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7,644	5,295	25	28
Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
• Actuarial (gains)/losses arising on changes in demographic assumptions	960	2,166	9	14
• Actuarial (gains)/losses arising on changes in financial assumptions	12,396	36,752	10	36
• Other experience	(360)	(1,573)	(63)	41
• Return on Plan Assets (excluding the amount included in the net interest expense)	7,637	(23,879)	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	20,633	18,761	(42)	119
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(7,644)	(5,295)	(25)	(28)
Actual amount charged against the General Fund and HRA Balances for Pensions in the year:				
• Employer's contributions payable to the scheme	145	7,992	103	-
• Early payment transferred to pension liability	2,664	(5,312)	78	-
• Retirement benefits payable to pensioners	-	-	-	100
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(4,836)	(2,615)	156	72

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	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Present Value of the Defined Benefit Obligation	(172,453)	(178,885)	(1,265)	(1,299)
Fair Value of Plan Assets	133,311	126,609	-	-
Net Liability Arising from the Defined Benefit Obligation	(39,142)	(52,276)	(1,265)	(1,299)

The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total net liability of £60.211m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

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

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

	2021/22 £000	2020/21 £000
Opening Balance at 1 April	126,609	96,043
Interest Income on Plan Assets	2,496	2,168
Return on Plan Assets, excluding the amount included in the net interest expense	7,637	23,879
Contributions from Employer	145	7,992
Contributions from Scheme Participants	824	824
Benefits Paid	(4,400)	(4,297)
Closing Balance at 31 March	133,311	126,609

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000
Opening Balance at 1 April	(178,885)	(137,550)	(1,299)	(1,280)
Current Service Cost	(6,535)	(4,292)		
Interest cost	(3,605)	(3,171)	(25)	(28)
Contributions by Scheme Participants	(824)	(824)		
Re-measurement (Gain)/Loss:				
• Actuarial (gains)/losses arising from changes in demographic assumptions	12,396	(36,752)	10	(36)
• Actuarial (gains)/losses arising from changes in financial assumptions	960	(2,166)	9	(14)
• Other experience	(360)	1,573	(63)	(41)
Benefits Paid	4,400	4,297	103	100
Past Service Costs	0	-		-
Closing Balance at 31 March	(172,453)	(178,885)	(1,265)	(1,299)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method valuation, an estimate of the pensions that will be payable in future years' dependent on assumptions about mortality rate, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31 March 2022

The significant assumptions used by the actuary have been:

	2021/22	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.6	21.8
Women	24.1	24.2
Longevity at 65 for future pensioners (years):		
Men	22.7	23.0
Women	25.9	26.1
Rate of increase in salaries	4.0%	3.7%
Rate of increase in pensions	3.2%	2.9%
Rate of discounting of scheme liabilities	2.7%	2.0%

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

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

assumes for each change that the assumption analysed changes while all other assumptions remain constant.

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

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

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	3,387
1 year increase in member life expectancy	4%	9,649
0.1% Discount in the Salary Increase Rate	0%	335
0.1% increase in the Pension Increase Rate (CPI)	2%	3,025

Impact on the Council's Cash Flows

The contributions paid by Rugby Borough Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being at 31 March 2020). The objectives of the scheme are to keep employers' contributions at as constant a rate as possible; the contributions payable over the period to 31 March 2023 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 16 years. Funding levels are monitored on an annual basis with the triennial valuation based as at 31 March 2020

Note 38. Members Allowances

	2021/22 £000	2020/21 £000
Allowances	371	361
Employers' National Insurance	7	6
Expenses	1	5
Total	379	372

Note 39. Officers' Remuneration

Benefits payable during employment

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

The Council is required to disclose details of certain elements of benefits payable to its employees. The remuneration of the Council's senior employees is as follows:

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

Post Holder	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total	Notes
	£	£	£	£	£	
Executive Director (A)	42,510	300	-	8,380	51,190	a
	99,300	20	-	19,070	118,390	
Executive Director (B)	96,630	-	-	19,040	115,670	b
	71,980	-	-	13,820	85,800	
Deputy Executive Director	55,700	-	-	10,970	66,670	c
	-	-	-	-	-	
Head of Communities and Homes	73,960	-	-	14,570	88,530	
	71,980	-	-	13,820	85,800	
Acting Chief Finance Officer	59,820	-	-	11,100	70,920	d
	-	-	-	-	-	-
	23,990	-	-	4,730	28,720	e

Post Holder	Salary, Fees and Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contributions £	Total £	Notes
Head of Environment and Public Realm	71,980	-	-	13,820	85,800	
Head of Growth and Investment	73,960	-	-	14,570	88,530	
	69,350	-	-	13,320	82,670	
Monitoring Officer	59,747			11,335	71,082	
	53,418			10,256	63,674	

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

Remuneration Band	2021/22	2020/21
	Number of employees	Number of employees
£50,000 - £54,999	4	-
£55,000 - £59,999		1
£60,000 - £64,999	1	1

Exit Packages

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

Rugby Borough Council terminated the contracts of 5 employees in 2021/22 (2 in 2020/21), incurring liabilities of £0.030m (£0.010m in 2020/21). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table following:

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of agreed other departures		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
							£	£
£0 - £20,000	-	-	-	2	-	2	-	9,670
£20,001 - £40,000	-	-	-	-	-	-	-	-
Total	-	-	-	2	-	2	-	6,720

Note 40. Financial Instruments

Financial Liabilities

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

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

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

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

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

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

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

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

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

	31-Mar-22		31-Mar-21	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
Financial Assets				
At Amortised Cost	25,866	46,705	39,979	70,297
At Fair Value through Profit and Loss	-	7,164	-	12,371
Total Investments	25,866	53,869	39,979	82,668
Loans and Receivables	2,266	-		
Cash and Cash Equivalents	-	-	-	-
At Amortised Cost	-	14,380	-	8,542
Total Cash and Cash Equivalents	-	14,380	-	8,542
Trade Receivables	49	3,633	57	3,078
Included in Debtors	49	3,633	57	3,078
Total Financial Assets	28,181	71,882	40,036	94,288
Financial Liabilities				
Loans at Amortised Cost	(83,300)	(7,758)	(90,600)	(63,151)
Finance Lease	(81)	(28)	-	-
Creditors	-	(3,570)	-	(2,858)
Total Financial Liabilities	(83,381)	(11,356)	(90,600)	(66,009)

Income, Expense, Gains and Losses

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

	2021/22			2020/21		
	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss
	£000	£000	£000	£000	£000	£000
Interest Expense	(2,384)	-	-	(2,781)	-	-
Net loss on financial assets at fair value through profit and loss	-	-	-	-	-	-
Total Expense in Surplus/Deficit on the Provision of Services	(2,384)	-	-	(2,781)	-	-
Net gain on financial assets at fair value through profit and loss	-	-	819	-	-	79
Interest Income	-	1,063	227	-	1,298	142
Total Income in Surplus/Deficit on the Provision of Services	-	1,063	1,046	-	1,298	221
Gains on revaluation	-	-	(819)	-	-	(79)
Net Gain/(Loss) for the year	(2,384)	1,063	227	(2,781)	1,298	142

Fair Values of Assets and Liabilities

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

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	31 March 2022 Fair Value	31 March 2021 Fair Value
			£000	£000
Fair value through profit and loss – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,748	2,337
Fair value through profit and loss – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,052	1,961
Fair value through profit and loss – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,364	2,063
			7,164	6,361

There were no transfers between input levels during the financial year 2021/22. There has been no change in valuation technique used during the year for financial instruments.

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

	31 March 2022		31 March 2021	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets held at amortised cost				
Corporate, Covered and Government Bonds	3,012	3,001	3,018	3,013
Long Term Investments	25,866	25,747	42,307	43,168
	28,877	28,748	45,325	46,181
Assets for which Fair Value is not disclosed				
Long Term Debtors	2,315	-	57	-
Short Term Investments	43,693	-	77,322	-
Cash and Cash Equivalents	14,380	-	8,542	-
Debtors	3,633	-	3,413	-
Sub-total	64,022	-	89,334	-
Total Financial Assets	92,899	28,748	134,659	46,181
Financial Liabilities at amortised cost				
Borrowing	-	-	-	-
Public Works Loans Board	(77,201)	(59,185)	(86,104)	(75,225)
Other	(13,856)	(18,104)	(67,646)	(73,755)
Total Borrowing	(91,058)	(77,289)	(153,750)	(148,980)
Finance Lease	(109)	(102)	-	-
Creditors	(3,570)	(3,570)	(2,858)	(2,858)
Total Financial Liabilities	(94,736)	(80,961)	(156,608)	(151,838)

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value.

The fair values of financial instruments classified at amortised cost can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following methods and assumptions:

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

The fair values are calculated as follows:

The fair value of the liabilities is less than the carrying amount because the Council's loans are fixed at a lower rate than was available at the 31 March 2022. This shows a notional future gain (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders below current market rates.

The fair value of PWLB loans of £59.185m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early The Council would benefit from a discount, based on redemption interest rates for premature repayment of £0.468m. The exit price for the PWLB loans including the discount would be £76.736m.

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

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

Current debtors and creditors are carried at cost as this is a fair approximation of their value. The input level the fair values of financial assets and financial liabilities that are not measured at fair value (but for which Fair Value disclosures are required) is Level 2.

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

Note 41. Nature and Extent of Risks Arising from Financial Instruments

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

The Council manages risk in the following ways:

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

Credit risk

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

This risk is minimised through the Annual 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.

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

The Council has assessed its short- and long-term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

Liquidity risk

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

The maturity analysis of financial assets held as investments is as follows:

	31 March 2022	31 March 2021
	£000	£000
Less than one year	51,505	79,207
Between one and two years	15,651	23,940
Between two and three years	12,484	19,500
More than three years	-	-
Total	79,640	122,647

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

Refinancing and Maturity Risk

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

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

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

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

	Approved maximum limits	Approved minimum limits	Actual 31 March 2022	Actual 31 March 2021	Actual
	%	%	£000	£000	%
Less than one year*	50	-	7,310	62,692	41
12 months to 2 years	50	-	-	7,310	5
Between 2 and 5 years	60	-	1,717	1,008	1
Between 5 and 10 years	60	-	-	10,530	7
Between 10 and 20 years	75	-	515	515	-
Between 20 and 30 years	75	-	512	512	-
Between 30 and 40 years	75	-	10,524	434	-
More than 40 years	75	-	70,479	70,749	46
Total*			91,058	153,750	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.

Investments measured at amortised cost and loans borrowed are not carried at fair value so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

The Financial Services team monitors market and forecast interest rates within the year to adjust exposures appropriately. A 1% change in variable interest rates would be immaterial to the Council because it has no variable rate debt and a small value of variable rate investments.

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

Transition to IFRS 9 Financial Instruments

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

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

Statutory Override on pooled investments

The Council holds £6.0m (nominal) in pooled investment funds. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council uses the statutory override to account for any changes in the fair value on its pooled investments.

