



Statement of Accounts

Rugby Borough Council • 2016/2017

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NARRATIVE REPORT

Narrative Report of the Head of Corporate Resources and Chief Financial Officer Financial Year ended 31st March 2017

Introduction

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2016/17 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2016/17 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, council members and other interested parties.

The style and format of the Accounts, complies with Chartered Institute of Public Finance & Accountancy (CIPFA) standards and have been updated this year to be presented in a more user-friendly and accessible fashion. The Accounts this year have also been produced earlier than in previous years and the Council has successfully published the draft 2016/17 Accounts in-line with next year's 2017/18 reduced statutory deadlines.

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position at 31st March 2017 and is structured as below:

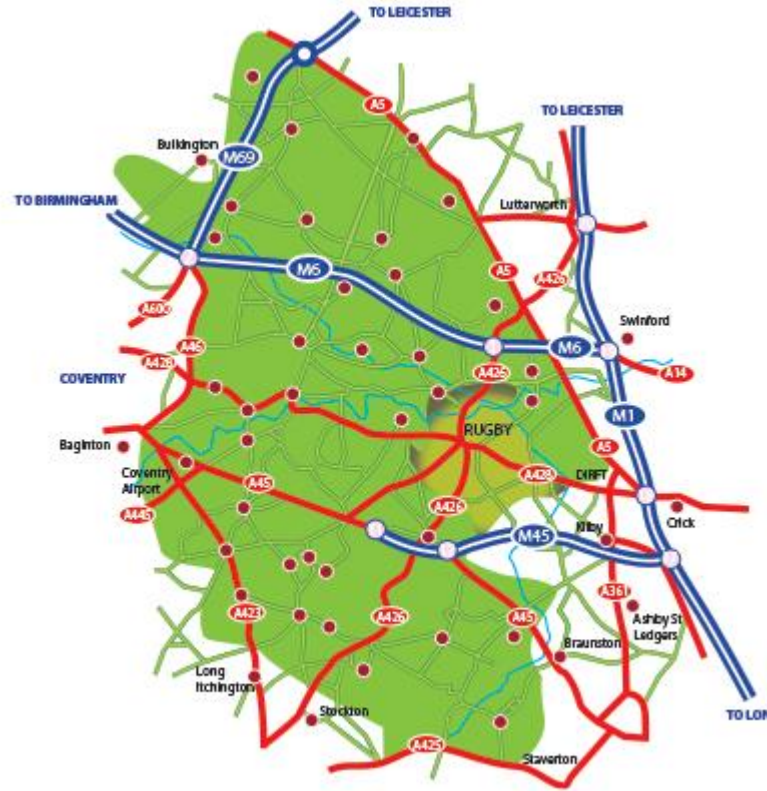
1. About Rugby
2. About Rugby Borough Council
3. Our Priorities
4. World Rugby Hall of Fame
5. How your Council is performing
6. Financial Overview of 2016/17
7. Financial Performance in 2016/17
8. Future Financial Outlook
9. Risks
10. Explanation of the Financial Statements
11. Further Information

Mannie Ketley
Head of Corporate Resources and Chief Financial Officer
31st May 2017



1. About Rugby

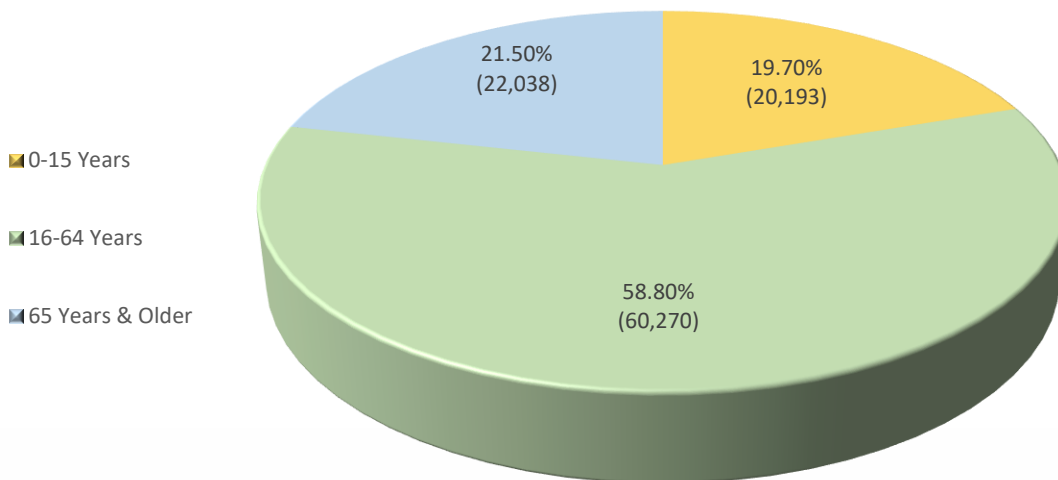
Lying near the centre of England and stretching from Coventry to the west and to the county borders of Northamptonshire and Leicestershire in the east, the borough of Rugby covers the town of Rugby and 40 rural parishes, with a total population of just over one hundred thousand and covering an area of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



Population

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

Composition of Rugby Population



2. About Rugby Borough Council

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

Political Structure in the 2016/17 Municipal Year

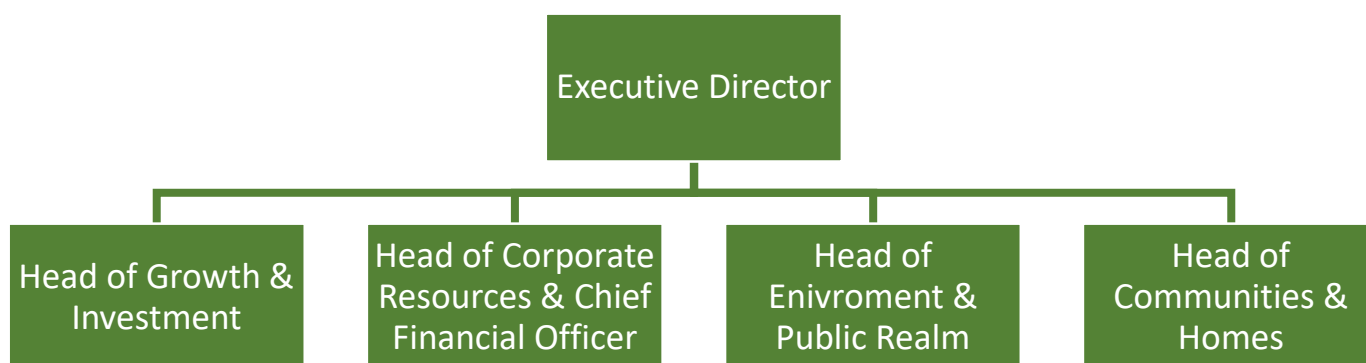
Rugby has 16 wards and the Council consists of 42 Councillors and following the local election on 5th May 2016 the political make-up of the Council was:

Conservative Group	21
Liberal Democrat Group	9
Labour Group	9
Independent Group	2
Independent	1

The result of the local election did not change the overall membership of the Council, with representatives from the Conservative, Liberal Democrat, Labour and the Independent Groups alongside an Independent Councillor holding seats.

Management Structure

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



Council Employees



At the start of April 2016 the Council employed 500 people. By March 2017 this had increased by 15 (3.0%) to 515. The Council has recently been developing its Corporate Values which recognises the value and importance of Council staff in every aspect of the Council's work, sets out processes and procedures for staff engagement and development.

3. Our Priorities

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

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

These are:

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

We have also created four new portfolios, each with their own priorities. These portfolios, allied with the "can do" approach of our workforce, will allow us to deliver services that will help us be proud of our past, and fit for the future.

More information on our Corporate Strategy can be found at:

<https://www.rugby.gov.uk/info/20082/performance-and-strategy/339/corporate-strategy-2017-2020>

However, the previous Corporate Strategy covered the period 2012-16 with a view to ending its useful life at the end of the 2016/17 financial year. Therefore, it is the previous Corporate Strategy 2012-16 that covers the period relevant to these Accounts. The Corporate Strategy 2012-16 set out the Council's priorities to achieve outcomes for people, for business, for the environment, and for how the Council operates. All this pointing to our overall objective: a borough that is **Clean, Green and Safe**. Our priorities for 2016/17 were to:

PEOPLE

- Support wider participation in decision making and help communities to deliver services.
- Facilitate the provision and upkeep of good quality housing to meet local needs and to cater for the growth of Rugby.
- Provide leisure facilities and support independent and healthy living.
- Work with partners to reduce crime and antisocial behaviour.
- Provide safe and attractive streets.

BUSINESS

- Actively encourage parish councils and community bodies in neighbourhood development planning.
- Establish an environment that will attract new businesses into the borough and enable existing businesses to flourish.
- Support training in new technologies and promote apprenticeship opportunities.
- Work with developers to provide new housing and infrastructure.
- Facilitate the expansion of Rugby town by identifying and removing barriers to growth.

ENVIRONMENT

- Promote the highest standards of sustainability.
- Actively progress energy-saving initiatives within the Council and by residents and businesses.
- Provide new burial and cremation facilities.
- Increase biodiversity across the borough.
- Promote and maintain high levels of waste recycling.
- Minimise the impact of litter and fly tipping.

COUNCIL

- Increase the availability of information that will help residents and businesses.
- Improve service delivery via customer-focused reviews and the development of our staff.
- Engage in partnerships to meet local needs, reduce costs and increase efficiency.
- Actively seek revenue-generating opportunities and apply charges in order to meet our costs.

4. World Rugby Hall of Fame

The undoubted highlight of 2016/17 for Council came in November 2016 when the inspiring, interactive, immersive World Rugby Hall of Fame opened in the existing Rugby Art Gallery & Museum.

The World Rugby Hall of Fame opened on 17 November, with an induction ceremony for some of the top talent of the sport including Jonny Wilkinson, Shane Williams and Heather Moyse. The new, state-of-the-art visitor attraction gives people the opportunity to experience rugby's greats and the moments that defined the sport in physical location for the first time.



The cost of the works to install the World Rugby Hall of Fame and reconfigure the entrance foyer and atrium was £1.2m (million), which has been underwritten by Rugby Borough Council.

In the first sixth months of opening, approximately 12,000 people visited the World Rugby Hall of Fame. The partnership with World Rugby, the sport's governing body, is enabling a number of marketing activities to take place at local, regional, national and international levels, promoting the town's unique selling point as the birthplace of the game to a greater extent than previously possible.

A new pricing strategy has been implemented and came into effect at the start of April 2017. This includes admission charges for adults, children, concessions and families. Group packages have also been developed, incorporating the wider rugby town centre offer, including Rugby School, the Webb Ellis Museum, Art Gallery and Museum and guided tours. These were launched at a number of travel and trade exhibitions in early 2017.



A series of events will take place during the year to increase footfall and raise awareness of the attraction, including an annual induction ceremony. It has recently been announced that the World Rugby Hall of Fame will be the future starting location for all future Men's, Women's and Sevens Rugby World Cup Trophy Tours. A number of free admission days will be promoted during the year, open to all visitors but also specially targeted at local residents.

An education programme is being delivered for Key stages 1, 2 & 3, including additional activities within the Rugby Art Gallery & Museum, whilst there is a plan to engage with local rugby clubs for the new season starting in August 2017.

5. How your Council is performing

Aside from the achievements associated with the Hall of Fame, the Council's other key performance information of note for 2016/17 include:

PEOPLE

Housing

The Council continues to invest in its Housing stock, including:

- In the second year of the three-year window and door replacement programme the Council has completed over 1,350 properties, investing £4.3m.
- 126 gas central heating installations were completed during the year costing £350,000.
- 123 new kitchens were installed during 2016/2017, costing £412,000.

The roll out of Universal Credit has contributed to an increase in the number of our tenants in arrears, due to the time it is taking for DWP to process the claims. There were approximately 400 tenants in receipt of universal credit at the end of March 2017 and the rent arrears exceeded total £330,000.

The Council leased its first Private Sector Leasing scheme property via a private landlord in June 2016. Since then 23 units of private sector accommodation have been secured, which will house local people in housing need. It is anticipated that as a result, the Bed & Breakfast spend will reduce in 2017/18 by over £125,000.