Housing Revenue Account

Income and Expenditure Account

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

	2021/22 £000	2020/21 £000
Income		
Dwelling Rents	(15,370)	(15,302)
Non-dwelling rents	(118)	(130)
Charges for services	(871)	(904)
Contributions towards expenditure	(115)	(185)
Total Income	(16,474)	(16,521)
Expenditure		
Repairs and maintenance	4,490	4,331
Supervision and management	5,439	5,617
Rents, rates, taxes and other charges	148	86
Depreciation and impairment of non-current assets	8,500	9,956
Debt management costs	0	14
Movement in allowance for bad debts	0	0
Total Expenditure	18,577	20,004
Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	2,103	3,483
HRA Share of Corporate and Democratic Core costs	254	224
Net Expenditure of HRA Services	2,357	3,707
(Gain) or Loss on sale of HRA non-current assets	162	150
Interest payable and similar charges	1,838	2,252
Interest and investment income	(733)	(1,102)
Pension interest and expected return on pension assets	176	176
Capital grants and contributions receivable	243	(1,797)
Reversal - Impairment of Financial Instrument	(9)	(110)
Other Items	66	(11)
(Surplus)/Deficit for the year on HRA services	4,100	3,265

Movement on the HRA Statement

	2021/22	2020/21
	£000	£000
HRA revenue balance brought forward	(5,085)	(5,085)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	4,100	3,265
Adjustments between accounting basis and funding basis under statute	(3,749)	(2,599)
Net (increase) or decrease before transfers to or from reserves	351	666
Transfers to or (from) earmarked reserves	440	(666)
(Increase) or decrease in the HRA Revenue Balance	791	0
HRA revenue balance carried forward	(4,294)	(5,085)

Note to the Movement on the HRA Statement

	2021/22	2020/21
	£000	£000
Adjustments between accounting basis and funding basis under statute		
Depreciation of non-current assets	(3,158)	(3,249)
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(5,322)	(6,656)
Amortisation of intangible assets	(20)	(51)
Amounts of non-current assets written off on disposal or sale	(3,099)	(1,975)
Sale proceeds credited as part of the gain/loss on disposal	2,937	1,825
Transfer to Accumulated Absences account	6	(52)
Capital expenditure financed from revenue balances	2,365	2,953
Capital grants and contributions applied	(243)	1,797
Transfer of Unattached Receipts to the Capital Receipts Reserve	(65)	11
Net charges made for retirement benefits (IAS 19)	(741)	(926)
Reversal of Major Repairs Allowance credited to the HRA	3,158	3,249
Statutory provision for the financing of capital investment	0	-
Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	432	475
	(3,750)	(2,599)

Transfers to or (from) earmarked reserves	2021/22	2020/21
	£000	£000
Transfer to or (from) Housing Repairs Account	(223)	(351)
Transfer to or (from) HRA Capital Investment balances	611	(363)
Transfer to or (from) other earmarked reserves	52	48
	440	(666)

Note 1. HRA Assets

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

	2021/22	2020/21
Houses/Bungalows (including part-ownerships)	2,140	2,160
Flats	1,536	1,526
	3,676	3,686

The change in the stock was as follows:

	2021/22	2020/21
Stock at 1 April	3,686	3,789
Less sales (including part-ownership)	(28)	(19)
Less removal from stock (Biarl Place demolitions)	(8)	(124)
Add: new build properties	21	-
Add: purchase of properties	5	40
Stock at 31 March	3,676	3,686

The balance sheet includes HRA assets as detailed below.

	2021/22	2020/21
	£000	£000
Balance Sheet values as at 31 March		
Operational Assets: Dwellings	197,409	197,412
Operational Assets: Other Land and Buildings	847	1,014
Operational Assets: Equipment	652	360
Operational Assets: Infrastructure	867	644
Non-Operational Assets	1,110	709
Assets Under Construction	915	3,125
	201,800	203,264

Note 2. Vacant Possession

	2021/22 £000	2020/21 £000
Vacant Possession Value of Dwellings as at January 2021	488,280	487,816
Balance Sheet Value of Dwellings	(197,409)	(197,412)
Economic cost to Government	290,871	290,404

The vacant possession value of the dwellings is the equivalent of the market value of the properties. For balance sheet purposes it is necessary to adjust this value 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.

	2021/22 £000	2020/21 £000
Balance at 1 April	(3,373)	(2,189)
Amount transferred to Major Repair Reserve during the year	(3,161)	(3,249)
Appropriations to or (from) HRA Revenue	0	0
Capital financing	2,729	2,065
Balance at 31 March	3,805	(3,373)

Note 4. Housing Repairs Account

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

	2021/22 £000	2020/21 £000
Balance at 1 April	(315)	(667)
Contributions during the year	(4,267)	(3,979)
Repairs and maintenance charged	4,490	4,331
Balance at 31 March	(92)	(315)

Note 5(i). HRA Capital Expenditure and Financing

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

	2021/22 £000	2020/21 £000
Council dwellings	5,316	7,160
Other assets	327	32
Housing Management Systems	0	45
Other expenditure	553	3,724
	6,196	10,961
Financed by:		
Direct Revenue Finance	(2,365)	(2,953)
Government Grant	(2,242)	(806)
Earmarked Reserves		-
Right to Buy Receipts	(343)	(1,239)
Major Repairs Reserve	(2,729)	(2,065)
Borrowing	1,483	(2,700)
External Finance – S.106	0	(1,198)
	(6,196)	(10,961)

Note 5(ii). HRA Capital Receipts

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

	2021/22 £000	2020/21 £000
Sales of Council Houses under Right to Buy (RTB)	(2,937)	(1,825)
RTB Discounts repaid	(9)	(11)
Council House Mortgage Principal Repayments	(57)	-
	(3,003)	(1,836)

Note 6. Depreciation of Property Plant and Equipment

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

	2021/22 £000	2020/21 £000
Operational Assets		
Dwellings, other land, buildings	(2,988)	(2,998)
Equipment	(132)	(222)
Non-operational assets	(30)	(29)
	(3,150)	(3,249)

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

Note 7. Contribution to/from Pensions Reserve

The HRA share of IAS19 Employee Benefits pension adjustments is based on the number of employees charged to the HRA. Also see Note 35 Pension Costs and Note 36 Pensions Reserve.

Note 8. Tenant Arrears

During 2021/22 rent arrears as a proportion of gross rental income have changed from 7.80% of the amount due to 6.68%. The figures, excluding service charges and debts of up to three weeks are as follows:

	2021/22 £000	2020/21 £000
Arrears of current tenants (not including current weeks)	520	557
Arrears of former tenants	376	465
Total tenants' arrears at 31 March	896	1,022

During 2021/22 – the Housing Management - Tenancy Sustainment team provided tenancy coaching to more than 400 customers, including those living in temporary accommodation in preparation for secure tenancies.

Bad Debts

The level of bad debt provision is calculated with reference to the HRA (Arrears of Rents and Charges) Directions 1990. An analysis of the Bad Debt Provision Account is as follows:

	2021/22 £000	2020/21 £000
Balance at 1 April	(521)	(636)
Write off/Write on	30	5
Provision made in the year	9	110
Balance as at 31 March	(482)	(521)

Collection Fund Statement

This account reflects the statutory requirements for the Council as a billing Authority to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and business rates.

	2021/22			2020/21
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
INCOME				
Council Tax Receivable	0	(79,037)	(79,037)	(74,427)
Transfer for S13A(1)(C) Relief	0	(0)	(0)	(643)
Business Rates Receivable	(51,293)		(51,293)	(36,581)
Transitional Protection Payments Receivable	(80)		(80)	-
	(51,372)	(79,037)	(130,409)	(111,651)
Contribution to Previous Year Estimated Deficit			0	
Central Government	(8,232)		(8,232)	(918)
Warwickshire County Council	(1,646)	(182)	(1,829)	(183)
Rugby Borough Council	(6,586)	(27)	(6,612)	(734)
Police and Crime Commissioner for Warwickshire	0	(29)	(29)	-
	(16,464)	(238)	(16,702)	(1,835)
Total Income	(67,837)	(79,275)	(147,111)	(113,486)
EXPENDITURE				
Transitional Protection Payments	0	0	0	99
Distribution of Previous Year Estimated Surplus				
Central Government	0	0	0	-
Warwickshire County Council	0	0	0	547
Rugby Borough Council	0	0	0	81
Police and Crime Commissioner for Warwickshire	0	0	0	87
	0	0	0	715
Precepts, Demands and Shares				
Central Government	26,004		26,004	25,889
Warwickshire County Council	5,201	59,401	64,602	62,850
Rugby Borough Council	20,803	8,633	29,436	29,109
Police and Crime Commissioner for Warwickshire	0	9,799	9,799	9,218
	52,008	77,832	129,840	127,066
Disregarded Amounts				
Renewable Energy	80	0	80	0
	80	0	80	0
Charges to Collection Fund				
Less: Increase / (Decrease) in Bad Debt Provision	11	243	254	387
Less: Increase / (Decrease) in Provision for Appeals	4,833	0	4,833	(3,410)
Appeals and List Alterations	(3,630)	0	(3,630)	(1,936)
Cost of Collection Allowance	132	0	132	134
	1,346	243	1,589	(4,825)
Total Expenditure	53,434	78,075	131,509	123,055
Movement on Fund				
(Surplus)/ Deficit arising during the year	(14,403)	(1,200)	(15,602)	9,569
(Surplus)/ Deficit arising at 1 April	10,216	534	10,750	1,181

(Surplus)/ Deficit arising at 31 March	(4,187)	(665)	(4,852)	10,750
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Notes to the Collection Fund Statement

Note 1. Council Tax

The Council is required to calculate a tax base each year and this is divided into the total precept requirement for Warwickshire County Council, the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the average band D council tax figure of £2,009.33 for 2021/22.

The tax base is calculated by estimating the number of chargeable dwellings in each valuation band, considering an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions and discounts, where applicable.

This is converted to an equivalent number of band D dwellings. Finally, an adjustment is made to cover non-collection of arrears. A summary of the calculation is shown in the following table.

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	7.87	5/9	4.37
A	6,128.77	6/9	4,085.85
B	9,222.92	7/9	7,173.38
C	10,041.62	8/9	8,925.88
D	6,224.17	9/9	6,224.17
E	4,690.56	11/9	5,732.91
F	3,039.73	13/9	4,390.72
G	1,627.91	15/9	2,713.18
H	70.93	18/9	141.86
			39,392.33
		Less allowance for non-collection	(787.85)
		Contributions in lieu (MOD properties)	131.00
		COUNCIL TAX BASE 2020/21	38,735.48

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

The tax base multiplied by the average band D council tax of £2,009.33 provided an original estimate of income of £77.833m for 2021//22. The actual income for 2021/22 was £79.275m thus above expectations by 1.85%.

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 £131.543m at 31 March 2022 (£125.353m in 2020/21). The non-domestic rating multiplier for 2021/22 was 51.2p (51.2p in 2020/21) and the small business non-domestic rating multiplier was 49.9p (49.9p in 2020/21).

Note 3. Collection Fund Balance Apportionment

The net surplus on the Collection Fund as at 31 March 2022 of £4.852m will be split between the authorities and recovered in 2022/23 in the following proportions:

	2021/22			2020/21
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
Central Government	(2,093)	0	(2,093)	5,108
Warwickshire County Council	(419)	(506)	(925)	1,431
Police and Crime Commissioner for Warwickshire	0	(85)	(85)	66
Rugby Borough Council	(1,675)	(74)	(1,749)	4,145
	(4,187)	(665)	(4,852)	10,750

The Balance Sheet as at 31 March 2022 will include a net creditor/debtor for each of the precepting authorities' share of the Collection Fund (surplus)/deficit.

The Council's share of the net surplus on the Collection Fund of £1.749m is recognised in the Comprehensive Income and Expenditure Statement in 2021/22 but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

Note 4. Collection Fund Adjustment Account

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

	2021/22			2020/21
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
Balance at 1 April	4,086	60	4,146	646
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.	(5,761)	(134)	(5,895)	3,499
Balance at 31 March	(1,675)	(74)	1,749	4,145

Note 5. Coventry and Warwickshire Business Rates Pool

The Council has been part of the Coventry and Warwickshire Business Rates Pool since the introduction of the Business Rates Retention scheme in 2013/14. The outturn performance of the Pool between 2013/14 – 2021/22 had resulted in an accumulated Safety Net Reserve balance of £2.435m of which the Council's share was £0.627m.