Rugby Borough Council led a partnership bid from the Warwickshire Together Homelessness Early Intervention Project to secure a £855,000 grant from the Department for Communities and Local Government's Homelessness Prevention Trailblazers fund.

Crime and Disorder

Through our on-going Crime and Disorder initiatives, the following was evidenced:

- Serious Violent crime was reduced by 7.5 per cent
- Domestic burglary was reduced by 9 per cent
- Personal Anti-Social Behaviour - every victim that we supported saw a reduction in their vulnerability

Overall the social and economic costs of those priority crime types were reduced by £1,686,700 having spent £57,000 in crime reduction initiatives. Representing a borough wide saving of £29.59 for every £1 spent.

Leisure and Independent and Healthy Living

The Council's commitment to providing leisure facilities and supporting healthy and independent living is demonstrated by:

- Averaging 36,000 contacts per quarter with children and young people aged 5-19
- Retention of 2000+ Swim School members accessing swimming lessons at The Queen's Diamond Jubilee Centre
- In partnership with Hill Street Youth Centre, securing 3 years' youth funding for On Track & Play Services totalling £90,000
- Securing additional £145,000 for Year 3 of Public Health Warwickshire funding for 'Change Makers' Family Lifestyle Programme across the County

In January 2017 work to improve a flood-prone stretch of the Great Central Way started, thanks to a grant from the Veolia Environmental Trust. Rugby Borough Council secured the £52,000 grant, awarded through the Landfill Communities Fund, to tackle flooding on the footpath and cycle way between the Clifton Road bridge and Hillmorton's Pytchley Road.

BUSINESS

Public Realm and Town Centre

A number of improvements were made to enhance the public realm of the town centre, including the following:

- The replacement and refurbishing of timber benches is ongoing and the programme is now working towards the periphery of the town centre
- Town centre car park lighting has been upgraded to energy efficient LED lamp heads
- Town centre car park pay & display machines have either been totally replaced or had new tops fitted on them



Growth and Investment

The Council's pro-growth agenda continued to facilitate investment and growth in Rugby, as evidenced by:

- Commencement of development at the Houlton site, a new community development on the site of the old Rugby Radio Station.
- Phase 2 Elliot Fields is situated immediately west of the recent Elliott's Field regeneration, totaling 150,000sqft retailing. Due to open October 2017.
- Rugby Borough Council was awarded the Best 'Small Business Friendly' campaign award as part of the Federation of Small Business' annual Local Authority Awards. The award was for the Council's work on generating wealth for the economy before, during and after the Rugby World Cup
- In 2016 the Council launched "The Rugby Town" promotional branding and website for the town centre, to assist with destination marketing. See www.therugbytown.co.uk.

Encourage parish councils and community bodies in neighbourhood development planning

Wolvey, Wolston, Ryton on Dunsmore and Brandon and Bretford Parish Council have all commenced the neighbourhood plan process and now all have Neighbourhood Area Designation status.

Apprenticeships

The Council introduced a Corporate Apprenticeship scheme in 2012, to date there have been twenty-four apprentices since the scheme started. Our apprentices provide a range of valuable support to a number of different services across the Council and have, at times, filled essential gaps that can appear at times when there is no contingency. This investment also places the Council in a strong position to meet the obligations arising from the national Apprenticeship Levy introduced in April 2017.

ENVIRONMENT

Parks and Open Spaces

2016/17 was also a successful year for the Council's parks and open spaces, with recognition for:

- Rugby gaining a Gold award in both the regional Heart of England in Bloom and the National Britain in Bloom campaigns.
- Gained a Green Flag award for both Caldecott Park and Centenary Park.
- In addition, Centenary Park has been recognised officially as the most improved park in the country, by the Fields in Trust
- Successfully gained funding via the Woodland Trust to plant over 28,000 trees on our parks and open spaces.
- Successfully worked with our communities to transform Millennium Green and Gladstone Green as part of the Government's Pocket Parks programme
- Successfully secured £182,000 from the Landfill tax scheme to improve our parks and open spaces
- Supported over 8,000hrs of volunteering on our green spaces.
- Supported the creation of the second National Hedgehog improvement area around Rugby



Minimise the impact of litter and fly tipping



A pile of rubbish was dumped in Caldecott Park on 21st March 2017 to mark the launch of a new campaign to crackdown on fly-tipping. The Council staged the fly-tipping stunt to promote the launch of #CrimeNotToCare, a nationwide campaign coordinated by Keep Britain Tidy. In 2016, the Council dealt with more than 1,400 fly-tipping incidents, leaving the taxpayer to foot a clean-up bill of nearly £57,000



COUNCIL

Increased Availability of Information

The Visitor Centre has made the shortlist of three for the Visitor Information Provider of the Year Award, which honours quality customer service and satisfaction at the country's leading tourist destinations. Based at Rugby Art Gallery and Museum - home of the World Rugby Hall of Fame - the Visitor Centre was judged on a range of criteria, including the quality of information on offer, the staff's knowledge and enthusiasm, use of social media, and the products sold in the centre's shop.

2016 also saw the launch of the Rugby Multilink project, offering free advice and support to the borough's Polish-speaking community. The project links established Polish-speaking residents with new residents in need of help and support through a Polish Facebook page and Polish language online form.

https://www.rugby.gov.uk/info/20053/community_development/334/rugby_multi-link

Partnership working

- During 2016/17 Rugby Borough Council became a non-constituent member of the West Midlands Combined Authority.
- Renewal of the Warwickshire Direct Partnership, resulting in service improvement and cost savings.
- Member of the Warwickshire Counter-Fraud Partnership, working with other authorities in Warwickshire to reduce the incidence and cost of fraud.
- The Council also continues to work in partnership with the community and voluntary sector to great effect across a wide and varied range of services.

Further details of the Council's partnership working can be found within Note 36 Related Party Transactions.

Improved Service Deliveries via Customer Focused Reviews

An end-to-end review of void HRA properties was completed, leading to a reduced void levels which now stand at 28 days for 2016-17, a significant reduction from 39 days in 2015-16. This reduction equates to an increased rental income for the Council of approximately £50,000 per annum.

6. Financial Overview

Local authorities have taken the biggest hit in terms of central government cuts since 2010. The Council has seen significant reductions in some of its core funding streams since 2010, for example our Revenue Support Grant has reduced from £3.2m in 2013/14 to £1.1m in 2016/17.

Even with these cash funding reductions, the Council was able to set a balanced budget for 2016/17. The 2016/17 balanced budget position was underpinned by the Council's strong track-record of delivering organisational transformation and efficiency savings, to meet the challenges of the national deficit reduction programme. Through sound financial management and an embedded culture of organisational efficiency, as demonstrated through our service reviews and systems thinking methodology, the Council has protected front-line services whilst also keeping council tax low for residents.

The Council has also benefited from additional income from retained business rates and New Homes Bonus (NHB). It has been well publicised that Rugby is one of the fastest growing towns in the country and the fastest in the West Midlands and this was reflected in the level of income the Council budgeted to receive from these schemes. The Medium Term Financial Plan (MTFP) forecast that the Council would retain an extra £329,000 of business rates in 2016/17 and a further £426,000 in 2017/18. In terms of NHB, the Council's "going for growth" agenda has led to further increase in income with an additional £782,000 budgeted in 2016/17.

Partially offsetting the strong business rates growth, was the need to significantly increase the provision for losses against appeals, relating to potential reductions in the rateable value of a number of key sites, including supermarkets, warehouses and distributions depots, in addition to losses from the national claim on GP surgeries. The Council's 40% share of this loss equates to around £1.4m which under regulatory provisions had to be budgeted for in 2016/17 as a collection fund deficit. This loss was met in the 2016/17 budget by a contribution from the Business Rates Equalisation reserve.

Throughout the budget setting process, the intention was to raise council tax by 1.99%, however following the Final Settlement announcement, Members made the decision to increase council tax by £5 on the average Band D. This was the first time that a council tax rate increase had been seen in Rugby since 2010.

However, despite the balanced budget position for 2016/17, the budget setting process concluded with the Council standing in a mixed and uncertain medium term financial position. This uncertainty centred around the future of local government finance system, most notably the reform of NHB and 100% Retained Business Rates. Due to the aforementioned uncertainty, the future years' projections produced in the 2016-20 Medium Term Financial Plan (MTFP) were identified as to be treated as indicative figures only, with potential shortfalls of approximately £1.9m in 2018/19 and £2.1m in 2019/20.

For the Housing Revenue Account (HRA) a number of policy and other changes emerged following the 2015 election. The most significant for the budget was the requirement reduce rents by 1% each year from 2016/17 until 2019/20.

The substantial loss of rental income under the new regulations meant the HRA would fall into an illegal deficit within 2 years. To mitigate this, a detailed review of balances was undertaken and recommended reducing HRA balances by £1.350m and a HRA savings target of £800,000 was also incorporated into the 2016/17 budget and the HRA medium term financial plan.

7. Financial Performance in 2016/17

General Fund

In 2016/17 the Council had total Portfolio expenditure of £15.167m against a revised budget, of £15.433m resulting in an underspend of £266,000. Net revenue expenditure budgets include service specific income, such as fees and charges and specific grants.

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

Portfolio	Revised Budget £'000	Actual £'000	Variance £'000
Growth & Investment	3,107	3,224	117
Corporate Resources	2,126	2,085	(41)
Environmental & Public Realm	7,467	7,083	(384)
Communities and Homes	1,083	1,066	(17)
Executive Director	1,650	1,638	(12)
Net Portfolio Expenditure	15,433	15,096	(337)
Corporate items	260	106	(154)
Total Net Revenue Expenditure	15,693	15,202	(491)

Some of the key variances included:

- £200,000 of budgeted sponsorship income for the Hall of Fame will be recognised in future years
- A £55,000 saving following the contract revision for Town Centre & CCTV Management.
- £40,000 of additional burial and licence income for the Cemeteries service.
- A reduction in budgeted costs for the Recycling Gate fee of £110,000, due to reduced unit costs charged by the contractor.
- Increased costs for the provision of temporary accommodation of £50,000 following an increase in demand locally. New Universal Credit procedures also means the level of income we have been able to recover is now reduced.

The sources of income from which the Council's net revenue expenditure was financed, together with the final expenditure position against the revised budget is set out in the table below.

	Revised Budget £'000	Actual £'000	Variance £'000
Revenue Support Grant	(1,098)	(1,098)	-
Retained Business Rates	(4,226)	(4,175)	51
Council Tax	(6,746)	(6,746)	-
New Homes Bonus Grant	(3,221)	(3,221)	-
Other Grants	(427)	(446)	(19)
Collection Fund Deficit	1,365	1,365	-
Other	(1,243)	(1,243)	-
Total Funding	(15,596)	(15,564)	32
NET POSITION	97	(362)	(459)

The table above shows that the final position was an underspend of £459,000 and after accounting for carry forward requests and other in-year budget adjustments the net position of £363,000 was added to General Fund balances.

General Fund Balances

After accounting for all in-year budget adjustments and reserve transfers, £363,000 will be added to General Fund revenue balances to leave a total in balances of £2.230m at the end of 2016/17.

Corporate Savings

Included within this year-end position is £488,000 of savings achieved against the Council's revised annual corporate savings target of £405,000, as a result of greater efficiencies realised throughout the year.

Key savings contributing to the achievement of this target include:

- A further £120,000 saving from Refuse and Recycling, in relation to savings achieved through reduced gate fee charges
- A restructure of the Council's Democratic Services function, which realised on-going annual savings of approximately £40,000 per year.
- Software savings from better procurement in the region of £20,000
- £12,000 saving from the re-negotiation of the Warwickshire Direct Partnership
- Salary savings from vacant posts exceeding £80,000

Budget Stability Reserve

£269,000 was taken from the reserve in 2016/17 to fund the Local Plan & CIL programme (£49,000) and also items included in the 2016/17 budget resolution (£210,000). This contribution was offset by a transfer to the reserve of £192,000 from the overachievement of Planning income, leaving the balance in the budget stability reserve will be £75,000 at year-end. There are no immediate plans in 2017/18 to use this reserve but the balance is to be set aside to mitigate future budget volatility.

Business Rates Equalisation Reserve

The opening balance on the reserve was £1.353m, however £914,000 was budgeted to be used in 2016/17 to meet the actual 2015/16 Collection Fund deficit. The closing balance on this reserve in 2016/17 is £439,000.

Other Reserves

In addition to the transfers set out above, a further £637,000 has been added to other General Fund earmarked reserves in 2016/17, giving a net transfer of £348,000 to be taken reserves.

At 31st March 2017 the Council had total earmarked General Fund reserves of £3.409m.

Note 13 details the movements in these earmarked reserves for 2016/17.

Capital Grants and Receipts

At 31st March 2017 the Council also held £7.9m of capital receipts and £0.7m capital grants that had not yet been applied for financing expenditure.



Collection Fund

Council Tax

The amount credited to the General Fund in 2016/17 for council tax income is fixed to the budgeted amount of Council Tax billed during the year, not the cash actual collected. Any difference between the actual amount collected and the forecast will feed through into a surplus or deficit on the Collection Fund, to be met from or credited to future year's budgets.

For 2016/17 the actual cash position for council tax was an overall surplus of £837,000 on council tax. This will be distributed between Rugby Borough Council, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares. The Council's share of the surplus is £99,000 and this will be credited to the General Fund budget in 2018/19.

Business Rates

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

The actual business rates income collected, does go through the Collection Fund and in 2016/17 we have achieved in year surplus of £209,000. This will be distributed between Rugby Borough Council, Warwickshire County Council and Central Government in the relevant shares. The Council's share of the surplus is £84,000 and this will be credited to the General Fund budget in 2018/19.

The Council has to make a levy payment to Government each year, which is equivalent to 50% of its share in the growth of local business rates. However, this levy payment is based on actual cash performance each year, bi-passing the Collection Fund, and is therefore a direct charge to the General Fund in-year.

As a result of improved performance and additional growth in business rates in 2016/17, as set out above, the Council will have to make a larger levy payment to Government than budgeted. A net levy of £1.8m has been charged to the General Fund and this has resulted in a shortfall of £50,000 compared to the original business rates budget in year.

In summary, as a result of this partial Collection Fund model for business rates, there is an adverse variance against budget even though the actual 2016/17 cash performance was positive. The benefit of this favourable performance will be credited to the 2018/19 budget.

Housing Revenue Account

The original budget approved in March 2016 recommended reducing HRA balances by £1.350m, maintaining a prudent overall balance, whilst mitigating the impact of the 1% rent reduction instigated by Government for the period 2016/17 to 2019/20. During the year further net budget changes of £65,000 were approved to be taken from balances. The following table shows how the actual surplus compared to the revised budget:

	Revised Budget £'000	Actual £'000	Variance £'000
Expenditure	18,280	17,060	(1,220)
Income	(18,325)	(18,217)	108
Net cost of HRA Services	(45)	(1,157)	(1,112)
Corporate items	110	1,204	1,094
Surplus (-) / Deficit for year	65	47	(18)

In overall terms £1.397m was taken HRA revenue balances to leave a total of £1.431m at 31st March 2017.

In accordance with the Council's accounting policy on Property, Plant and Equipment, a formal valuation of council dwellings was undertaken as at 1st April 2016. In addition to the formal valuation, revised guidance was issued by the Department for Communities and Local Government (DCLG) which included a revision to the regional adjustment factor for housing stock. The total resultant increase in the value of council dwellings (£39.540m) has been reflected in the balance sheet and included in the Comprehensive Income and Expenditure Statement. This accounting entry is reversed in the Movement in Reserves Statement resulting in no impact upon the Council's cash balances.

The HRA also held £16.693m in earmarked reserves at 31st March 2017, in addition to £2.463m in the Major Repairs Reserve.

Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £10.465m. The expenditure analysed by portfolio was:

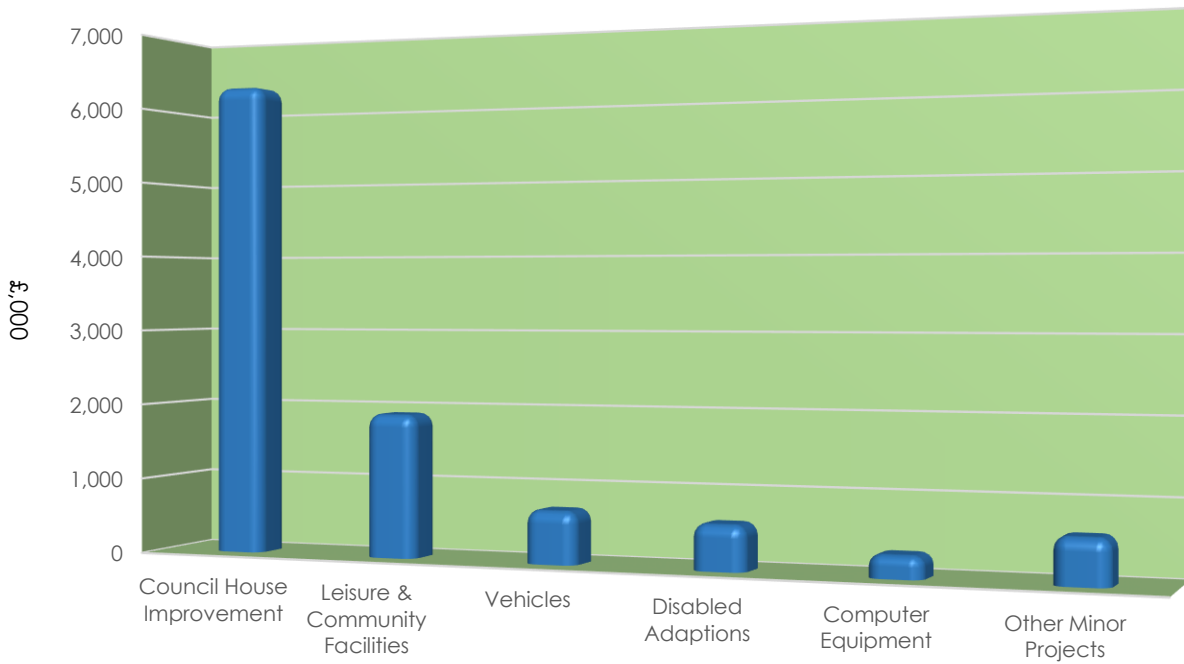
Portfolio	Revised Budget £'000	Actual £'000	Variance £'000
Corporate Resources	7,576	6,916	(660)
Growth & Investment	1,336	1,355	19
Environmental & Public Realm	1,744	1,299	(445)
Communities & Homes	1,436	895	(541)
	12,092	10,465	(1,627)

Some of the main reasons for the budget underspend of £1.6m were:

- Ongoing contract roll-out for CSW superfast broadband (£160,000)
- Energy Efficiency external cladding at Long Lawford (completed April 2017) (£294,000);
- Delayed implementation of Route Optimiser system (£127,000);
- Ongoing commitment of Carbon Management Plan - Phase 4 Solar Panel installation (£265,000)

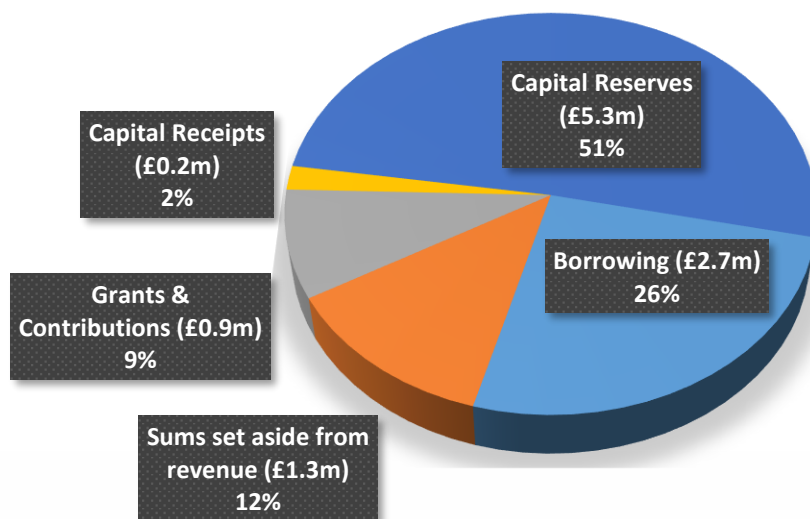
The graphs below show how the money was spent and how it was financed.

Capital Expenditure 2016/17



The capital expenditure was funded from a variety of sources including the following:

Capital Financing 2016/17



Pension Fund

The Accounts shows that the Pension Fund now has a deficit of £40.2m, this is an increase in the deficit of £6.8m since last year. The main reason for the decrease in the deficit was due to £5.1m of actuarial losses from changes in financial assumptions. Actuarial losses are recognised in Other Comprehensive Income and Expenditure; however, they have no impact on General Fund Balances in 2016/17. 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 over 19 years by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2016/17, earlier years, and for future years. The balance currently stands at £101.8m (both short and long term borrowing) as shown on the balance sheet. Future capital expenditure will be financed from borrowing, revenue contributions, sale of surplus fixed assets, capital grants and contributions, and relevant funds within earmarked reserves.

Investments in Iceland

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed. The Council had £3m deposited across these institutions. During 2013/14 the Council sold its remaining claim in Landsbanki via auction in conjunction with the majority of other local authorities affected by this matter. The Glitnir claims were paid in full in 2011/12, although a proportion of the disbursement remains held in Icelandic Krona until such time as currency controls are lifted. Details of the remaining funds held in escrow are included at Note 9.

8. Future Financial Outlook

The Council is committed to achieving financial self-sufficiency and recognises that whilst the Council has responded successfully to the challenge so far, the Council will have to continue to adapt and alter its operations over the medium term in order to meet its objective of becoming financially self-sufficient by 2020. With this objective in mind the Council has taken a pro-active approach and took early and decisive action to address the gaps in the MTFP that was presented to Cabinet in February 2016.

In May 2016 the Council completed its restructure of the senior management team, moving from two Executive Directors and six Heads of Service to one Executive Director and four Heads of Service, resulting in savings of approximately £200,000 per year for the General Fund.

Following a series of employee briefings over the spring and summer of 2016, where Senior Management set out the financial position to the wider workforce, staff were invited to express an interest in taking voluntary redundancy. Proposals from nine officers were accepted, at a cost of £205,000, but providing annual year-on-year savings of £222,000 and therefore paying back the initial costs within twelve months.

Senior Management also continued to apply recruitment restrictions to vacant posts and as a result identified a number of them for disestablishment, providing savings of £100,000 in the 2017/18 budgets.

Our Digitalisation transformation project is underway, which will harness improved use of IT for delivering services to our customers and improving efficiency. Examples of initiatives underway include the introduction of "route optimisation" software, for the waste service and the use of electronic forms for Benefit claims. Across the medium term it is expected that digitalisation will produce annual efficiency savings for the Council in the region of £250,000.

The Council is also continuing to explore opportunities for income generation and alternative service delivery models including commercial opportunities, social enterprises and trusts. Within the 2017-20 MTFP a prudent £200,000 is programmed in for achievement from such sources from 2019/20.

However, despite the savings realised from these transformation programmes, the Council still had to consider and implement a number of key policy changes in order to set a balanced budget for 2017/18 and reduce the budget deficits in the later years of the MTFP.

Firstly, on 7th February 2017 Council approved the introduction of a charge for garden waste collection service from the 1st April 2017/18. The budget forecast for 2017/18 was based on 10,000 subscriptions providing an income of £400,000 for the Council. However, by the end of May 2017 more than 19,500 residents had subscribed to the garden waste collection service, generating an income of more than £700,000. This outstanding take-up puts the Council in a stronger position to close the budget gaps in our MTFP.

At the same Council meeting the introduction of a charge for entry to the Hall of Fame was also approved. An annual income of £165,000 has been included in the budget from this charge. Finally, later in February, Council approved a £5 increase in the council tax for 2017/18 providing an additional £50,000 for the financial year.