Independent Auditor Report

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Rugby Borough Council (the 'Authority') for the year ended 31 March 2022, 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, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and notes to the financial statements, 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Chief Officer - Finance and Performance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

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

Other information

The Chief Officer - Finance and Performance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Chief Officer - Finance and Performance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Officer - Finance and Performance

The Chief Officer - Finance and Performance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Chief Officer - Finance and Performance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, The Local Government

Act 2003, The Local Government Act 1972, The Local Government Finance Act 1988, The Local Government Finance Act 1992, The Local Government and Housing Act 1989 and The Local Government Finance Act 2012.

- We enquired of senior officers and the Audit and Ethics Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit and Ethics Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We have followed up on any matters identified through inquiries performed to understand the impact on our audit procedures and our auditor's report, if any.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - The use of journal entries;
 - Estimates and the use of unsupported or favourable assumptions which demonstrate indications of potential management bias;
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Chief Officer – Finance and Performance has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals.
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property, defined benefit pensions liability valuations and provisions.
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property, defined benefit pensions liability valuations and provisions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

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

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

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

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Rugby Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

Avtar Sohal, Key Audit Partner

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

Birmingham

Date:

Annual Governance Statement

ANNUAL GOVERNANCE STATEMENT

2021-22

RIGHT FOR RUGBY

Annual Governance Statement 2021/22

1. Scope of responsibility

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement (AGS). The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's AGS for 2021/22. This year's statement is written as the country emerges from the COVID-19 pandemic and shows, despite the enormous challenges faced by the Council, the governance framework has again been maintained and enhanced during the year. Sound governance helps the Council deliver on its corporate strategy, specifically the objective to "maintain robust systems of governance that ensure fairness, accountability and transparency".

2. Who is responsible for ensuring good governance?

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

3. What this statement tells you

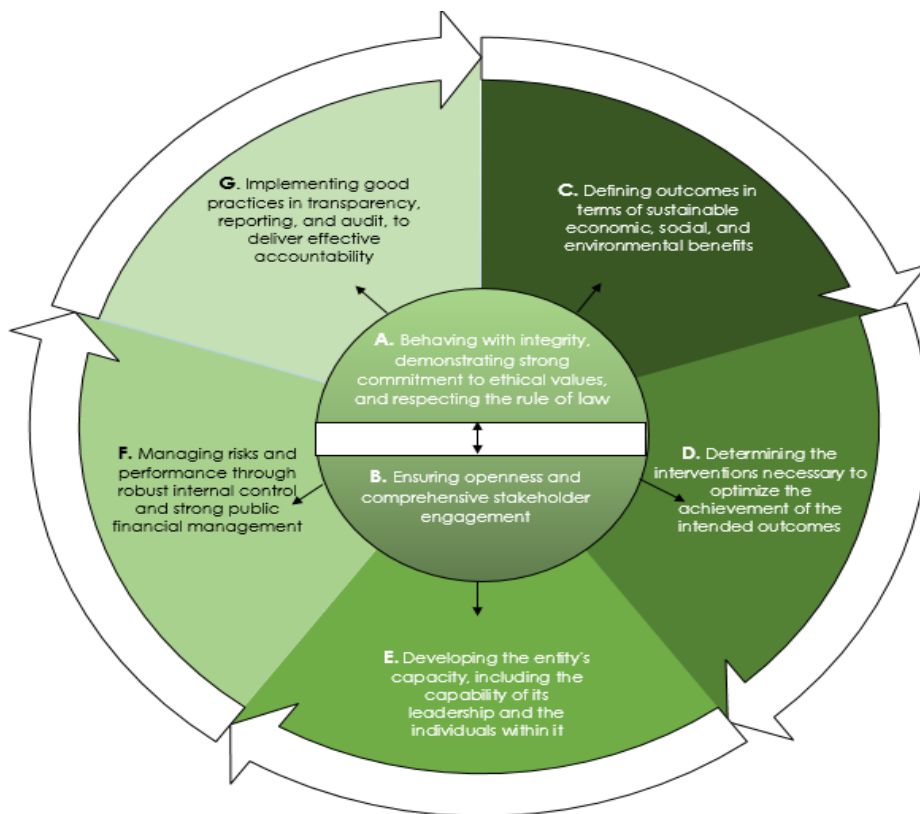
- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It provides the reader with a clear assessment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

4. The principles of good governance

- 4.1 The principles of good governance are set out in the CIPFA Framework for Delivering Good Governance in Local Government 2016. The framework positions the attainment of

sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. This statement explains how the Council has complied with the framework and meets the requirements of the Accounts and Audit Regulations 2015 (England).

- 4.2 Good governance is dynamic, and the Council is committed to improving its governance on a continuing basis through a process of evaluation and review. The diagram which follows on page 4, 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. At Rugby Borough Council, sound governance is embedded as a priority in the corporate strategy.



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. The governance framework and an assessment of its effectiveness are set out on the following pages.

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

Arrangements in place

- Member and officer codes of conduct
- Confidential Reporting Code
- Counter Fraud, Bribery and Corruption Strategy
- Fraud Response Plan
- Contract Standing Orders
- Declaration of interests procedure
- Register of interests
- Register of gifts and hospitality
- Customer feedback and complaints procedure
- Equalities and Diversity policy statement
- Register of Equality and Climate Change Impact Assessments
- Information governance framework and security policies in place, and senior information risk owner in post (SIRO).
- Corporate CANDO values and behaviours framework in place which all employees are expected to act in accordance with
- Recruitment/ selection procedures aligned with corporate values
- Customer Care training is mandatory for all staff in accordance with the Council's value of putting "customers first".
- A standard format is in place for 1 to 1 meetings between managers and staff, designed to ensure that the corporate values are embedded and adhered to.
- An online "Praise" system is in place which enables employees who have excelled to receive a praise "badge" in recognition of their contribution.
- The Council participates in the National Fraud Initiative
- Delivery of fraud and corruption awareness training
- Staff required to confirm that they have read and understood the Council's anti-fraud, bribery and corruption arrangements.
- Internal audit plan coverage includes governance and ethics related audits, in line with the Public Sector Internal Audit Standards.
- Any planning applications submitted by staff are reviewed in public
- Agenda management sheets of Council reports include a requirement to highlight the legal implications of decisions
- Records of regulatory training required and undertaken are retained on the Council's HR system
- There is a Warwickshire independent persons panel in place which is available for consultation regarding any conduct related complaints. The group provides advice to the Council on the appropriate course of action to take to address such complaints.
- The Council has implemented arrangements to ensure compliance with the requirements of the Homelessness Reduction Act 2018.
- Financial instructions and regulations in place.
- Shareholders Committee in place to oversee the activity of the Joint Venture trading company.
- Team meetings and 121s provide an additional opportunity for officers to raise any concerns they may have.

Effectiveness and future developments

Implementation of the Counter Fraud Strategy and Fraud Response Plan has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. Furthermore, dedicated time is set aside within the internal audit work plan to ensure that resources are available to thoroughly investigate any allegations and to enable proactive risk-based testing to be conducted during the year. Counter Fraud, Bribery and corruption awareness training has been delivered to all managers and to members. Training is also being delivered to individual teams on a rolling basis; owing to the Covid pandemic this training was not delivered during 2021/22 but the rolling programme will be recommenced face to face for 2022/23. A review of fraud risks and mitigating controls across all Council departments was completed in 2021/22 and resulted in a substantial level of assurance. The Council's approach to assessing fraud risks, and its fraud awareness training arrangements, were recognised and published in 2018 as examples of best practice in Local Government. A formal strategy review and update will be completed in 2022/23, and the Council's arrangements will be subject to an independent external review. **See Action 5.**

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 COVID-19 pandemic led to a step change in agile working, with technological developments enabling many employees to work effectively away from the office. This was a step change in the Council's way of working and digital means enabled Council services to continue being effectively provided during the pandemic. Council policies reflect the increasing number of agile workers. The Agile Working policy enables the benefits of remote and hybrid working to continue post pandemic, with a consistent framework in place for managing such arrangements.

Following a restructure of the Leadership Team, financial approval limits were updated and a new scheme of delegation was developed and approved for the Council in December 2021. Furthermore, following publication of a new Local Government Association Code of Conduct, the Council is reviewing its recommendations and developing its own new Code of Corporate Governance (Internal Constitution), along with supporting guidance for officers and members. This will set out in more detail how the Council applies its Constitution in practice. Furthermore, members and key officers will also be provided with Corporate Governance training. **See Action 2.**

The Corporate Assurance and Improvement team conducted a review of the various working groups, project groups (Squads) and Committees in place across the Council. This considered the terms of reference/ remit for each group and identified areas of overlap/ duplication. The newly formed Management Team has been tasked with overseeing the work of the various groups and ensuring their effectiveness.

The Council has developed new financial regulations and updated its financial instructions during the year. These were formally approved and cascaded to officers in December 2021. The instructions are mandatory and compliance will be monitored. Following the introduction of the CIPFA Financial Management Code, a detailed self-assessment has been carried out with support from the Corporate Assurance Manager and Transformation Lead. An action plan was developed, endorsed by the Leadership Team and reported to the Audit and Ethics Committee, which will oversee delivery. **See Action 3.**

During the annual canvass, between July and November 2021, over 50,000 properties were contacted in the Borough to ensure that elector details were accurate and up to date. The annual electoral register was published on time on December 1 2021, as legally required.

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, delegated decisions and section 106 agreements.
- Records are retained detailing any decisions taken by officers using their delegated authority, including the rationale. Such decisions are also published.
- The strategic risk register is scrutinised by the Audit and Ethics Committee with open reporting to Cabinet.
- The Council consults widely and comprehensively with stakeholders on its proposals. Wider engagement takes place via the West Midlands Combined Authority and the Local Enterprise Partnership.
- There is a Scrutiny Committee work programme in place, with members of the public invited to recommend topics and attend annual work planning meetings.
- A Forward Plan is in place setting out what consultation will be undertaken in advance of decisions being made, and with whom.
- The Council holds an Equality and Diversity “excellent” accreditation and Equality Impact Assessments (EIA’s) are completed for Council decisions. A register of EIA’s is in place and kept up to date. Equality and diversity training is mandatory for all staff.
- Mandatory LGBT+ training provided to staff and Councillors.
- A communications strategy is in place with a new one being developed as part of the Corporate Strategy delivery plan.
- Customer feedback procedures are in place.
- Active engagement with employees takes place in several ways including through a bi-annual survey, regular employee briefings, the employee network, team meetings, 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 groups are operated as an additional measure which ensures engagement with a broad range of stakeholders on key Council decisions. An example of this is the Climate Summit.
- Meetings are live streamed and recordings are retained on the Council’s website.

Effectiveness and future developments

The Council uses a range of approaches to engage with communities including through associations, forums, leafletting, parish councils, drop in events, Facebook, Instagram, Twitter, the website, surveys, and face to face. The pandemic enabled use of the more innovative means of communication to be maximised and this approach has continued. 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 Insight Service which provides information and intelligence about Warwickshire and its people. The information provided was used to inform the Council’s vision for Rugby Town Centre and to inform the development of the Corporate Strategy. The information is also used by the Community Safety Partnership and by staff when completing Equality Impact Assessments, which helps to ensure that decisions are taken after due consideration of the potential impacts across the community.

Rugby Art Gallery and Museum consults with audiences and community groups to ensure services are responsive to local needs and reflective of the local community. Rugby Art Gallery and Museum has long term partnerships with the Benn Partnership Centre and Age UK to engage socially isolated adults and adults living with dementia in creative and stimulating experiences. Activities are constantly adapted following participant feedback. Rugby Art Gallery and Museum has also partnered up with Warwickshire Pride to deliver an exhibition linked to local experiences.