Despite this positive progress in transforming the organisation and its finances, from a funding perspective the landscape for the local government sector remains challenging. Although some of the uncertainty surrounding the future of NHB has been resolved, crucially there continues to be substantial uncertainty surrounding the shape of the 100% retained business rates.



Fundamental changes to the NHB scheme were announced within the 2017/18 Local Government Finance Settlement. Including a reduction in the number of years that NHB is allocated for, reducing from 6 years to 4 years, and the introduction of a “deadweight” factor that means that NHB will not be received for approximately the first 150 homes that are delivered each year in Rugby. Consequently, Rugby stands to lose approximately £3.8m over the remaining three years of the settlement period, compared to the initial scheme design. Furthermore, when coupled with a similar reduction in Revenue Support Grant (RSG) and further reductions in other government grants, Rugby has seen a £1.2m cash reduction in grant funding in 2016/17, equivalent to a 7.5% reduction in the net revenue budget.

Prior to the announcement of the General Election, the Government had set out to implement 100% Business Rates scheme by 2020/21, however this timetable may now shift under a newly formed government. The move to 100% business rate retention will build on the current rate-retention system, introduced in 2013/14, where local government retains 50% of business rates. The Government is consulting on how the new system will work and the Council responded to a number of consultations, most recently in May 2017. The main risk the Council faces from the move to 100%, is a potential full reset of the system at the point of implementation, resulting in a redistribution of the growth generated since 2013/14 across authorities nationally. This approach could mean that Rugby Borough Council would not be able to retain the £2m growth generated since 2013/14. The loss of £2m in our base budget would be extremely challenging for the Council.

The Council has provided a strong response to the consultations so far and will continue to argue in further consultations that authorities that have taken a proactive approach to generate growth in their local economies should be sufficiently rewarded by the system.

In summary, the Council has taken a pro-active approach and made sound progress in addressing the budget gaps in its MTFP. This action has seen the deficits fall to £350,000 in 2018/19 and £500,000 in 2019/20. However, the reform to business rates poses a significant risk to the Council's finances in the medium terms and there is still work to be done to achieve our objective of becoming financially self-sufficient by 2020.

9. Risks

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

The Council monitors and manages its corporate risks through the Strategic Risk Register. The Strategic Risk Register is focussed to reflect the risks associated with delivery of the Corporate Strategy and the corporate priorities that it identifies. The Strategic Risk Management Group review the register on a quarterly basis, ensuring that it remains valid and up to date, as part of a broader review of Risk Management within Rugby Borough Council.

The Strategic Risk Register is subsequently endorsed by Cabinet on an annual basis, and is subject to scrutiny and review by the Audit & Ethics Committee. The current risk register will be issued for endorsement by Cabinet in June 2017.

The rolling programme of operational risk register reviews is continuing, and following approval of the Council's new Corporate Strategy a full formal review will be completed by September 2017. All managers and service heads are aware that operational risk registers are subject to ongoing review.

10. Financial Statements

The Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2017. It comprises 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 2016/17, 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 **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.

The **Comprehensive Income and Expenditure Statement** records all of the Council's income and expenditure for the year, in accordance with generally accepted accounting standards. The top half of the statement provides an analysis by service area, in-line with the Council's structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

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

A **Movement in Reserves Statement** is a summary of the changes to the Council's 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 the Council's assets, liabilities, cash balances and reserves at the year-end date.

The **Cash Flow Statement** shows the reason for changes in the Council's 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 provide more detail about the Council's accounting policies and individual transactions.

The **Housing Revenue Account** 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** sets out the governance structures of the Council and its key internal controls.

Main Changes to the Accounts

Following the completion of the 'Telling the Story' review by CIPFA on improving the presentation of local authority financial statements, the 2016/17 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis.

The new Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and HRA. Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires local authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

Therefore, local authorities are no longer required to report the cost of individual services in their Comprehensive Income and Expenditure Statement in accordance with the format specified in Section 3 of SeRCOP and its formal definition of Total Cost in Section.

The 2016/17 Code also introduces a new streamlined MiRS which:

- presents the Total Comprehensive Income and Expenditure from the Comprehensive Income and Expenditure Statement as one line - on the basis that the columnar analysis of the usable and unusable reserves automatically separates the movements between the Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure, and
- excludes the transfers between earmarked reserves and the columnar analysis of earmarked reserves as these are not a formal part of financial reporting and are not required by statutory prescription



11. Further Information

If you would like to receive further information about the Accounts please contact the Financial Services Team at Town Hall, Evreux Way, Rugby, CV21 2RR.



STATEMENT OF RESPONSIBILITIES

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

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

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

The Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

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

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice;

The Head of Corporate Resources and Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Head of Corporate Resources and Chief Financial Officer's certificate

I certify that this Statement of Accounts has been prepared in accordance with proper practices, and presents a true and fair view of the financial position of the Council at 31st March 2017 and its expenditure and income for the year then ended.

Mannie Ketley

Head of Corporate Resources and Chief Financial Officer

Date: 28th September 2017

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 Council.

Michael Stokes

Leader of the Council

Date: 28th September 2017

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.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£000	£000		£000	£000	£000
2,341	909	3,250	Growth and Investment	2,003	1,057	3,060
5,685	1,882	7,567	Environmental and Public Realm	5,714	1,640	7,354
603	950	1,553	Communities and Homes General Fund	410	443	853
(10,972)	(2,486)	(13,458)	Communities and Homes HRA	(10,375)	(40,782)	(51,157)
1,589	(46)	1,543	Corporate Resources	1,857	51	1,908
2,235	50	2,285	Executive Directors Office	1,626	32	1,658
952	-	952	Rugby World Cup	-	-	-
2,433	1,259	3,692	Net Cost of Services	1,235	(37,559)	(36,324)
(7,751)	(2,527)	(10,278)	Other Income and Expenditure	786	(11,024)	(10,238)
(5,318)	(1,268)	(6,586)	Surplus or Deficit	2,021	(48,583)	(46,562)
(20,466)			Opening General Fund and HRA Balance	(25,784)		
(5,318)			Plus / Less Surplus (-) or Deficit on General Fund and HRA Balance in Year	2,021		
(25,784)			Closing General Fund and HRA Balance at 31st March	(23,763)		

Comprehensive Income and Expenditure Statement

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

31 st March 2016 Restated				31 st March 2017		
Exp £000	Inc £000	Net £000		Exp £000	Inc £000	Net £000
5,381	(2,131)	3,250	Growth and Investment	5,332	(2,272)	3,060
16,487	(8,920)	7,567	Environmental and Public Realm	16,583	(9,229)	7,354
2,686	(1,133)	1,553	Communities and Homes – General Fund	2,578	(1,725)	853
5,138	(18,596)	(13,458)	Communities and Homes - HRA	6,601	(18,218)	(11,617)
0	0	0	Exceptional item – full stock revaluation & change to regional adjustment factor	0	(39,540)	(39,540)
26,019	(24,476)	1,543	Corporate Resources	22,816	(20,908)	1,908
2,466	(181)	2,285	Executive Directors Office	1,944	(286)	1,658
1,066	(114)	952	Rugby World Cup	-	-	-
59,243	(55,551)	3,692	Cost of services	55,854	(92,178)	(36,324)
		2,716	Other operating expenditure (Note 14)			3,197
		2,996	Financing and investment income and expenditure (Note 15)			2,746
		(15,990)	Taxation and non-specific grant income (Note 16)			(16,181)
		(6,586)	Surplus (-) / Deficit on provision of services			(46,562)
		(42)	Gains (-) / Losses on hedging instruments (Note 40)			(268)
		(18,180)	Surplus (-) / Deficit on revaluation of property, plant & equipment (Note 22)			(10,605)
		(155)	Downward valuation of financial instruments (Note 42)			(58)
		(11,772)	Re-measurements of the net defined benefit liability (Note 38)			5,091
		(30,149)	Other comprehensive income (-) and expenditure			(5,840)
		(36,735)	Total comprehensive income (-) and expenditure			(52,402)

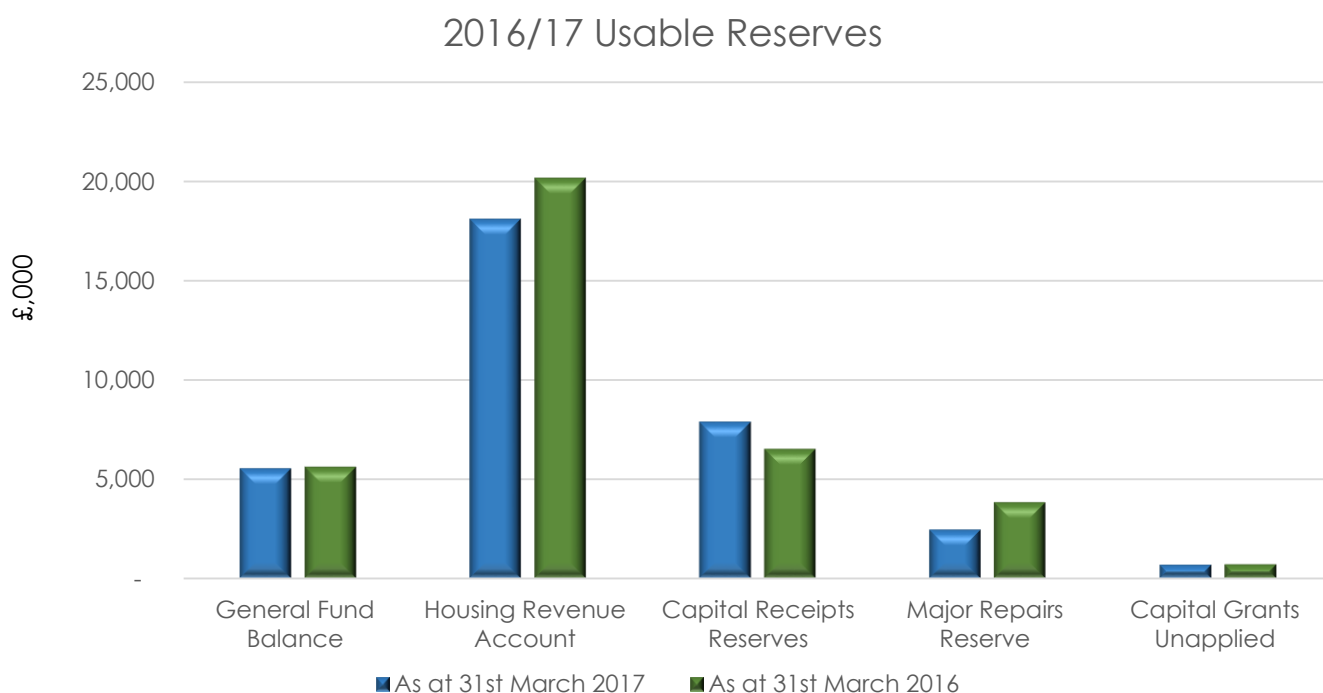
The 2015/16 gross income and expenditure figures within Cost of Services have been restated to reflect the change in the presentation of Comprehensive Income and Expenditure statement. Furthermore, amounts presented under Financing and Investment Income and Expenditure have also been restated to reflect a change in accounting policy for Trading Operations. There is no impact upon the Surplus or Deficit on Provision of Services and further details are provided within Note 6 Prior Period Adjustment, Changes in Accounting Policies and Estimates and Errors.

Movement in Reserves Statement

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

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

The graph below shows how the Council's usable reserves have changed during 2016/17.



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

General Fund Balance

The General Fund Balance at 31st March 2017 consists of £2.230m within the general balance and £3.409m within earmarked reserves, totalling £5.639m at year-end. In 2016/17 a total of £363,000 was added to general balances at year-end, however this includes a net transfer of £348,000 from earmarked reserves in 2016/17 to support General Fund services and mitigate budget volatility, resulting in an aggregated increase of £15,000 on total General Fund balances compared to 2015/16. Details of the £348,000 earmarked reserve transfers can be seen in Note 13.

HRA Reserves

The HRA Balance at 31st March 2017 consists of £1.431m within the revenue balance, £954,000 within the Housing Repairs Account, and balances held for capital investment of £15.687m. In 2016/17 a total of £2.037m was taken from balances at year-end. Within this figure, £1.397m was taken from the revenue balance to mitigate the impact of the 1% rent reduction; £323,000 was added to the Housing Repairs Account to ensure resilience for responsive and planned repairs in future years; and £1.014m was taken from capital investment balances. The latter provides resources to fund new build properties, strategic land acquisition, and suitable properties from the open market. Up to 30% of the cost of such acquisitions can be met from Right-to-Buy receipts (see Capital Receipts Reserve)

Capital Receipts Reserves

The Council sold 26 properties under the Right-to Buy scheme in 2016/17 generating net receipts (after pooling) of £1.6m which will be utilised to fund replacement properties (up to 30% of cost) in future years. The level of acquisitions is forecast to rise in future years to provide one-for-one replacement subject to market conditions.

Major Repairs Reserve

The Council is currently mid-way through a total door and window replacement programme of £12m for its housing stock. It is anticipated that the level of the reserve will fall from 2015/16 until 2017/18 when this programme of works is completed.

2016/17	General Fund (GF) Balance £000	Housing Revenue Account (HRA) £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 st March 2016	(5,624)	(20,160)	(6,539)	(3,839)	(709)	(36,871)	(72,533)	(109,404)
Movement in reserves during 2016/17								
Total Comprehensive Income & Expenditure	1,326	(47,888)	-	-	-	(46,562)	(5,840)	(52,402)
Adjustments between accounting basis & funding basis under regulations	(1,341)	49,924	(1,382)	1,376	20	48,597	(48,597)	-
(Increase) or Decrease in 2016/17	(15)	2,036	(1,382)	1,376	20	2,035	(54,437)	(52,402)
Balance at 31 st March 2017 carried forward	(5,639)	(18,124)	(7,921)	(2,463)	(689)	(34,836)	(126,970)	(161,806)

2015/16	General Fund (GF) Balance £000	Housing Revenue Account (HRA) £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 st March 2015	(5,365)	(15,101)	(5,299)	(5,109)	(574)	(31,448)	(41,221)	(72,669)
Movement in reserves during 2015/16								
Total Comprehensive Income & Expenditure	4,100	(10,686)	-	-	-	(6,586)	(30,149)	(36,735)
Adjustments between accounting basis & funding basis under regulations	(4,359)	5,627	(1,240)	1,270	(135)	1,163	(1,163)	-
(Increase) or Decrease in 2015/16	(259)	(5,059)	(1,240)	1,270	(135)	(5,423)	(31,312)	(36,735)
Balance at 31 st March 2016 carried forward	(5,624)	(20,160)	(6,539)	(3,839)	(709)	(36,871)	(72,533)	(109,404)

Balance Sheet

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

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (for example the Revaluation Reserve), where amounts only become available if assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 st March 2016 £000		Notes	31 st March 2017 £000
175,979	Property, Plant & Equipment	18	229,490
20,857	Heritage Assets	25	21,753
695	Investment Property	19	695
427	Intangible Assets		370
9,499	Long Term Investments	39	11,834
1,067	Long Term Advances	27	1,066
202	Long Term Debtors	28	208
208,726	Long Term Assets		265,416
15,619	Short term Investments	39	33,560
23	Assets Held for Sale less than 1 year	20	76
234	Inventories		171
5,024	Short Term Debtors	28	5,195
17,009	Cash and Cash Equivalents	30	12,386
37,909	Current Assets		51,388
(7,329)	Short Term Borrowings	39	(19,668)
(3,828)	Short Term Creditors	29	(9,462)
(436)	Short Term Provisions	43	(1,058)
(11,593)	Current Liabilities		(30,188)
(89,585)	Long Term Borrowing	39	(82,109)
(33,394)	Pension Liability Account	37	(40,174)
(1,487)	Capital / Revenue Grants Receipts in Advance	17	(1,521)
(1,172)	Long Term Provisions	43	(1,006)
(125,638)	Long Term Liabilities		(124,810)
109,404	Net Assets		161,806
(36,871)	Usable reserves	MIRS	(34,836)
(72,533)	Unusable reserves	MIRS	(126,970)
(109,404)	Total Reserves		(161,806)

Signed		Date	28/09/2017
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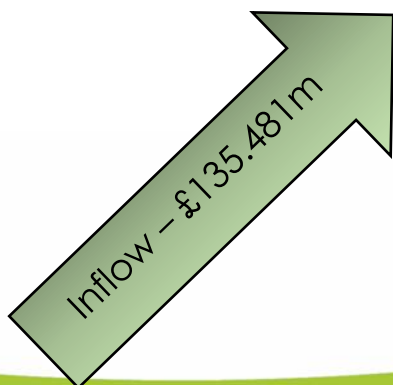
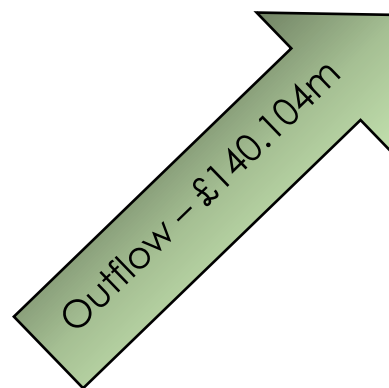
M Ketley, CPFA, Head of Corporate Resources and Chief Financial Officer

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.

2015/16 £'000		Notes	2016/17 £'000
(7,877)	Operating Activities	31	(13,940)
4,949	Investing Activities	32	26,825
492	Financing Activities	33	(8,262)
(2,436)	Net increase (-) or decrease in cash and cash equivalents		4,623
14,573	Cash and cash equivalents at the beginning of the period	30	17,009
17,009	Cash and cash equivalents at the end of the reporting period	30	12,386

Opening Cash and Cash Equivalents
£17.009m
Within the above figure includes:
Cash held by the Council
Money Market Funds



Closing Cash and Cash Equivalents
£12.386m
Within the above figure includes:
Cash held by the Council
Money Market Funds

NOTES TO THE ACCOUNTING STATEMENTS

Note 1. Basis for Preparation

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

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

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

General

The Statement of Accounts (the Accounts) summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

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

Accruals of Income and Expenditure

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

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

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

Fair Value Measurement

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

Intangible Assets

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

Joint Operations

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

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

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

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

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint Committee on its Balance Sheet and also debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note 36 Related Party Transactions.



Overheads and Support Services

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

Inventories and Long-term Contracts

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

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

Value Added Tax (VAT)

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The 2017/18 Code consultation includes two standards that will apply from 1st April 2018, i.e. in the 2018/19 Code: IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

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

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

There is a possibility that the changes introduced by the standard will have a timing and budgetary impact on local authorities, depending on the individual circumstances of each authority.

Early adoption will not be permitted and there is therefore no impact on the 2016/17 Accounts.

IFRS 15 Revenue from Contracts with Customers

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

Early adoption will not be permitted and there is therefore no impact on the 2016/17 Accounts.

Note 4. Critical Judgements in Applying Accounting Policies

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

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

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

The items in the Council's Balance Sheet at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision for Business Rate Appeals	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	Following a comprehensive assessment of the outstanding business rates appeals at 31 st March 2017, a total provision of £4.9m was made for potential future appeal refunds. Rugby Borough Council's 40% share of this provision is £1.9m. The effect of a change in the provision is as follows: 25% higher/lower: £494,250 50% higher/lower: £988,500
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. Warwickshire County Council utilise consulting actuaries to provide all Warwickshire authorities with expert advice about the assumptions to be applied.	The effect on the pension net liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pension liability of £13.079m. However, the assumptions interact in complex ways and actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term. A sensitivity analysis upon other variables affecting the net liability is set out in Note 37 Pension Costs.

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

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

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

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

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

Presentation of Comprehensive Income and Expenditure Statement

The Council has restated its 2015/16 Comprehensive Income and Expenditure Statement following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The net cost of services was previously presented based on SeRCOP classifications and is now disclosed in the local reporting format, by Portfolio.

Trading Operations

As part of the adoption of the changes to the presentation of the Comprehensive Income and Expenditure Statement for this year's Accounts, a detailed review of the content of each line was undertaken. In accordance with the Code's requirements gross income and expenditure from the Council's trading operations for 2016/17 have been included within the relevant line within Cost of Services.

However, previously the net surplus from the operation of the Council's trading operations has been presented within the Financing and Investment Income and Expenditure line. Therefore, the 2015/16 gross income and expenditure figures within Cost of Services and also the Financing and Investment Income and Expenditure line have been restated in the Comprehensive Income and Expenditure Statement to reflect this change in accounting policy.

Within the draft accounts, gross expenditure and income for the 2015/16 comparatives had been increased by £8.171m and £8.194m respectfully, resulting in a £23,000 decrease in Cost of Service compared to the figures published in the 2015/16 accounts. This was offset by a corresponding £23,000 adjustment to Financing and Investment Income and Expenditure and therefore there was no impact upon the Surplus or Deficit on Provision of Services, or any other of the Core Statements.

However, during the audit it was identified that the restated figures presented within the draft Comprehensive Income and Expenditure Statement for trading operations had been overstated due to an error relating to the presentation of internal recharges. Therefore, a secondary adjustment has been made to gross income and expenditure and the adjustment for trading operations has been revised downwards by £1.996m. This has resulted in updated adjustments of £6.175m gross expenditure and £6.198m gross income to the final 2015/16 comparatives for trading operations, compared to the published amounts within the 2015/16 accounts. This secondary adjustment has had no impact on net Cost of Services.

Furthermore, the content and presentation of Note 34 Trading Operations has been updated to reflect the requirements of the Code to disclose all material activities that are subject to commercial or trading risks. Previously, this note included the surplus generated from the Works Services Unit, but has now been revised to include income and expenditure from Trade Waste, the Crematorium, Car Parking and the Benn Hall. The 2015/16 surplus or deficits for these services have been included for comparative purposes.

Disclosure

The tables on the following pages show the comparative movement between SeRCOP and Portfolio formats and also incorporates the changes to the treatment of trading operations, as set out above.

Net Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2015/16	Adjustments between SERCOP classifications and Internal reporting classifications	As restated 2015/16	
SERCOP Service Line	£000's	£000's	£000's	Council Services
Central services to the public	1,373	(1,373)	-	
		865	865	Corporate Resources
		371	371	Executive Directors Office
		101	101	Environment and Public Realm
		(22)	(22)	Growth and Investment
		57	57	Communities and Homes
Cultural services & related services	4,434	(4,434)	-	
		1,717	1,717	Growth and Investment
		1,766	1,766	Environment and Public Realm
		952	952	Rugby World Cup
Environmental & regulatory services	5,613	(5,613)	-	
		5,347	5,347	Environment and Public Realm
		243	243	Growth and Investment
Highways and transport services	341	(341)	-	
		340	340	Environment and Public Realm
Local authorities housing (HRA)	(13,689)	13,689	-	
		(13,689)	(13,689)	Communities and Homes - HRA
Housing services	1,696	(1,696)	-	
		424	424	Corporate Resources
		1,260	1,260	Communities and Homes
		11	11	Environment and Public Realm
Planning services	1,548	(1,548)	-	
		1,311	1,311	Growth and Investment
		236	236	Communities and Homes
Corporate and democratic core	2,148	(2,148)	-	
		1,914	1,914	Executive Directors Office
		231	231	Communities and Homes - HRA
		3	3	Corporate Resources
Non distributed costs	251	-	251	Corporate Resources
Cost of Services	3,715	(23)	3,692	

- The adjustment to the Environmental and Regulatory Services line totals £23,000
- This represents the net adjustment made for trading operations.
- Adjustments made to all other lines net to nil