As part of their governance role, in 2021/22 the Equality and Diversity Steering Group reviewed the Equality, Diversity and Inclusion Policy Statement and Objectives, and amended them to ensure they were aligned with the Corporate Strategy.

In 2021/22 the Council conducted a climate survey which found that:

- 94% of respondents were concerned about the impacts of climate change and biodiversity loss,
- 47% of respondents felt they understood climate change either a little or not at all,
- 89% of respondents stated that climate change affected their everyday decisions, with the key areas being waste management, managing their homes, travel choices and shopping, and
- A lack of suitable information and viable sustainable options were seen as key barriers.

The Council used the results of this survey to inform development of its new Climate Change Strategy, which is expected to be approved in 2022. A 6 week public consultation on this is also planned.

Development work on the Council's digital platform continued in 2021/22. The Council successfully procured and rolled out a new Customer Contact Management System Placecube in May 2021. Throughout this transition service delivery and customer access has been maintained and continuously improved. The reception area reopened to the public in 2022 with re-designed digital signage complete with a multilingual dialogue display for self service via telephone. This has enabled the Council to remain inclusive to all its customers.

The Garden Waste process was also redesigned and launched on our Digital Place platform with over 15,000 subscriptions purchased since it went live in February 2022. The Council also continues to promote the Waste App as a source of information for customers whilst reducing the need for paper documents and printing.

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

Arrangements in place

- A Corporate Strategy is in place covering the period 2021-2024. This is given further context through the Corporate Strategy Delivery Plan, Town Centre Plan, and the Climate Strategy.
- The Medium Term Financial Plan is regularly reviewed and updated, with the latest iteration presented to Cabinet in February 2022.
- Cabinet and Committee reports set out the potential impacts of changes on stakeholders.
- Strategic and operational risk registers are in place.
- The Council has declared a climate emergency and has committed to address its impact on the climate.
- The Council consults widely on its proposals considering the economic, social, and environmental impacts of plans, policies, and decisions.
- There is a clear vision for Rugby Town Centre post pandemic, including an action plan and marketing plan.
- All planning and development decisions are considered openly and transparently in terms of their economic, social, and environmental benefits and impacts.
- The Council is now a Carbon Literate Organisation (Bronze Award) and will be rolling out carbon literacy to the organisation.

Effectiveness and future developments

The Council has been awarded grant funding by the Midlands Energy Hub to improve the energy efficiency of approximately 90 properties through air source heat pumps, insulation, solar PV and energy efficient electric heating. As part of the ECO3 programme, 95 properties have been targeted to benefit from cavity wall insulation and loft insulation. A stock modelling exercise is also being

completed across the whole of the social housing portfolio to identify measures that can be taken to improve energy efficiency and to plan for fully retrofitting properties as the borough continues its journey to net zero.

The Borough's first on-street publicly accessible, electric vehicle charging points have been installed, which will have the capacity to charge 12 electric vehicles. 24 electric vehicle points have also been added at the M6, Junction 1 Service Station.

A new Air Quality Action Plan is being developed in preparation for the new Environment Act. The aim of this is to reduce pollution to safe levels. An Air Quality Supplementary Planning Document was also formally adopted, and emissions from taxis are reducing following approval of a new policy before the pandemic started.

On Global Recycling Day, the Visitor Centre launched its Rugby Town themed reusable and biodegradable takeaway cup. Several town centre cafes have signed up to a scheme offering discounts to customers presenting the cup. The scheme promotes sustainability and an environmentally friendly ethos, as well as supporting local businesses. The Council has also partnered with a new recycling company which provides a free service guaranteeing zero landfill, re-uses equipment for good causes, and has a mission to plant over 2000 trees.

The Council hosted the first ever Rugby Climate Summit with voluntary and community organisations, residents and businesses. It built and launched the Rugby Net Zero website, to host information for residents on tackling climate change, and has begun upskilling its workforce to deal with the climate emergency, for example through carbon literacy training. The Climate Emergency Working Group has also overseen development of a comprehensive Climate Strategy, ready for public consultation.

There were numerous successful outcomes for the Parks and Grounds services during 2021/22 including:

- Being a finalist for the Horticultural Team of the Year at the National APSE Awards.
- Retaining Gold at the Heart of England in Bloom Awards.
- Retaining Green Flag Awards at Caldecott Park, Centenary Park and Millenium Green Play Area.
- Completion of a major refurbishment at Whinfield Play Area and Multi Use Games Area.
- Laying of two new hedges in the traditional Midlands style, one in Brownsover and one in Cawston.
- Installation of solar bat hat lights at Whinfield and Whinfield Wood, Caldecott Park, Rokeby and Centenary Park. This was to aid usage of these areas during the autumn and winter months, to improve the opportunities for green travel across open spaces. The solar lights were installed in response to a resident survey about how to make open spaces feel safer after dusk.
- Planting of a family of Sakura Cherry Trees from the Japanese Embassy in Whitehall Recreation Ground.
- Completion of over 2,100 hours of practical conservation volunteer work by the Ashlawn Working Party, Rugby Wildlife Group and Warwickshire Wildlife Trust. This work included completion of hedge laying and footpath restoration.
- Enhancements to the Borough's Park Connector Network. There was major development of Route 'East A', with Whinfield Wood, Whinfield Park and footpaths being upgraded. Tarmac paths replaced poor condition pathways utilising partnership community funds.
- Refurbishment of the Rokeby and Whinfield play areas, with new play equipment, relocated and new pathways, and extensive hedgerow planting.
- Approval of a new Pollinator Strategy for the management of Council land. The strategy ensures green spaces will be managed and used creatively to benefit biodiversity, health and wellbeing whilst ensuring a mosaic of habitats and environments are provided. Projects include wildflower meadows, urban meadows and supporting volunteer bee keeping at key locations.

A new Housing Strategy was approved in March 2022. Significant outcomes are being delivered for the borough in line with the Council's strategic priorities for homes and the community, including:

- The development of 360 dwellings at the Market Quarter is nearing completion.
- In supporting sustainable communities, the Council continues to work on the delivery of Houlton, which opened an award winning new Secondary School in September 2021.
- The Council continues to work with Homes England and the Consortium at South West Rugby to bring the mixed used development forward. Partners have launched the Homestead view website, to keep communities affected by the South West Rugby Sustainable Urban Extension informed and engaged.
- The Council continues to support Neighbourhoods to plan for their own future. Ryton on Dunsmore recently had their plan adopted and two further ones for Brinklow and Wolvey are being actively progressed having reached the examination and consultation stages.
- Due to the work of Rough Sleeper Solution Officers, rough sleeping in the town continues to be very low. The Autumn snapshot counted 3 rough sleepers, one of whom was travelling through Rugby.
- The Preventing Homelessness Improving Lives project has prevented 137 Rugby borough households from becoming homeless during the last year.
- The backlog of housing waiting list applications, caused by a surge during the pandemic, has now been substantially reduced along with benefit processing times. New cases are triaged daily to identify those requiring a more urgent response.
- The housing services team successfully implemented new rent arrears monitoring software, Rentsense, enabling the Council to focus efforts on supporting those tenants more susceptible to struggling to maintain their rent payments. The Council has achieved a 95% rent collection rate for 2021/22.
- The Lifeline Service was re-accredited by the Telecare Services Association in late 2021, with inspectors praising the dedication of staff in service delivery.
- As an alternative to the winter night shelter, the Council worked with partners to secure housing support and accommodation for 6 clients. Of these, 2 have gained full time employment, 2 have moved into the private rented sector, and 1 is being supported into employment/ training.
- All tenants of Rounds Gardens were successfully decanted in advance of the target date of March 31 2022, in readiness for demolition.
- Bell House, a formerly derelict site, has been transformed into 18 new build apartments for social rent, with the help of Homes England funding.
- The Council is continuing to increase its stock of homes, with 6 new homes being acquired, and an additional 21 properties being at different stages of the purchase process.
- The Council worked closely with Midland Heart to implement a newly agreed local lettings plan for 103 social rented homes in Houlton.
- Investment in Council housing stock has continued and there are plans to continue this in 2022/23 by replacing bathrooms in 145 properties and kitchens in 190 properties.
- The Council has been awarded a grant of £2million towards the Biart Place development from the Coventry and Warwickshire Local Enterprise Partnership.
- A new joint venture commercial development company has been established, with an initial pipeline of 60 new homes has been incorporated with the Council as a main shareholder alongside an experienced joint shareholder the Norse Group.

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

Arrangements in place

- The Council manages performance through published local and management performance indicators; this enables intervention to be targeted where it is needed.
- The Corporate Strategy Delivery Plan and service plans are designed to ensure that the Council targets the actions necessary to deliver the Corporate Strategy.
- Strategic risk registers are in place for each strand of the corporate strategy, detailing the controls in place and the interventions planned to ensure delivery of objectives.

- There are eight distinct service areas each with a Chief Officer, and dedicated member portfolio holders aligned with these service areas.
- Committee and Cabinet reports set out the risks and options associated with decisions.
- Quarterly finance and performance reports, and exception reports, are submitted to and reviewed by Cabinet.
- An annual budget report, and rent setting report, are submitted and there is an established budget setting and monitoring process, which the Council looks to improve year on year, with greater focus on ownership and accountability.
- The Medium-Term Financial Plan is regularly reviewed and updated, with the latest iteration endorsed by Cabinet in February 2021. The Medium-Term Financial Strategy will be updated in 2022/23.
- Approved Asset Management Strategy in place.
- The Council consults widely on its proposals considering the economic, social, and environmental impacts of plans, policies, and decisions.
- There is a Forward Plan of key decisions and scrutiny committee arrangements in place.
- A customer feedback procedure is in place.
- Key corporate projects, for example transformation, the housing management system, and the corporate asset management system, have governance boards in place to provide oversight and ensure effective delivery.
- The Climate Strategy is supported by an action plan, setting out the goals to be reached by 2030 and the actions to achieve them.
- New financial regulations and instructions in place, approved and issued in 2021/22.
- Bi-annual reports on treasury management activities are submitted to the Audit and Ethics Committee.

Effectiveness and future developments

Following the removal of all pandemic restrictions the Council has implemented hybrid working, with office-based staff spending at least 40% of their time in the office whilst working remotely for the rest of the time. This enables staff to collaborate face to face, whilst supporting work life balance. A new phone system is now being implemented to support remote working on an ongoing basis.

The Council is also continuing to develop its digital platform for customer interaction, and during the pandemic has encouraged the use of this more efficient and effective platform rather than face to face visits to the Town Hall. The Council has pledged to improve the quality of its digital services and technology and is reshaping its capability to deliver that change. Digital Strategy forms a road map of digital change and culture throughout the Council. By using the digital-by-default model, the Council will demonstrate how digital innovation, data and technology will help its services thrive. The strategy sets a clear vision and direction for how digital design, data and technology will support the Council's ambitions as a council to work differently, deliver the new Corporate Strategy, and make lasting changes to how the Council meets more of its community's needs, quicker and more conveniently and making sure that it does so inclusively, leaving nobody behind in the process. As part of this strategy, Council meetings are now paperless, which has resulted in a 56% reduction in the use and expenditure on paper across the Council. The implementation of phase one of the digital experience platform has resulted in a new Customer Case Management Module, enabling Rugby Borough Council staff and customers to log and track issues via one portal. Phase two work is now underway to migrate website services to this platform and to expand the number of services available to both staff and customers.

The Council recognises that to deliver its priorities with less money, it has to transform the way it works and delivers its services by increasing income through commercialisation and reducing the costs of running services, for example via digitalisation. A Transformation Unit has been established to achieve this, and the Case for Change (The Rugby Blueprint) was articulated and communicated to staff. A detailed analysis of the Council's activities has been carried out in comparison with the corporate strategy objectives and peer authorities. This helped to identify potential transformation projects, the first three of which were approved by the new Programme Board in May 2022. The programme includes development and implementation of a new performance management framework

and improvements to the organisation's culture, through the Rugby Blueprint. New Commercial pillars are also being developed for implementation in 2022/23.

There are several other areas where the Council intervened successfully during the year, including:

- Successful delivery of a Covid secure set of Borough, County and Police and Crime Commissioner elections all on the same day, with staff coming together from across the organisation.
- In March 2022 the Council paid out £0.221m to 222 applicants for the Additional Restrictions Grant, to support businesses which were not in hospitality but were affected by the loss of revenue due to Covid restrictions in December 2021.
- During the year 25 grants totalling £0.916m were paid to businesses to support them in recovering from the pandemic. Working in partnership with the Growth Hub, this scheme protected 471 jobs and is expected to create 109 new jobs in the borough.
- Further Covid related grants totalling £6.996m were paid out to businesses in the borough during 2021/22, continuing support provided through the pandemic.
- The Council secured £0.193m of grant funding from the Welcome Back Fund. This was used to deliver and promote a free programme of Rugby Summertime and Wintertime events and activities with the aim of generating additional footfall to the town centre. Key highlights included a town centre beach which increased footfall by 15% and 18% on the two days, an outdoor cinema in Caldecott Park which saw 4,100 people enjoy 12 different films over 4 days, a synthetic skating rink and illuminations in Caldecott Park which provided over 4000 skating sessions to families, and a Lego Snowman Trail around the town centre which had over 5,000 participants linked to a Lego exhibition at Rugby Art Gallery and Museum.
- Consultation events were held in the Spring and Autumn on a new strategy to regenerate and revive the town centre. The initial ideas have received overwhelming support. Further consultation has also been undertaken with other key stakeholders which has all fed into the development of the strategy.
- In partnership with Warwickshire County Council, the Council assisted in the tracing of positive Covid cases where they had not given correct information or had not engaged with the Test and Trace process, to ensure that they were following isolation rules. Council staff carried out 200 visits to check on the welfare of the person and ensure they were following isolation requirements. This work helped to increase the percentage of those reached by test and trace, and protected the public by managing the isolation of positive cases.
- The Benn Hall supported the National Vaccination role out, assisting the NHS with 21 days of clinics over the Summer.
- Rugby Art Gallery and Museum obtained funding to provide 10 community group and 10 primary school classes free workshops and subsidised 479 creative workshop places for families.
- The Images of Rugby exhibition featured photographs and artworks of Rugby from the museum collection and had 9,200 of visitors, and Facebook posts reached over 43,000 people. In February 2022 Rugby Art Gallery and Museum opened Every Object Tells a Story Exhibition which tells the story of some of Rugby's hidden histories. It features contributions from local people, members of the local history group and Warwickshire Pride.
- The Council received £0.050m from the Arts Council to work with the Benn Partnership Community Centre and is currently building an exciting new social group who will be discovering and adding to the history of the town.
- 103 young people contributed to the Creative Youth exhibition at Rugby Art Gallery and Museum, many working with artists and peers to document their time during lockdown.
- The Council welcomed back the National Playday event at Whitehall Recreation Ground, which saw over 1,000 residents attend the free celebration of play.
- A social prescription project continues to run at the Benn Partnership Centre with referrals coming from Connect Well, ESOL and the local medical centre. The group engages with an art or a craft activity each week whilst allowing time for socialising and peer support. Over the last year participants have gained confidence outside the group, with one member getting a part-time job, another entering the Rugby Open and a third joining the Biennial dance

workshops. The group had been running online during lockdown, but was able to reopen on the June 10, 2021 since when 120 people have attended.

- The Council awarded a further £0.028m in grants to support community projects in 2021/22.
- Members undertook Hate Crime Awareness training to support them in their wider role around community cohesion and fostering good relations.
- The Council, in partnership with Warwickshire County Council and the Office of the Police and Crime Commissioner, was successful in receiving government funding for initiatives to improve the safety of women and girls. A working group has been set up to develop an action plan which will be led by community feedback.
- The Council is piloting a scheme called 'area action' in the Benn Ward where the community identify priorities for action by the Council and other partners to improve and maintain their communities. Partners include Warwickshire County Council and Warwickshire Police. Priority actions include houses in multiple occupation, parking, street cleaning, fly tipping and local crime.
- The Council has introduced a new planning pre-application advice service to allow residents and businesses to get planning advice prior to submitting a planning application. This new service will generate additional income using Planning Performance Agreements (PPAs) along with an advice service that now covers all types of development.
- The Local Land Charges team have commenced work on the digitisation of land charges information. Working with HM Land Registry this 18-month project will allow all land charges information to be available on a national database which will be available to residents and businesses to access the information independently.
- The Housing Revenue Account budget now includes a Housing Climate Change reserve of £1m, which will enable the Council to be reactive to new funding opportunities when they arise and to have a series of off the shelf energy efficiency and retrofit projects. A reserve of £1.5m was also established to enable the investments needed to deliver the transformation programme.
- The Council was granted £0.350m via the Local Digital Fund Round 5 to lead development on a new and flexible digital waste service that integrates front end resident user requests with back office delivery functions in an accessible "low code" way. The Council is the only authority within the region to have ever been granted this funding.
- The Benn Hall reopened to public events in 2021. National shows and famous names and faces including Sir Geoff Hurst, Showaddywaddy and The Fureys came to Rugby with sell out audiences. Over 11,000 people attended events as audiences returned under Covid secure measures. New shows included sold out Bingo Revolution evenings as the programme grows. Record ticket sales for the Adult Panto were achieved in partnership with local company Five Star Theatre, supporting the local economy and businesses. Rugby's only professional Pantomime which is written and produced by a Rugby based Theatre Company attracted over 2,200 customers over the Festive period.
- The On Track service worked with key partners including Orbit Housing, the Police Crime Commissioner and community organisations to deliver health and wellbeing interventions for the young people of the Borough.
- The CAST team administered the Test and Trace support payments for the lifetime of the scheme, which closed at the end of February 2022. During 2021/22 £0.374m was allocated to 748 residents.

PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Arrangements in place

- Each member of the leadership team undertakes professional development appropriate to their role.
- The respective roles of the Executive Director and Leader are clearly defined.
- The leadership team meets every week and Cabinet meets on a regular basis.
- Section 151 (Chief Finance and Performance) Officer, Monitoring Officer, and Senior Information Risk Owner (SIRO/ CIO – Chief Information Officer) are in post.

- The Constitution sets out roles and responsibilities and the Council's decision-making process. An approved scheme of delegation is in place, updated in December 2021.
- Contract Standing Orders and associated toolkits are in place and are designed to ensure procurement activity is cost effective and ethical.
- Registers of gifts, hospitality, and conflicts of interest in place, with an updated policy implemented in 2020/21.
- Protocol in place setting out the relationship between and roles of members and officers.
- Member training and development programme in place, 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.
- HR and Learning and Development Strategies, and Corporate Learning Group in place.
- System of regular team meetings and one to one meetings between managers and staff.
- Employee health and wellbeing is actively promoted, and confidential employee counselling support is always available. Staff are encouraged to complete wellbeing action plans and discuss them with their line manager.
- 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 and service Management Team in place, where managers work together to review what has gone well and where the Council can do better.
- The Council has a comprehensive suite of HR policies covering employee capability, disciplinary, recruitment and selection, disciplinary and grievance, and flexible working.
- An established Corporate Apprenticeship Scheme is in place.
- Where projects are required, teams are put in place based upon the skills and experience available.
- The Council develops the capacity of community and voluntary groups to become more self-sufficient.
- The Council participates in the Local Authority Challenge.
- Officers are encouraged to subscribe to their relevant professional bodies. This is paid for and supports Continuing Professional Development of the workforce.

Effectiveness and future developments

The Council has a Corporate Apprenticeship scheme and there have been 58 apprentices since the scheme started in 2011. The apprentices provide a range of valuable support to various Council services whilst undergoing a structured programme of self-development and qualifications. In 2021/22 5 out of the 8 the individuals recruited have already been successful in completing their apprenticeship, and now been recruited into roles within the wider Council.

Over 100 managers have completed the Council's "Way We Manage" corporate training programme. This is a significant investment in the workforce. The training includes governance issues such as financial management, performance management, health and safety and procurement procedures.

The HR Strategy is aligned with the corporate strategy and values and behaviours framework. There are six key principles set out within the strategy:

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

A consistent format is in place for one to one meetings between managers and staff. A standard agenda is in use which enables staff development needs to be identified and addressed throughout the year rather than at six monthly or yearly intervals. Furthermore, the training material is aligned to

corporate values. The content of the “Way We Manage” training programme is being reviewed to ensure it enables managers to have the right skills to drive excellence. The management training programme has also been extended to include a formal management qualification. The Council has also introduced a new programme – The Way We Work – for new employees to ensure they have all the information about the Council and the skills set to offer excellent services to customers.

The Council has implemented an employee forum and appointed mental health first aiders. These people have been trained in how to spot the signs and symptoms of mental ill health and provide help on a first aid basis. In the same way as learning physical first aid, Mental Health First Aiders know how to recognise those crucial warning signs of mental ill health and feel confident to guide someone to appropriate support. This initiative encourages people to talk more freely about mental health, reducing stigma and creating a more positive culture.

An updated member training programme has been developed for 2022/23 and a Councillor Learning and Development policy is being prepared for consideration by members in September 2022. The policy will also draw on the results of a review completed by the Corporate Assurance and Improvement team, which highlighted examples of good practice applied elsewhere. Some improvements have already been implemented, for example the provision of scrutiny, licensing, and planning committee training. Equalities and diversity training was also delivered virtually, and this was very well attended. **See Action 4.**

The structure of the leadership team was reviewed and updated with effect from 1 April 2021. This saw the establishment of 8 Chief Officer roles, who together with the Executive Director and Deputy Executive Director make up the new leadership team. Cabinet member portfolios have been aligned with new structure. The organisation has also been restructured to ensure services are focussed on delivery of the corporate strategy and transformation. Development sessions were held for the new Leadership Team, with an external facilitator, with a focus on roles, responsibilities and behaviours.

Communication and engagement with employees have been increased through the formation and redefinition of the management team, empowering the workforce to collaborate and take the lead on operational decision making.

Council staff received 109 Flu vaccinations and 169 Hepatitis B jabs, helping to ensure that employees and services were protected whilst the pandemic continued. Staff were encouraged to also report their Covid vaccination status.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

Arrangements in place

- The Council has a risk management strategy in place which was reviewed and updated in 2021/22. Strategic and operational risk registers are in place; the strategic risk register was redesigned in 2021/22 reflecting the new corporate strategy. The Leadership Team, Audit and Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health and Safety Committee, all oversee the risk management arrangements. The Health and Safety Committee comprises the entire Leadership Team and demonstrates that senior management is taking a lead in risk management.
- A regular risk assessment of the Council’s financial reserves and balances is conducted. Key risks are identified, and potential financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- A Medium-Term Financial Strategy is in place and will be updated in 2022/23. An updated Medium-Term Financial Plan was presented to Cabinet in February 2022.
- Financial information is published on a regular basis and established and embedded budget setting and monitoring procedures are in place.
- The Council has a ‘No PO, no pay’ policy in place.
- New financial regulations were approved, and the associated financial instructions were reviewed, updated, approved and cascaded during the year.
- Cabinet and Committee system in place including a scrutiny committee and an Audit and Ethics Committee with independent Chair and Vice Chairs.