Gross Expenditure	As reported in the Comprehensive Income and Expenditure Statement 2015/16	Adjustments between SERCOP classifications and Internal reporting classifications	As restated 2015/16	
SERCOP Service Line	£000's	£000's	£000's	Council Services
Central services to the public	2,411	(2,411)	-	
		1,378	1,378	Corporate Resources
		545	545	Executive Directors Office
		101	101	Environment and Public Realm
		196	196	Growth and Investment
		191	191	Communities and Homes
Cultural services & related services	5,734	(5,734)	-	
		2,552	2,552	Growth and Investment
		2,116	2,116	Environment and Public Realm
		1,066	1,066	Rugby World Cup
Environmental & regulatory services*	7,318	(7,318)	-	
		13,250	13,250	Environment and Public Realm
		243	243	Growth and Investment
Highways and transport services	1,007	-	1,007	Environment and Public Realm
Local authorities housing (HRA)	4,907	-	4,907	Communities and Homes - HRA
Housing services	26,653	(26,653)	-	
		24,380	24,380	Corporate Resources
		2,259	2,259	Communities and Homes
		13	13	Environment and Public Realm
Planning services	2,626	(2,626)	-	
		2,389	2,389	Growth and Investment
		236	236	Communities and Homes
Corporate and democratic core	2,161	(2,161)	-	
		1,921	1,921	Executive Directors Office
		231	231	Communities and Homes - HRA
		9	9	Corporate Resources
Non distributed costs	251	-	251	Corporate Resources
Cost of Services	53,068	6,175	59,243	

- The adjustment to the Environmental and Regulatory Services line totals £6.175m and represents the gross income adjustment made for trading operations.
- Adjustments made to all other lines net to nil

Gross Income	As reported in the Comprehensive Income and Expenditure Statement 2015/16	Adjustments between SERCOP classifications and internal reporting classifications	As restated 2015/16	
SERCOP Service Line	£000's	£000's	£000's	Council Services
Central services to the public	(1,038)	1,038 (24,469) (174) (218) (133)	- (24,469) (174) (218) (133)	Corporate Resources Executive Directors Office Growth and Investment Communities and Homes
Cultural services & related services	(1,300)	1,300 (836) (350) (114)	- (836) (350) (114)	Growth and Investment Environment and Public Realm Rugby World Cup
Environmental & regulatory services*	(1,705)	1,705 (7,903)	- (7,903)	Environment and Public Realm
Highways and transport services	(666)	-	(666)	Environment and Public Realm
Local authorities housing (HRA)	(18,596)	-	(18,596)	Communities and Homes - HRA
Housing services	(24,957)	24,957 (999) (2)	- (999) (2)	Communities and Homes Environment and Public Realm
Planning services	(1,078)	-	(1,078)	Growth and Investment
Corporate and democratic core	(13)	13 (7) (7)	- (7) (7)	Executive Directors Office Corporate Resources
Cost of Services	(49,353)	(6,198)	(55,551)	

- The adjustment to the Environmental and Regulatory Services line totals £6.198m and represents the gross income adjustment made for trading operations.
- Adjustments made to all other lines net to nil

Note 7. Officers Remuneration

Benefits payable during employment

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

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

Post Holder		Salary, Fees & Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total	Notes
		£	£	£	£	£	
Executive Director (A)	2016/17	32,160	-	83,650	3,810	119,620	1
	2015/16	69,240	820	-	9,830	79,890	
Executive Director (B)	2016/17	88,440	690	-	13,270	102,400	
	2015/16	78,990	270	-	11,220	90,480	
Head of Communities & Homes	2016/17	63,320	-	-	9,500	72,820	
	2015/16	61,650	-	-	8,750	70,400	
Head of Corporate Resources	2016/17	64,120	190	-	9,480	73,790	
	2015/16	40,260	-	-	8,260	48,520	
Head of Environment & Public Realm	2016/17	63,320	2,050	-	9,500	74,870	
	2015/16	61,650	2,600	-	8,750	73,000	
Head of Growth & Investment	2016/17	63,320	-	-	9,500	72,820	
	2015/16	61,650	-	-	8,750	70,400	
Head of Business Transformation	2016/17	-	-	-	-	-	
	2015/16	61,650	80	32,490	8,750	102,970	2
Head of Housing & Property	2016/17	22,430	10	58,510	780	81,730	3
	2015/16	61,650	190	-	8,750	70,590	

As part of a Senior Management Restructure:

- 1) the Executive Director (A) left the Council on a voluntary redundancy agreement in August 2016. The cost of this redundancy was recognised in the 2015/16 accounts through a provision for the Senior Management Restructure.
- 2) The Head of Business Transformation took voluntary redundancy at the end of the financial year in 2015/16.
- 3) Head of Housing & Property was made redundant in April 2016. The cost of this redundancy was also recognised in the 2015/16 accounts through a provision for the Senior Management Restructure.

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

Remuneration Band	2015/16 Number of employees	2016/17 Number of employees
£50,000 - £59,999	2	2
£60,000 - £69,999	-	1
£70,000 - £79,999	-	1

The two officers presented in the bandings between £60,000 and £79,000 include payments for the compensation for the loss of office. These redundancy payments will result in long term savings for the Council.

Termination Benefits

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

Rugby Borough Council terminated the contracts of 25 employees in 2016/17, incurring liabilities of £571,020 (£66,300 in 2015/16). 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 below:

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	2	-	1	13	3	13	£35,470	£152,470
£20,001 - £40,000	-	-	-	8	-	8	-	£216,400
£40,001 - £60,000	-	1	1	1	1	2	£49,820	£99,510
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	1	-	1	-	£83,650
Total	2	1	2	23	4	24	£85,290	£552,030

Note 8. Members Allowances

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

2015/16 £		2016/17 £
342,440	Allowances	334,460
7,810	Employers' National Insurance	5,940
13,390	Expenses	12,420
363,640	Total	352,820

Note 9. Deposits in Icelandic Banks

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

Bank	Investment Start Date	Planned Maturity Date	Original Investment £'000	Outstanding Amount # £'000
Glitnir Bank	27/11/2006	27/11/2008	2,000	540
Landsbanki Islands HF	13/08/2007	13/07/2009	1,000	0

including amounts held in escrow

Glitnir

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

An element of the distribution (£446,000) was made in Icelandic Kroner (£540,000 as at 31st March 2017) which has been placed in an escrow account in Iceland. This element of the distribution has been retained in Iceland due to currency controls and as a result is subject to exchange rate risk over which the Council has no control.

Landsbanki

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

The Landsbanki administration process was completed in 2013/14.

Note 10. Note to the Expenditure and Funding Analysis

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

Adjustments between Funding and Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£000	£000	£000	£000
Growth and Investment	755	148	6	909
Environmental and Public Realm	1,448	443	(9)	1,882
Communities and Homes General Fund	774	179	(3)	950
Communities and Homes HRA	(2,706)	212	8	(2,486)
Corporate Resources	(87)	44	(3)	(46)
Executive Directors Office	3	54	(7)	50
Rugby World Cup	-	-	-	-
Net Cost of Services	187	1,080	(8)	1,259
Other income and expenditure from the Expenditure and Funding Analysis	(5,062)	1,384	1,151	(2,527)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,875)	2,464	1,143	(1,268)

1) Adjustments for Capital Purposes

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

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

2) Net Change for the Pensions Adjustments

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

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

3) Other Differences

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

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

Note 11. Expenditure and Income Analysed by Nature

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

	2015/16 £000	2016/17 £000
Expenditure		
Employee benefits expenses	17,557	17,290
Other service expenses	41,291	36,465
Depreciation, amortisation, impairment	(16)	(37,440)
Interest payments	3,631	3,512
Precepts and levies	696	715
Payments to Housing Capital Receipts Pool	662	497
Loss on the disposal of assets	1,374	1,983
Total expenditure	65,195	23,022
Income		
Fees, charges and other service income	(14,897)	(15,453)
HRA dwelling rents	(16,732)	(16,322)
Interest and investment income	(502)	(766)
Income from council tax, non-domestic rates	(9,289)	(10,641)
Government grants and contributions	(30,361)	(26,402)
Total income	(71,781)	(69,584)
Surplus or Deficit on the Provision of Services	(6,586)	(46,562)

The downwards movement in both the Other services expenses and Government grants and contributions lines is primarily due to a reduction in housing benefit payments and related subsidy income in 2016/17 compared to 2015/16. This reduction has occurred due to an increase in claimants being transferred from Housing Benefit to Universal Credit.

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resource that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial years. The balance however, is not available to be applied to funding HRA activities.

Housing Revenue Account

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2016/17	Usable Reserves				
	General Fund Balances	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£'000	£'000	£'000	£'000	£'000
Amounts involving the Capital Adjustment Account					
Depreciation and impairment of non-current assets	(2,165)	(2,703)	-	-	-
Revaluation losses on property plant and equipment	(457)	43,601	-	-	-
Movements in the fair value of investment properties	-	-	-	-	-
Amortisation of intangible assets	(136)	(69)	-	-	-
Capital grants and contributions applied	724	51	-	-	-
Revenue expenditure funded from capital under statute	(606)	-	-	-	-
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(9)	(4,121)	-	-	-
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	1,215	6,453	-	-	-
Capital expenditure charged against revenue balances	266	1,014	-	-	-
Adjustments involving the Capital Grants Unapplied Account					
Interest credited to Section 106's	2	-	-	-	(2)
Capital grants and contributions unapplied credited to the CIES	24	-	-	-	(24)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	46
Adjustments involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal/unattached receipts to the CIES	43	2,103	(2,146)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	267	-	-
Contribution from the Capital Receipts Reserve to finance payments to the government capital receipts pool	(497)	-	497	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-
Adjustments involving the Major Repairs Reserve (MRR)					
Interest credited to MRR	31	-	-	(31)	-
Reversal of Major Repairs Allowance credited to the HRA	-	3,893	-	(3,893)	-
Use of the MRR to finance new capital expenditure	-	-	-	5,301	-
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits	(3,500)	(582)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	2,109	284	-	-	-
Adjustments involving the Collection Fund Adjustments Account					
Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements	1,615	-	-	-	-
Adjustments involving Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-	-	-	-	-
Total Adjustments	(1,341)	49,924	(1,382)	1,376	20

2015/16	Usable Reserves				
	General Fund Balances	Revenue Account	Housing Receipts Reserve	Capital Receipts Reserve	Major Repairs Reserve
	£'000	£'000	£'000	£'000	£'000
Amounts involving the Capital Adjustment Account					
Depreciation and impairment of non-current assets	(2,180)	(1,966)	-	-	-
Revaluation losses on property plant and equipment	(252)	4,687	-	-	-
Movements in the fair value of investment properties	97	-	-	-	-
Amortisation of intangible assets	(133)	(24)	-	-	-
Capital grants and contributions applied	1,310	9	-	-	-
Revenue expenditure funded from capital under statute	(607)	-	-	-	-
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	(29)	(3,606)	-	-	-
Insertion of items not debited or credited to the CIES					
Statutory provision for the financing of capital investment	974	-	-	-	-
Capital expenditure charged against revenue balances	124	988	-	-	-
Adjustments involving the Capital Grants Unapplied Account					
Interest credited to Section 106's	2	-	-	-	(2)
Capital grants and contributions unapplied credited to the CIES	208	-	-	-	(208)
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	75
Adjustments involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/(loss) on disposal/unattached receipts to the CIES	36	2,241	(2,277)	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	383	-	-
Contribution from the Capital Receipts Reserve to finance payments to the government capital receipts pool	(662)	-	662	-	-
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	-	-	(8)	-	-
Adjustments involving the Major Repairs Reserve (MRR)					
Interest credited to MRR	47	-	-	(47)	-
Reversal of Major Repairs Allowance credited to the HRA	-	3,759	-	(3,759)	-
Use of the MRR to finance new capital expenditure	-	-	-	5,076	-
Adjustments involving the Pension Reserve					
Reversal of items relating to retirement benefits	(3,963)	(737)	-	-	-
Employers pension contributions and direct payments to pensioners payable in the year	1,951	284	-	-	-
Adjustments involving the Collection Fund Adjustments Account					
Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements	(1,297)	-	-	-	-
Adjustments involving Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15	(8)	-	-	-
Total Adjustments	(4,359)	5,627	(1,240)	1,270	(135)

Note 13. Transfers to / from (-) 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 2016/17.