- Training is provided to all members of the Audit and Ethics, Scrutiny, Planning and Licensing Committees to ensure that they are suitably skilled to carry out their role effectively.
- Counter fraud strategy, fraud response plan and confidential reporting code in place.
- The internal audit service provides an independent and objective annual report and opinion.
- Chief Officers have all completed an annual return declaring that the control environment for their area of responsibility has been followed throughout the year and that the governance arrangements set out in this document are correctly stated.
- Service planning and Key Performance Indicators (KPIs) are developed in line with the Corporate Strategy.
- A corporate system is used to monitor, manage, and report performance and conduct verification checks on the quality of data. Performance data is reported quarterly to Cabinet and is reviewed by the scrutiny committee.
- Data sharing protocols are in place where applicable.
- The Council has a track record of producing and publishing its accounts on time, and did so successfully during the pandemic. External audits are also completed on time.
- Shareholders Committee in place to oversee the activity of the Joint Venture trading company and the Caldecott Group.

Effectiveness and future developments

The annual report of the Corporate Assurance and Improvement Manager provides a Substantial level of assurance that the Council has an adequate and effective control environment in place. The Internal Audit Service uses Risk Based Internal Auditing (RBIA), which is recognised as best practice. The work of internal audit is aligned closely with the aims and risk profile of the Council and the service is responsive to emerging issues and risks.

As part of the transformation programme the Leadership Team is working to develop a new framework for managing the Council's performance, in line with the Corporate Strategy. Following the development of new service plans work is in progress to identify and agree the measures which will be implemented to demonstrate how well the Council is performing against the new Corporate Strategy. The Council is also reviewing its performance management digital solution and is recruiting an analyst to automate and improve the timeliness of data and develop visualisations and reports. Finally in this area, the Council has also recently signed up to CFO Insights, which will enable it to make better use of benchmarking data to assess its performance and drive service improvements
See Action 1.

A step change in the Council's governance has been implemented, with key decisions now being taken after formal consultation in relation to risk management, financial implications, legal implications, environmental implications, and equality and diversity implications. These matters were already considered by report authors; however, the control is now enhanced because a wider group of key officers now review each proposed decision prior to its submission for approval. This means the Council's decisions are now better informed, and that any significant risks can be documented and managed.

The Medium-Term Financial Strategy sets out the measures being taken by the Council to prepare as far as possible for the future. The Council has continued to implement policies to support its route to financial self-sufficiency. This includes ongoing work to understand the costs of running the various services and the benefits to customers, ensuring that services are run efficiently and effectively. Significant change will be required to enable the Council to be financially self sufficient. A Transformation strategic summary has been developed and a Programme Board established to oversee implementation of the work required, not just to ensure financial sustainability but to transform the way services are delivered for the benefit of residents.

Further improvements in the Council's health and safety governance and risk management arrangements have been implemented during 2021/22. A new health and safety digital 'SHE' system was implemented, enabling staff to report incidents and concerns. Management of health and safety risk, monitoring and analysis now takes place all on the same system. The Safety and Resilience Team has also introduced several initiatives to promote, streamline and simplify the management of health and safety at including a safety hub, which is a one stop shop for health, safety and wellbeing

information on Facebook. A digital e-learning Safety Videos platform system has also been implemented, featuring a suite of motivational training videos to help managers engage all staff.

The Council has updated its new supplier form during the year to ensure that the planned level of expenditure is included. This is an additional control line of defence to ensure any areas of new expenditure over £7,500 follows the contract standing orders policy. In a further improvement to financial control, budget monitoring reports are now automatically generated every month – speeding up the process and reducing manual intervention, leading to a reduced risk of sending information to wrong budget manager. The finance team also now uses “making tax digital”, which part automates the VAT return process.

The annual report of external audit for the 2020/21 financial year was reported to the Audit and Ethics Committee in May 2022. The report confirmed there were no significant weaknesses in the Council’s governance, or its arrangements for securing economy, efficiency and effectiveness. However, as noted elsewhere in this statement, the Council needs to take further steps to secure its financial sustainability, and this is highlighted in the report and action plan. **See Action 6.**

A self-assessment has been completed and arrangements for implementation of the CIPFA Financial Management code established. The results have been presented to the Audit and Ethics Committee along with an action plan, which will be implemented during 2022/23. **See Action 3.**

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Arrangements in place

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of the external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- All reports are subject to a robust internal review process to ensure they are presented in an understandable style.
- The performance information set out in the financial statements is prepared in consideration of the presentational approach adopted by other similar authorities.
- Performance data is reported quarterly to Cabinet and the Leadership Team, and is reviewed by the Scrutiny committee.
- In accordance with the Local Government Transparency Code there is an open data section on the Council’s website which includes details of senior officer salaries.
- Independent scrutiny training has been provided to members, the Democratic Services team and the Leadership Team.
- Implementation of external audit recommendations is monitored by the Chief Finance and Performance Officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance Manager and Transformation Lead and reported to the Audit and Ethics Committee.
- The Corporate Assurance Manager and Transformation Lead is provided with direct unfettered access to the Executive Director, Chair and Vice Chairs of the Audit and Ethics Committee.
- The Council submits itself to external peer reviews including by the Local Government Association and has welcomed an equalities and diversity peer review and challenge.
- Regulation of Investigatory Powers Act (RIPA) policy in place.
- Invitations to tender are published along with the contracts register.
- The Council prepares and publishes an annual report setting out its achievements over the last year; this is reviewed and discussed by the Scrutiny Committee.
- Senior officers are members of and attend professional peer working groups. This helps to ensure continuous improvement and enables the Council to implement best practice.

Effectiveness and future developments

The annual report of external audit for the 2020/21 financial year confirmed there were no significant weaknesses in the Council's governance, or its arrangements for securing economy, efficiency and effectiveness. The presentation of the Council's financial statements is designed to make them easy to read and for stakeholders to understand. The design of this annual governance statement is also intended to make it easy to read, and it has been prepared in line with good practice guidelines published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

In the opinion of the Corporate Assurance Manager and Transformation Lead the internal audit service continues to operate in general conformance with the Public Sector Internal Audit Standards. At the time of writing a survey has been circulated to all service managers asking for feedback on the internal audit service and suggested areas for improvement. The feedback will be evaluated and incorporated within an updated Quality Assurance and Improvement Plan for the service. Furthermore, the internal audit service will be subject to an independent External Quality Assessment during 2022/23, in line with the Public Sector Internal Audit Standards. The Audit and Ethics Committee will oversee the arrangements for the external review, will review the report, and oversee implementation of any action plan. **See Actions 7 and 8.**

The Democratic Services team has been working with Lead Officers across the Council to improve the quality of report writing so that decision making is of the highest quality. A report writing protocol has been developed and implemented. There is now a requirement to complete a checklist confirming that all the relevant internal consultees have reviewed each decision-making report. This means reports are being presented to members after formal consideration of risk management, financial, legal, equality and diversity, and environmental considerations. The Council is making better informed decisions as a result. The Forward Plan of decisions is also now being circulated to Lead Officers to ensure effective planning in advance. The Chief Officer – Legal and Governance is also developing a new Code of Corporate Governance (Internal Constitution) for the Council, which will complement the Constitution and help to improve Officers' understanding of delegated decision making. Once the new Code has been developed, training will be provided to Officers and Members. **See Action 2.**

The Council was independently audited in respect of its compliance with Homes England grant awards and found to be robust in its management and administration of the funding.

Finally, the Council has increased accessibility to public meetings by livestreaming all Committee and Council meetings, providing an improvement to engagement in the democratic process. Public meetings have returned to being face to face and are being held again in the Council Chamber.

6. Progress of delivery of last year's action plan

	Improvement Action	Assessment of Progress
1	Develop, approve and implement the new Councillor Learning and Development policy, including the revised training programme.	<p>IN PROGRESS</p> <p>A revised training programme for 2022/23 has been approved. The policy is expected to be submitted for approval in September 2022.</p> <p>See Action 4 in the updated action plan.</p>
2	Deliver the joint project between Rugby Art Gallery and Museum and Warwickshire Pride.	COMPLETED
3	Develop and implement the new framework for performance management.	<p>IN PROGRESS</p> <p>Restructure of the Finance and Performance service completed. Performance management responsibilities incorporated within the Finance Business Partner role. Service plans developed to support implementation of the new Corporate Strategy. Performance framework and system currently being reviewed, with external support. Data Analyst being recruited.</p> <p>See Action 1 in the updated action plan.</p>

	Improvement Action	Assessment of Progress
4	Develop and implement the new Code of Corporate Governance.	IN PROGRESS This is now entitled the Internal Constitution and is expected to be completed by August 2022. See Action 2 in the updated action plan.
5	Complete the review of corporate working groups, highlighting any areas of duplication or gaps in coverage.	COMPLETED
6	Obtain approval for, and implement, the new Financial Regulations and Instructions.	COMPLETED
7	Develop and implement the Council's arrangements for ensuring compliance with the new CIPFA Financial Management Code of Practice, including the self-assessment of compliance.	COMPLETED Self-assessment completed and arrangements for implementation established. Results and action plan presented to the Audit and Ethics Committee. See Action 3 in the updated action plan.

7. Updated action plan

	Action	Lead officer	Target completion date
1	Develop and implement the new framework for performance management.	Chief Officer – Finance and Performance	31/12/2022
2	Implement the new Internal Constitution.	Chief Officer – Legal and Governance	31/08/2022
3	Implement the CIPFA Financial Management Code action plan.	Chief Officer – Finance and Performance	31/03/2023
4	Approve and implement the new Councillor Learning and Development policy.	Chief Officer – Legal and Governance	30/09/2022
5	Complete the formal review and update of the Counter Fraud, Bribery and Corruption Strategy and the independent external review of the framework	Corporate Assurance Manager and Transformation Lead	31/03/2023
6	Implement the action plan arising from the external Auditor's Annual Report on the Council.	Chief Officer – Finance and Performance	31/03/2023
7	Commission and complete the External Quality Assessment of the Internal Audit service.	Chief Officer – Finance and Performance	31/03/2023
8	Deliver the updated Internal Audit Quality Assurance and Improvement plan.	Corporate Assurance Manager and Transformation Lead	31/05/2023

8. Summary, conclusion and certification

- 8.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness, and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 8.2 This statement has been considered by the Audit and Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. Several future developments have been highlighted and these are specifically addressed within the Action Plan.
- 8.3 This year's statement has been written as the country emerges from the COVID-19 pandemic and shows, despite the enormous challenges faced by the Council, the governance framework has been maintained and in a number of areas improved during the year. The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although several further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2022/23.
- 8.4 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operation.

Mannie Ketley - Executive Director

Date:

Councillor S Lowe - Leader of Rugby Borough Council

Date:

Glossary

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Appointed Auditors

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. Grant Thornton UK LLP is the Council's appointed Auditor.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

Business Rates

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

Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Requirement

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

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Code of Practice (the Code)

The Code of Practice on Local Authority Accounting determines how Local Authorities should interpret all issued Accounting Standards in the light of statutory legislation and guidance, to present fairly the accounts of a public body.

Collection Fund

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of council tax and Non-Domestic Rates (NDR) and its distribution to local Government bodies and the Government.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Accounts.

Creditors

Amounts owed by the Council for work done, goods received, or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Department for Levelling Up, Housing and Communities (DLUHC)

MHCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

The Council holds several reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses, and patent

International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Market Value

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

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make based on financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

Medium Term Financial Plan (MTFP)

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

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Domestic Rate (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e., assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, elected members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

Reserves are reported in two categories

Usable Reserves

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

Unusable Reserves

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

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value because of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Section 106 (Developer) Contributions

Planning obligations are legal contracts made under section 106 of the 1990 Town and Country Planning Act. They are generally entered into by agreement between councils and landowners.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

AGENDA MANAGEMENT SHEET

Report Title:	Treasury Management Mid-Year Report 2022/23
Name of Committee:	Audit and Ethics Committee
Date of Meeting:	1 December 2022
Report Director:	Chief Officer - Finance and Performance
Portfolio:	Finance, Performance, Legal and Governance
Ward Relevance:	N/A
Prior Consultation:	Cabinet
Contact Officer:	Dawn Lewis-Ward Lead Accountant 01788 533408; dawn.lewis-ward@rugby.gov.uk
Public or Private:	Public
Report Subject to Call-In:	Yes
Report En-Bloc:	No
Forward Plan:	No
Corporate Priorities:	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) Corporate Strategy 2021-2024 <input type="checkbox"/> This report does not specifically relate to any Council priorities but
Summary:	The report sets out the treasury management activities from 1 April to 30 September 2022.
Financial Implications:	None as a direct result of the report, however, the report ensures that the Council is aware of the current Treasury Management position.

Risk Management Implications:	There are no risk management implications arising from this report.
Environmental Implications:	There are no environmental implications arising from this report.
Legal Implications:	There are no legal implications arising from this report.
Equality and Diversity:	There are no equality and diversity implications arising from this report.
Options:	None as direct result of this report.
Recommendation:	<ol style="list-style-type: none">1) The report be noted; and2) The monitoring and the review of Treasury Management indicators be agreed.
Reasons for Recommendation:	To comply with the CIPFA Treasury Management Code of Practice and Prudential Code.

Audit and Ethics Committee - 1 December 2022

Treasury Management Mid-Year Report 2022/23

Public Report of the Chief Officer - Finance and Performance

Recommendation

- 1) The report be noted; and
- 2) The monitoring and review of the Treasury Management indicators be agreed.

1. Background

The Council is required to operate a balanced budget which broadly means that, year on year, cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return as per the Council's Treasury Management Strategy which was adopted on 1 April 2022.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2. Introduction

On 1 April 2022, in accordance with the *CIPFA Code of Practice for Treasury Management in the Public Sector*, Council approved the Treasury Management Strategy for 2022/23. The Code requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report and an annual report after the end of each financial year. The code requires local authorities to comply with three key principles:

KEY PRINCIPLE 1

*Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the **effective management and control of their treasury management activities.***

KEY PRINCIPLE 2

*Their policies and practices should make clear that **the effective management and control of risk** are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that **priority is given to security and portfolio liquidity** when investing treasury management funds.*

KEY PRINCIPLE 3

*They should acknowledge that the **pursuit of value for money** in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.*

This is a report on the Treasury Management activities for the first half of 2022/23 (the mid-year report).

In addition to its own resources (General Fund and Housing Revenue Account (HRA) balances, capital receipts, etc.) the Council also collects council tax on behalf of Warwickshire County Council, the Office of the Police and Crime Commissioner for Warwickshire, and Parish Councils. This means that at given points of time during the financial year, the Council has significant cash holdings which require management prior to scheduled payment dates to the preceptors. A summary of transactions, and the levels of investments and borrowings held, is contained within this report.

The Chief Financial Officer reports that during the first 6 months of the year there have been two breaches of the treasury management strategy. The first breach occurred on 8 April whereby there was in excess of £10.000m in the Lloyds bank account due to an unplanned amount of income being received too late in the working day for officers to negotiate the movement of excess funds. The second occurrence related to overseas investment limit being breached by £1.000m on 28 September. This issue was resolved subsequently on 14 October and improvements to monitoring systems have been made to ensure that possible breaches of this nature can be avoided.

To further enhance the strategic treasury management process and to provide key data to stakeholders, officers are currently in the process creating a dedicated treasury management dashboard which will review investments and borrowing, report on treasury management indicators and monitoring counterparty and investment limits as included in the Treasury Management Strategy. This is currently at the concept stage, but once fully developed officer will share with the Committee for reference purposes.

3. Economic Review April - September 2022 – provided by Link Asset Services (Corporate Treasury Advisors) September 2022

The British economy unexpectedly expanded 0.2% on quarter in the Q2 2022, better than initial estimates of a 0.1% contraction. Services rose 0.2%, revised from initial estimates of a 0.4% drop with the largest contributors coming from human health and social work. Meanwhile, production contracted 0.2% with manufacturing falling 1.1% and mining 1% while electricity and gas, went up 3.9%. The UK trade deficit narrowed to 7.8 billion in July from 11.4 billion in the previous month. It was the smallest trade shortfall since last December, as exports rose by 4.2% (goods sales advanced by 7.2% and exports of services were up 0.6%). Meanwhile, imports fell by 1.6% as goods purchases declined by 2.3% mostly from non-EU countries (-4.1%). Conversely, imports of services rose by 0.7%.

The Chancellor, at that time announced his “Growth Plan” in a Mini-Budget. The Growth Plan sets an ambitious target for annual economic growth of 2.5% and is supported by a range of cuts to both direct and indirect taxes, support for individuals and businesses to tackle increasing energy costs, and measures to encourage and reward investment. The proposed fiscal package and its unfunded nature, which seemed somewhat at odds to the Bank of England's focus on dampening inflation, caused a sharp market reaction in the immediate aftermath of the announcement. This saw Bank Rate expectations through the final two meetings of the year and 2023 ratchet higher, while gilt yields rose significantly.

UK employment went up by 40,000 in the three months to July, the smallest increase in five months, and less than a third of market forecasts of 128,000. Full time employees and self-employed workers increased while part time employees decreased. The unemployment rate in the UK fell to 3.6% in the three months to July, the lowest since 1974, from 3.8% in the previous period as the number of people who are no longer looking for work increased. Average weekly earnings including bonuses in the UK increased by 5.5% y/y in the three months to July, above an upwardly revised 5.2% in the three months to June. In addition, regular pay which excludes bonus payment went up 5.2% after 4.7% rise in the previous period. However, adjusted for inflation, total pay fell 2.6% while regular pay dropped 2.8% amid a squeeze in UK living standards.

UK inflation, as measured by the Consumer Price Index edged lower to 9.9% in August however increased in September to July levels of 10.1%.

The Bank of England's Monetary Policy Committee raised its key interest rate by 50bps to 2.25% during its September 2022 meeting, the 7th consecutive rate hike, and pushing borrowing costs to the highest since 2008.

There was a fall in retail sales by 1.6% m/m in August, the biggest decline so far this year and following a 0.4% rise in July. In August 2022, initial estimates show that the public sector spent more than it received in taxes and other income. This required it to borrow £11.8 billion, which was £5.8 billion more than the £6 billion forecast by the Office for Budget Responsibility (OBR).

4. Interest Rate Outlook

The Council has Link Asset Management as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The Public Works Loan Board (PWLB) rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1 November 2012.

The forecast on 27 September set out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices. This forecast has since been updated as at 8 November.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the Monetary Policy Committee (MPC) has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

The Bank Rate was raised to 2.25% at the Monetary Policy Committee's meeting in September and the rate was increased further to 3% at the November meeting. It is expected that rates will peak at 4.50% by Q2 2023.

Link's PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

5. Interim Treasury Management Report and Summary of Transactions

Where the Council has surplus funds, these funds are invested to achieve maximum return whilst keeping in mind the core principles of Security, Liquidity and Yield.

In reviewing and monitoring the impact of the Council's treasury management activities, rather than looking at the interest received on investments and the interest paid on borrowings in isolation it is important that the Net Cost of Borrowing against the Budget that has been set is monitored. Given the spread of interest rates for investments against those for borrowing, there are times when borrowing is deferred, and investments minimised, because of surplus cash held, which is used to meet day to day expenditure. Therefore, an underachievement in interest receivable against budget, whilst seeming to be adverse, may, because it also produces a

reduction in interest payable on borrowing, lead to a more favourable outcome for the Council.

The Council has a strategy of matching Investment maturity profiles with loan maturity profiles in order that there are sufficient funds available to repay the borrowing where it is in the best interests of the Council.

The table below shows a summary of the treasury management activity over the six-month period from 1 April to 30 September 2022.

	Principal Amount £000	Interest Rate %
Investments - as at 1 April 2022	92.789	1.24%
- matured in period	(32.940)	
- arranged in period	38.345	
- as at 30 Sept 2022	98.194	1.73%
Debt - as at 1 April 2022	90.600	2.03%
- matured/repaid in period	0	
- arranged in period	0	
- as at 30 Sept 2022	90.600	2.03%

Between October and March 2023, there will be £49.000m of current investments maturing and £7.300m of loans that are due for repayment. Over the next few months, officers will be reviewing the approach to take which may lead to using the maturing investments to repay the loans due and invest any surplus maturing investments in alignment with future maturing loans. The Council monitors its cashflow forecasts on a daily basis to facilitate this strategy.

Please see **Appendix A** and **Appendix B** for further details.

6. Debt Management Strategy

As previously advised the redevelopment of the Council's multistorey flat sites resulted in the increase of the HRA Capital Financing Requirement from 2020/21 onwards.

As a result of external factors since 2020 including the COVID-19 pandemic, the planned spend of the sums borrowed from PWLB has not taken place on the redevelopment. This has meant that the Council has had to invest some of the £66m advance PWLB Loan which has to help mitigate the cost of interest.

At 31 March 2021 the authority was 'overborrowed' which meant that the authority was incurring a 'cost of carry' (paying interest costs which cannot be wholly mitigated from temporary investment income) whilst it holds borrowing awaiting capital expenditure to be undertaken. However, since then, £75.400m of Loans have matured and been repaid. The table below shows the change in the position.

	March 2021 £m	March 2022 £m	September 2022 £m	Forecast March 2023 £m
Gross Debt	153.000	90.600	90.600	83.300
CFR	86.744	86.879	90.727	90.727
Over (Under borrow)	66.256	3.721	(0.127)	(0.427)

For future borrowing, the Council will look to match financing with asset life where appropriate and has the option to utilise the Public Works Loan Board (PWLB), other local authorities, financial institutions or 'internal borrowing', that is cash supporting the Council's reserves, balances and cash flow as a temporary measure.

In addition to borrowing from external sources the Council has the option of 'intrafund' borrowing – that is, loans between the General Fund and Housing Revenue Account (HRA). In consultation with its treasury management advisors the Council will continue to look at this facility over the term of the General Fund Medium Term Financial Plan and the HRA Business Plan to ensure opportunities are maximised.

7. Treasury Management Indicators

The Council measures its exposures to treasury management risks using the following indicators. Council is asked to note the following indicators as at 30 September 2022.

Security: Average credit rating

To measure the security of its portfolio, the Council compares the historic risk of default of its investments against a maximum target rate.

As an example, based on historic data, a AAA (least risk) rated investment has 0.04% chance of default within one year and a 0.17% chance of default within three years. A BBB+ (most risk) rated investment has a 0.13% chance of default within one year and a 0.63% chance of default within three years. There have been no default events associated with any counterparties the Council has utilised within its investment portfolio since 2009 at the time of the Icelandic banking collapse. All funds and accrued interest held at that time were subsequently reclaimed via the administration process.

Using the criteria above, the Council's overall portfolio at 30 September 2022 had a 0.017% risk of default, i.e., a very small, but not nil, probability.