	Balance at 1 st April 2015	Transfers Out 2015/16	Transfers in (-) 2015/16	Balance at 31 st March 2016	Transfers Out 2016/17	Transfers in (-) 2016/17	Balance at 31 st March 2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Equalisation Reserve	(319)	238	(1,272)	(1,353)	914	-	(439)
Budget Stability Reserve	(635)	636	(142)	(141)	259	(192)	(74)
Section 106 (Developer Contributions)	(1,552)	132	(88)	(1,508)	111	(36)	(1,433)
New Homes Bonus Reserve	(209)	139	-	(70)	70	-	-
Revenue Grants & Contributions from 3 rd Parties	(191)	59	(70)	(202)	46	(386)	(542)
Hall of Fame Reserve	-	-	-	-	-	(300)	(300)
Works Services Unit Operational Reserve	(35)	-	(72)	(107)	35	(55)	(127)
Other smaller reserves	(352)	59	(83)	(376)	83	(201)	(494)
Total GF Earmarked Reserves	(3,293)	1,263	(1,727)	(3,757)	1,518	(1,170)	(3,409)
Housing Repairs Account	(842)	3,329	(3,118)	(631)	3,007	(3,330)	(954)
Capital Investment Balances	(11,534)	988	(6,155)	(16,701)	1,014	-	(15,687)
Sheltered Accommodation	-	-	-	-	-	(52)	(52)
Total HRA Earmarked Reserves	(12,376)	4,317	(9,273)	(17,332)	4,021	(3,382)	(16,693)

Earmarked Reserves

Business Rates Equalisation Reserve

This reserve was established in 2013/14 in order to allow mitigation of fluctuations in the business rates base and resultant income. £914,000 has been taken from this reserve in 2016/17 to part-fund the cost of the budgeted collection fund deficit on business rates.

Budget Stability Reserve

This was also created in 2013/14 to allow short term contributions towards balancing the budget. There are various items within the Council's budget that are subject to significant degrees of volatility or variation from one year to another, often due to factors that are outside the Council's control or influence; this reserve assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where underspends arise.

£192,000 has been added to the reserve in 2016/17 from the overachievement of planning fee income, whereas £259,000 has been taken from it to fund expenditure related to items included in the 2016/17 budget resolution in addition to the production of the Local 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 & Contributions from 3rd Parties

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

Hall of Fame Reserve

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

New Homes Bonus Reserve

The New Homes Bonus reserve was initially set up in the first year of receipt of New Homes Bonus funding in 2011/12 and has been used to finance one-off schemes and initiatives. The Council receives grant funding each year based on additional new and affordable homes in the Borough. Since the first year however and following the on-going reduction in core government funding, subsequent allocations have been used as part of the Council's mainstream income.



Works Services Unit Operational Reserve

The primary purpose of this reserve is to mitigate any budget volatility from the Works Services Unit's trading activities from one year to the next, with annual surplus and deficits being transferred to and from the reserve respectively. The secondary purpose is to utilise any accumulated balances for the funding of one-off investment in the Works Services Unit, for example funding will be employed in 2017/18 for the implementation of the Route Optimiser software for the Waste Collection Service.

Other Smaller Reserves E.g. Plant & Equipment Reserves

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

Housing Repairs Account and HRA Capital Investment Balances

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

Note 14. Other Operating Expenditure

2015/16 £'000		2016/17 £'000
696	Parish council precepts	715
662	Payments to the Government Housing Capital Receipts Pool	497
(16)	Other income – unattached receipts	(43)
1,374	Gains (-) / Losses on the disposal of non-current assets	2,028
2,716	Total	3,197

Note 15. Financing and Investment Income and Expenditure

2015/16 Restated £'000		2016/17 £'000
2,247	Interest payable and similar charges	2,322
1,384	Net interest on the net defined benefit liability	1,177
(502)	Interest receivable and similar income	(718)
(143)	Income and expenditure in relation to investment properties and changes in their fair value	(47)
42	Loss on forward contract	12
(32)	Gain(-) / Impairment of financial assets	-
2,996	Total	2,746

Note 16. Taxation and Non Specific Grant Income

2015/16 £'000		2016/17 £'000
(6,524)	Council tax income	(6,850)
(16,421)	Retained business rates	(17,561)
13,656	Business rates tariff payment	13,770
(5,454)	Non-ring fenced government grants	(5,296)
(1,247)	Capital grants and contributions	(244)
(15,990)	Total	(16,181)

Note 17. Grant Income

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

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

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

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

Rugby Borough Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement	2015/16 £'000	2016/17 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	1,775	1,098
New Homes Bonus	2,446	3,221
Business Rates Section 31 Grants	769	531
Other Non-Specific Revenue Grants	484	446
Non ring-fenced government grants	5,454	5,296
Section 106 Capital Funding	272	1
Local Public Service Agreement Property Purchases Funding	43	55
Play Areas Contribution from SitaTrust	35	80
Play Areas Contribution from DCLG	20	-
Play Areas Contribution from Veolia Environmental Trust	100	52
Play Areas Contribution from WREN Community Action Fund	75	50
Homes & Communities Agency funding for Woodside Park	692	-
Other grants (Less than £25,000)	10	6
Capital grants and contributions	1,247	244
Total Grants Credited to Taxation and Non Specific Grant Income	6,701	5,540

	2015/16 £'000	2016/17 £'000
Credited to Services		
DWP - Housing Benefits Rent Allowances Subsidy	13,214	10,691
DWP - Housing Benefits Rent Rebates Subsidy	9,592	8,677
DWP- Trailblazer Homelessness Early Intervention Prevention	-	285
DWP - Discretionary Housing Allowance Subsidy	104	112
DWP – Local Authority Data Share	-	26
DCLG - Preventing Homelessness	117	67
The Cabinet Office - Individual Electoral Registration	45	46
Warwickshire Police & Crime Commissioner - Safer and Stronger Communities	35	35
Sport England ESC Lottery Grant	-	29
Warwickshire County Council Partnership Grant for Green Waste Collection	-	25
The Arts Council - Museum Resilience	69	-
Section 106 Revenue Funding utilised for the Rugby World Cup	47	-
Other Revenue Grants (Less than £25,000)	116	182
Other Section 106 Revenue Funding	81	131
Revenue Grants	23,420	20,306
DCLG - Disabled Facilities Grant	275	493
Section 106 Capital Funding	6	63
Capital Grants	281	556
Total Grants Credited to Services	23,701	20,862

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:

	2015/16 £'000	2016/17 £'000
Revenue Section 106 Funding	686	704
Amounts Held in Perpetuity / Specific Reasons	145	145
Dept. Energy & Climate Change - District Heating Network	33	33
DCLG - Preventing Homelessness	67	-
Other Revenue grants (Less than £25,000)	54	57
Revenue Receipts Held in Advance	985	939
Capital Section 106 funding	434	582
Local Public Service Agreement Property Purchases Funding	55	-
Other Capital grants (Less than £25,000)	13	-
Capital Receipts Held in Advance	502	582
Total Receipts Held in Advance	1,487	1,521

Note 18. Property Plant and Equipment

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

Impairment Losses

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – 5-60 yrs.
- Vehicles, plant and equipment – 3-25 yrs.
- Infrastructure – 7-40 yrs.

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

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

Componentisation

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

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

Subsequent Expenditure on Property Plant and Equipment

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

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

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

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

Disposals

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

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

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

Valuations

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

In addition, as per last year, a desktop review was carried out in 2016/17 using house price indexation for the West Midlands to assess any general market changes in value. The result was an increase in value of approximately £7.7m. This approach was reviewed by Mr A George (MRICS) of George & Company Chartered Surveyors, whose own data suggests a similar result to the increase in values at a local level. Further to the potential issue with the varying shifts in value between flats and houses highlighted in previous years, Mr George notes that over the year the values between the different housing styles have again remained at a comparative level.

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

In January 2017 Mr Mawson valued a number of properties for 2016/17 totalling £8.2m giving a land and buildings split, an estimated useful life and assuming a residual value for depreciation purposes. A further programme of valuations will continue in 2017/18 to maintain the five-year rolling programme.

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

In addition to land and buildings noted above, Mr Mawson was also asked to review and confirm that the carrying value of all other land and buildings at the 31st March 2017 did not differ materially from the fair value of those assets at the end of the reporting period.

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



2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
At 1 st April 2016	131,161	31,786	11,500	5,761	798	5,624	707	187,337
Additions	5,743	363	1,363	294	46	2	615	8,426
Derecognition – disposals	(1,482)	-	(254)	(2)	-	-	-	(1,738)
Derecognition - componentisation	(2,635)	-	-	-	-	-	-	(2,635)
Reclassification	(174)	647	-	-	-	-	(647)	(174)
Revaluation increases / decreases (-) recognised in the revaluation reserve	10,459	144	-	-	-	-	-	10,603
Revaluation increases / decreases (-) recognised in the surplus / deficit on the provision of services	41,946	(1,661)	-	-	-	-	-	40,285
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 st March 2017	185,018	31,279	12,609	6,053	844	5,626	675	242,104
Depreciation and impairments								
At 1 st April 2016	(1,868)	(1,340)	(6,815)	(1,312)	(20)	(3)	-	(11,358)
Charge for 2016/17	(2,633)	(471)	(1,068)	(302)	-	(4)	-	(4,478)
Derecognition – disposals	21	-	243	1	-	-	-	265
Reclassification	3	-	-	-	-	-	-	3
Depreciation written out to the surplus / deficit on the provision of services due to revaluation	1,854	1,100	-	-	-	-	-	2,954
Impairment losses / reversals (-) recognised in the surplus / deficit on the provision of services	-	-	-	-	-	-	-	-
At 31 st March 2017	(2,623)	(711)	(7,640)	(1,613)	(20)	(7)	-	(12,614)
Balance Sheet at 31 st March 2017	182,395	30,568	4,969	4,440	824	5,619	675	229,490

2015/16	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
At 1 st April 2015	126,203	31,388	10,600	5,000	798	3,283	504	177,776
Additions	5,337	1,104	1,522	671	-	41	702	9,377
Derecognition – disposals	(1,105)	-	(754)	-	-	-	-	(1,859)
Derecognition - componentisation	(2,305)	-	-	-	-	-	-	(2,305)
Reclassification	9	237	132	133	-	(8)	(499)	4
Revaluation increases / decreases (-) recognised in the revaluation reserve	68	203	-	-	-	2174	-	2,445
Revaluation increases / decreases (-) recognised in the surplus / deficit on the provision of services	2,954	(1,146)	-	(43)	-	139	-	1,904
Other movements in cost or valuation	-	-	-	-	-	(5)	-	(5)
At 31 st March 2016	131,161	31,786	11,500	5,761	798	5,624	707	187,337
Depreciation and impairments								
At 1 st April 2015	(1,815)	(1,391)	(6,444)	(1,040)	(20)	(64)	-	(10,774)
Charge for 2015/16	(1,871)	(626)	(1,095)	(275)	-	(3)	-	(3,870)
Derecognition – disposals	32	-	724	-	-	-	-	756
Reclassification	-	-	-	-	-	-	-	-
Depreciation written out to the surplus / deficit on the provision of services due to revaluation	1,786	677	-	3	-	64	-	2,530
Impairment losses / reversals (-) recognised in the surplus / deficit on the provision of services	-	-	-	-	-	-	-	-
At 31 st March 2016	(1,868)	(1,340)	(6,815)	(1,312)	(20)	(3)	-	(11,358)
Balance Sheet at 31 st March 2017	129,293	30,446	4,685	4,449	778	5,621	707	175,979

	Council dwellings	Other land and buildings	Surplus Non-Operational assets	Investment Non-Operational assets	Assets held for sale	Total non-current assets carried at current value	Assets carried at other value	Total Valuation (All Assets)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	-	15	-	-	-	15	10,570	10,585
Valued at current cost in:								
2016/17	182,395	8,801	-	-	76	191,272	-	191,272
2015/16	-	1,686	5,619	695	-	8,000	-	8,000
2014/15	-	5,165	-	-	-	5,165	89	5,254
2013/14	-	9,855	-	-	-	9,855	249	10,104
2012/13	-	5,046	-	-	-	5,046	-	5,046
Total	182,395	30,568	5,619	695	76	219,353	10,908	230,261

The above statement shows the progress of the Council's rolling programme for the revaluation of current assets. The Council's housing stock was revalued as at 1st April 2016 by George & Co. Surveyors, although a desktop exercise has been undertaken in 2016/17 by George & Co. Surveyors to restate the asset values in light of market conditions.