	Limit	Actual	Met?
Historic risk of default	0.25% (max)	0.02%	✓

Maturity structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk – that all borrowing falls due for repayment at the same time. The repayment structure of fixed rate borrowing (loans of 12 months or longer) was:

	Upper Limit	Lower Limit	Actual	Met?
Under 12 months	50%	0%	8%	✓
12 months and within 24 months	50%	0%	0%	✓
24 months and within 5 years	60%	0%	2%	✓
Five years and within 10 years	60%	0%	0%	✓
10 years to 20 years	75%	0%	1%	✓
20 years to 30 years	75%	0%	1%	✓
30 years +	75%	0%	89%	x

The Council has breached the upper limit for borrowing with 30 years+ until maturity. This is due to the amount of borrowing that has matured in the last 12 months that has repaid to reduce the overborrowed position.

It is not envisaged that this indicator will improve in the short term, as it would not be prudent to take any long-term borrowing given the rise interest rates in recent times and the forecast that they will rise further. As part of future forecast and planning process, consideration will be given to the timing of any future borrowing and the term, to ensure a spread of maturities.

Principal sums invested for periods longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. It is used in conjunction with the liquidity indicator to ensure sufficient cash resources are available without penalty during the short to medium term. The total principal sums invested to final maturities beyond the year end were:

	2022/23 £m	2023/24 £m	2024/25 £m
Limit on principal invested beyond year end	£70	£70	£70
Actual principal invested beyond year end	£31	£25.50	£6
Within limit?	✓	✓	✓

8. Reserves

The Council holds earmarked reserves for a variety of purposes and in the period leading up to the use of the fund's officers will use the balances in the day to day treasury management functions. This will allow for the generation of investment returns but also will help to prevent the use of short term borrowing which will attract a cost at a time where interest rates are significantly higher than previous years.

At the 31 March the council had £61.982m in usable reserves available for use for Treasury Management purposes.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 1 December 2022

Subject Matter: Treasury Management Mid-Year Report 2022/23

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

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

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

APPENDIX A

Investments	Principal £000s	Average % Rate
Matured April to Sept 2022	32,440	1.1118%
Maturing 2022/23	49,000	1.2920%
Maturing 2023/24 and later	45,000	2.1619%
Grand Total	126,440	1.5216%
Total Investments Sept 2022	94,000	

**Excludes FV movement of DIF and Property Funds*

APPENDIX B

Loans	Principal £000s	Average % Rate
Matured April to Sept 2022	-	0.0000%
Maturing 2022/23	7,300	2.9507%
Maturing 2023/24 and later	83,300	1.9464%
Grand Total	90,600	2.0315%
Total Loans Sept 2022	90,600	

APPENDIX C

Approved countries for investments as of 30 September 2022

Based on lowest available rating

AAA	AA+	AA	AA-
Australia	Canada	Abu Dhabi (UAE)	Belgium
Denmark	Finland	France	Hong Kong
Germany	USA		Qatar
Luxembourg			UK
Netherlands			
Norway			
Singapore			
Sweden			
Switzerland			

NB. Those countries highlighted in **bold italics** are those which we currently hold investments.

AGENDA MANAGEMENT SHEET

Report Title: Internal Audit Progress Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 1 December 2022

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance

Contact Officer: Chris Green
Corporate Assurance Manager and Transformation Lead
01788 533451; chris.green@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

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

Summary: The report sets out progress towards delivery of the annual internal audit plan and provides an update on service performance.

Financial Implications: None

Risk Management/Health and Safety Implications:	Non delivery of an adequate internal audit plan would have an adverse impact on the level of assurance provided in the Annual Governance Statement.
Environmental Implications:	None
Legal Implications:	None
Equality and Diversity:	None
Options:	None
Recommendations:	<ol style="list-style-type: none"> 1) The internal audit progress update be noted. 2) The amendment to the internal audit plan be approved.
Reasons for Recommendations:	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 1 December 2022

Internal Audit Progress Update

Public Report of the Chief Officer - Finance and Performance

Recommendations

- 1) The internal audit progress update be noted.
- 2) The amendment to the internal audit plan be approved.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2022/23.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2022/23 was approved by the Audit and Ethics Committee on 29 March 2022. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2022/23 Audit Plan

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There is one proposed amendment to the internal audit plan and this is set out in the table below, including the rationale:

<u>Assignment Title</u>	<u>Proposed Amendment</u>	<u>Number of Days</u>	<u>Rationale</u>
Sundry Debtors	Defer to Q1 2023/24	-18	No specific concerns have been expressed regarding the management of this system and the last internal audit review provided significant assurance. The audit plan still contains sufficient financial system coverage and the proposal would only delay the audit by three months.
Housing – Voids Review	Add to the current year's plan as a consultancy review	+12	The Chief Officer for Communities and Homes has expressed concerns that the end-to-end time for processing properties which become vacant has significantly increased. This increases the risk of financial loss from reduced rental income and of not providing housing to those in need in a timely manner. In turn this could impede achievement of the Council's corporate strategy objectives.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 1 December 2022
Subject Matter: Internal Audit Progress Update
Originating Department: Finance and Performance

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

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink
Appx A	Internal Audit Progress Update December 2022

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

INTERNAL AUDIT PROGRESS UPDATE

DECEMBER 2022

RIGHT FOR RUGBY

Introduction

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1 Will the Internal Audit Plan be delivered?

The expected position by the date of the Committee meeting is as follows:

- 3 final reports have been issued;
- 1 draft reports has been issued;
- 11 assignments are in progress;
- 3 assignments are at the planning stage; and
- 11 assignments have not yet been started (6 of these assignments will be delivered by external contractors).

Internal audit work is now being delivered in a hybrid manner, with officers spending at least 40% of their time in the office and the rest of their time working remotely. This approach is enabling face to face meetings to take place where necessary for internal audit purposes, alongside online MS Teams meetings.

Resources Update

Delivery of the full internal audit plan on time is at risk. The Auditor (Development Role) has left the Council and recruitment is in progress to fill the vacant position; this has left a gap in resources. Unfortunately, whilst the role has been advertised twice and a total of three candidates have been interviewed, an appointment has not been possible. Contact is being made with an external contractor to confirm their capacity to deliver 2 more audit assignments. At the time of writing, resourcing options are being re-evaluated and a verbal update will be provided at the meeting.

Progress on individual assignments is shown at pages 6 to 11 of this report.

- 2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, a combined **69% of management actions have been implemented by the agreed implementation date, with a further 28% implemented late, giving an overall implementation rate of 97%**. A summary analysis of progress on implementation of audit recommendations is shown at pages 12 to 13. **At the time of reporting there are 5 agreed management actions for which implementation is overdue, none of which are regarded as High Risk and 1 of which is regarded as Medium risk.** The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at page 14. Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

Progress with the Trade Waste Action Plan

At the last meeting it was agreed that members would be provided with a brief update on progress towards delivery of the Trade Waste action plan at future meetings. Since the last meeting, proposals have been refined and finalised for the review and update of fees. A private report is being submitted to Council on December 14th. If approved, the proposals will enable the service to operate on a break even basis for 2023/24.

In addition to the revision of fees, work has also been undertaken to ensure number of bins in existence match the number actually being billed. This work has identified a very small discrepancy of 2 bins, across the entire base of 1,200 customers, and provides assurance that there are no significant instances of businesses receiving the service without being billed for it.

The project squad's current focus is on implementing digital contract signatures for 2023/24, preparing communications to implement the fee revisions, ensuring the costs of disposing schools' waste are being recovered, and route optimisation.

2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	82 days Slight improvement compared with 87 days in March 2022 and 85 days in July 2022.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	4.9 days An improvement compared with 6 days in March 2022 and 5.4 days in July 2022, and well below the 10 days considered to be the benchmark followed by peers.
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	69% - at the time of reporting there are 5 recommendations which are past their agreed implementation date, none of which are regarded as High risk and 1 as Medium risk. Refer to page 12 onwards for detail.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progressing the Annual Internal Audit Plan

KEY
Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Procurement & Contract Management	20						✓	Substantial	
Growth Hub Grants – Post Payment Assurance	15		✓						
NNDR	20	✓							

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Housing Rents	15	✓							
Counter Fraud									
Fraud Awareness	6	✓						Not applicable	
Corporate Credit Card Desktop Review	8	✓							Being delivered by external contractor
Right to Buy	11	✓							Being delivered by external contractor
ICT									
IT Financial Processes	20			✓					
System Resilience	9			✓					Being delivered by external contractor

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Corporate Risks									
CIPFA Financial Management Code Action Plan	10		✓						
Workforce Training	15						✓	Substantial	
Impact Assessments	9			✓					Being delivered by external contractor
Governance & Ethical Risks									
Counter Fraud Framework	7	✓							Being delivered by external contractor
Risk Management	9	✓							Being delivered by external contractor

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Ethical Governance	13	✓							Being delivered by external contractor
Internal Audit External Quality Assessment	10		✓						External contractor to be commissioned for this work
Operational Risks									
Follow up work	16			✓					
Data Protection and Records Management	15					✓			
Planning Enforcement	20	✓							
Licensing	18			✓					Being delivered by external contractor

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
S106 Agreements	15	✓							Being delivered by external contractor
Food Safety	18			✓					
Assets – Statutory Compliance	12	✓							
Housing – Voids Process	12			✓					
Additional Support									
Annual Governance Statement	12						✓	Substantial	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Control Environment - Advice	15			✓				Not applicable	
Corporate Investigation Work	30			✓				Not applicable	There are 3 ongoing investigations.

Summary: Implementation of Audit Recommendations

Audit	Not yet due	Overdue	Within time	Extended time	Out of time	Cancelled	Total Recs
Absence Management	1	0	4	3	0	0	8
Creditors	0	1	3	0	3	0	7
Freedom of Information	0	0	6	1	1	0	8
Local Government Transparency Code	0	0	6	9	3	0	18
Complaints, Compliments & Suggestions	0	0	4	1	3	0	8
IT Security	0	0	0	3	0	0	3
Cash & Bank	1	0	7	4	2	0	14
Customer Service Centre Demand Management	2	0	1	1	4	0	8
Housing Rent Arrears	0	1	1	0	6	2	10
Digitalisation	0	0	1	7	0	1	9
IT Business Continuity	0	0	0	5	0	0	5
Completeness of Income	0	0	7	0	2	0	9
HR Capability & Disciplinary	1	0	5	1	4	0	11
Local Government Transparency Code Follow Up	0	2	1	0	0	0	3
Expenses	0	0	1	0	2	0	3
Payroll	0	0	2	2	2	0	6
Covid Business Grants	0	0	0	1	1	2	4
Test and Trace Support Payments	1	0	1	0	1	1	4
Equal Pay & Single Status	3	0	2	2	1	0	8


Audit	Not Yet Due	Overdue	Within Time	Extended Time	Out of Time	Cancelled	Total Recs
Payment Card Industry Data Security Standards (PCI DSS)	4	0	5	0	0	0	9
Policies, Procedures and Strategies	0	0	1	0	0	0	1
Treasury Management	1	1	3	0	7	0	12
Fraud Risk Review	0	0	4	0	0	0	4
TOTALS	14	5	65	40	42	6	172

Notes:

Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.

Out of time: This is where the action was implemented later than the agreed timescale.

Details of Overdue Medium and High Risk Audit Recommendations

Audit	Title	Due Date	Latest Note	Risk Rating
Local Government Transparency Code Follow Up	Include all Purchase Orders in excess of £5k within the quarterly published Procurement Information.	30-Sep-2022	Not all purchase orders are raised in advance of goods being procured, but the no PO no Pay Policy is now having an impact. Work is taking place on potential solution which is easy to implement but acknowledging the data will be incomplete for a while. Revised timescale: End of February 2023.	 Medium Risk