Note 19. Investment Properties

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

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

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

Fair Value Hierarchy

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

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

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

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

The following table shows there has been no net movement in the fair value of investment properties over the 2016/17.

	2015/16	2016/17
	£'000	£'000
Balance at start of the year	598	695
Net gains/(losses) from fair value adjustments	97	-
Balance of end the year	695	695

Note 20. Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

	2015/16	2016/17
	£'000	£'000
Balance outstanding at start of year	272	23
Revaluation losses	(13)	(95)
Assets sold	(227)	(23)
Reclassification	(9)	171
Balance outstanding at year-end	23	76

Note 21. Capital Expenditure and Financing

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

Government Grants and Contributions

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

Revenue Expenditure funded from Capital under Statute

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

Minimum Revenue Provision (MRP)

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

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

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

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement (CFR)	90,025	91,503
Capital Investment:		
Property, Plant, and Equipment	9,377	8,427
Heritage Assets	27	1,285
Intangible Assets	406	147
Revenue Expenditure Funded from Capital under Statute	607	606
Long Term Debtors	-	-
Capital Investment Total	10,417	10,465
Sources of Financing:		
Capital Receipts	(383)	(267)
Government Grants & Other Contributions	(1,394)	(822)
Sums Set Aside from Revenue	(1,112)	(1,280)
Earmarked Reserves	(5,076)	(5,301)
Minimum Revenue Provision / Voluntary Revenue Provision	(974)	(7,668)
Financing Total	(8,939)	(15,338)
Closing Capital Financing Requirement (CFR)	91,503	86,630
Explanation of movements in year:		
Increase in underlying need to borrow (unsupported by government financial assistance)	1,478	(4,873)
Increase / decrease (-) in Capital Financing Requirement	1,478	(4,873)

Capital commitments

Capital commitments as at 31st March 2017 amounted to £4.0m. This amounts to the contractual arrangements to deliver doors and windows replacement. Capital commitments as at 31st March 2016 amounted to £8.1m.

Note 22. Revaluation Reserve

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

2015/16 Total £'000		General Fund £'000	HRA £'000	2016/17 Total £'000
(11,427)	Balance as at 1 st April	(28,373)	(915)	(29,288)
(18,464)	Upward revaluation of assets	(194)	(10,476)	(10,670)
284	Downward revaluation of assets & impairment losses not charged to the surplus / deficit on the provision of services	50	17	67
(29,607)	Surplus on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	(28,517)	(11,374)	(39,891)
319	Difference between fair value depreciation and historical cost depreciation	299	114	413
-	Accumulated gains on assets sold or scrapped	-	142	142
(29,288)	Balance as at 31 st March	(28,218)	(11,118)	(39,336)

Note 23. Capital Adjustment Account

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

2015/16 £'000		2016/17	
		£'000	£'000
(72,966)	Balance as at 1 st April		(78,211)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
2,180	General Fund charges for depreciation of non-current assets	2,165	
1,966	HRA charges for depreciation of non-current assets	2,703	
(4,435)	Revaluation and impairment loss: Property, Plant and Equipment	(43,144)	
157	Amortisation of intangible assets reversal	205	
607	Revenue Expenditure Funded from Capital Under Statute written down	606	
3,635	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	4,130	
4,110			(33,335)
(319)	Adjusting amounts written out of the Revaluation Reserve		(555)
(69,175)	Net written out amount of the cost of non-current assets consumed in the year		(112,101)
	Capital financing applied in the year:		
(383)	Use of the Capital Receipts Reserve to finance new capital expenditure	(267)	
(1,112)	Capital expenditure charged against the General Fund & HRA balances	(1,280)	
(5,076)	Use of the Major Repairs Reserve to finance new capital expenditure	(5,301)	
(1,394)	Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	(822)	
(974)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(7,668)	
(8,939)			(15,338)
(97)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
(78,211)	Balance at 31 st March		(127,439)

Note 24. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. These arise from mortgages on sales of council houses which are included under Long Term Advances – Loans Outstanding. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £'000		2016/17 £'000
(40)	Balance at 1 st April	(32)
8	Transfer to the Capital Receipts Reserve upon receipt of cash	-
(32)	Balance at 31 st March	(32)

Note 25. Heritage Assets

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

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

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

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

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

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

	Intangibles £'000	Art & Social History Collections £'000	Monuments & Statues £'000	Historic Sites / Buildings £'000	Civic Regalia £'000	Total Assets £'000
Cost or valuation						
1 st April 2015	-	4,123	671	457	95	5,346
Additions	-	-	27	-	-	27
Revaluations	-	-	(18)	15,772	-	15,754
Reclassifications	-	-	5	-	-	5
Depreciation	-	-	-	(275)	-	(275)
31 st March 2016	-	4,123	685	15,954	95	20,857
Cost or valuation						
1 st April 2016	-	4,123	685	15,954	95	20,857
Additions	1,216	-	-	69	-	1,285
Revaluations	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Depreciation	(114)	-	-	(275)	-	(389)
31 st March 2017	1,102	4,123	685	15,748	95	21,753

Revaluations of Heritage Assets

In accordance with the Council's accounting policy on Heritage Assets, valuations may be made by any method that is appropriate and relevant to the heritage asset. During 2015/16 historic sites, principally the Great Central Walk bridges, were assessed for insurance purposes by council engineers on the basis of re-instatement costs, leading to a revaluation of £15.754m. These assets had previously been reported in the balance sheet at historic cost.

Additions and Disposals of Heritage Assets

Additions in the year of £1.285m relate to purchases for the World Rugby Hall of Fame Exhibition of £1.200m, £69,000 infrastructure work on the Great Central Walk and £16,000 for a film work purchase.

Art Collections

The Council's collections of art work are reported in the Balance Sheet at insurance valuation which is based on market values. The Rugby Art Collection was revalued by Sotheby's in 2012/13. The collections include the following items:

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

The Rugby Art Collection

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

The Social History Collection

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

The Redding Collection

The Redding Collection of glass plate negatives came to Rugby Museum following the closure of a local photographic business. It contains around 20,000 glass plate negatives, mostly from the 1950s and 1960s, many of them portraits and a significant number representing the immigrant communities in the borough. The collection is not on display as it is vulnerable; the content will be made accessible to the public following a digitisation programme.

Monuments & Statues

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

Historic Sites / Buildings

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

Civic Regalia

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

Intangibles

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

Note 26. Leases

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

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

The Council as a Lessee

Finance leases

The Council has acquired the Land at Brownsover for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31st March 2017. At inception, no upfront premium was payable and the minimum lease payment of "one peppercorn" has not been charged.

Operating Leases

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

The Council holds a limited number of operating leases, mainly relating to the lease of 36 photocopiers with an annual rental of £17,000 and also lease land at Hillmorton Road for the purpose of a public recreation ground with a rental of "one peppercorn" per annum.

The Council as Lessor

Finance leases

The Council as lessor did not hold any finance leases in 2016/17.

Operating leases

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

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

	31 st March 2016 £'000	31 st March 2017 £'000
Not later than one year	82	84
Later than 1 year and not later than 5 years	147	142
Later than 5 years	1,664	1,614
	1,893	1,840

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2016/17 no contingent rents were receivable by the Council.

Note 27. Long Term Advances – Loans Outstanding

	Balance at 31 st March 2016 £'000	Advances £'000	Amounts Repaid £'000	Balance at 31 st March 2017 £'000
Local Authority Mortgage Scheme	1,011	-	-	1,011
Loans for the Purchase and Improvement of Private Dwellings	32	-	-	32
Repossession Fund	4	-	(1)	3
Local Capital Finance Company	20	-	-	20
	1,067	-	(1)	1,066

Note 28. Debtors (amounts due to the Council)

Net 1 st April 2016 £'000		Debt £'000	Bad Debt Provision £'000	Net 31 st March 2017 £'000
	Amounts due within one year			
978	Government Departments	434	-	434
900	Other Local Authorities (inc. Police)	1,114	-	1,114
15	Homelessness	41	(27)	14
510	Rent-payers	658	(195)	463
246	Council tax payers	312	(26)	286
284	Non Domestic Rate payers	293	(88)	205
3	Car Parking	2	(1)	1
1,174	Housing Benefit Overpayments	2,214	(852)	1,362
914	Other Entities and Individuals	1,345	(29)	1,316
5,024		6,413	(1,218)	5,195
	Amounts due in more than one year			
124	Employee Vehicle Loans	130	-	130
78	Work in Default	78	-	78
202		208	-	208
5,226	Total	6,621	(1,218)	5,403

Note 29. Creditors (amounts owed to others by the Council)

As at 31 st March 2016 £'000		As at 31 st March 2017 £'000
256	HM Revenue and Customs (HMRC)	285
930	Government Departments	3,909
1,115	Other Local Authorities (Inc. Police)	2,566
148	Rent payers	195
85	Council tax payers	93
-	Non Domestic Rate payers	-
1,294	Other entities and individuals	2,414
3,828	Total	9,462

The increase in the creditors balances for amounts owed to Government Departments and Other Local Authorities at the end of 2016/17, compared to 2015/16, is largely due to the surplus arising during the year recorded in the Collection Fund for business rates.

Note 30. Cash and Cash Equivalents

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

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

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

2015/16 £'000		2016/17 £'000
1,740	Cash held / overdrawn (-) by the Council	(476)
-	Bank current accounts	-
15,269	Money Market Funds	12,862
17,009	Total	12,386

Note 31. Cash Flow Statement – Operating Activities

2015/16 £'000		2016/17 £'000
(23,921)	Taxation	(25,952)
(28,106)	Grants	(27,011)
(8,567)	Housing Rents	(9,249)
(6,026)	Sales of Goods and Rendering Services	(7,557)
(442)	Interest received	(642)
(67,061)	Cash inflows generated from operating activities	(70,411)
12,670	Cash paid to and on behalf of employees	13,028
13,739	Housing Benefit paid out	11,181
13,656	Business Rates Tariff Payment	13,770
348	Precepts paid	715
573	Payments to the Capital Receipts Pool	556
13,627	Cash paid to suppliers of goods and services (Inc. net VAT outflow)	12,532
2,789	Interest paid	1,583
1,782	Other payments for operating activities	3,106
59,184	Cash outflows generated from operating activities	56,471
(7,877)	Net cash flows from operating activities	(13,940)

Note 32. Cash Flow Statement – Investing Activities

2015/16 £'000		2016/17 £'000
9,189	Purchase of property, plant and equipment, investment property and intangible assets	9,504
50,496	Purchase of short-term and long-term investments	64,129
(2,277)	Proceeds from the sale of property, plant, and equipment, investment property and intangible assets	(2,140)
(51,315)	Proceeds from short-term and long-term investments	(43,572)
(1,144)	Other receipts from investing activities	(1,096)
4,949	Net cash flows from investing activities	26,825

Note 33. Cash Flow Statement – Financing Activities

2015/16 £'000		2016/17 £'000
(15,000)	Cash receipts of short and long-term borrowing	(15,100)
1,460	Other receipts from financing activities	(3,156)
14,300	Repayments of short and long-term borrowing	10,000
(268)	Other payments for financing activities	(6)
492	Net cash flows from financing activities	(8,262)

Note 34. Trading Operations

Rugby Borough Council has a number of services that operate in a commercial environment and the service manager is required to balance their budget by generating income. Details of those units with a turnover greater than £100,000 or a deficit greater than £100,000 in 2016/17 are as follows:

2015/16 Restated Surplus (-) / Deficit £'000's	Service	Expenditure £'000s	Income £'000s	2016/17 Surplus (-) / Deficit £'000s
(115)	Trade Waste	769	(885)	(116)
(89)	Crematorium	654	(806)	(152)
(216)	Car Parking	297	(549)	(252)
114	Benn Hall	340	(232)	108
(306)	Total	2,060	(2,472)	(412)

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

In 2016/17 Rugby Borough Council incurred the following fees relating to external audit and inspection:

	2015/16 £'000	2016/17 £'000
Fees payable to the appointed auditor, Grant Thornton, regarding external audit services	55	55
Fees payable to the appointed auditor, Grant Thornton for the certification of grant claims and returns	9	17
Other non-external audit fees paid to Grant Thornton	16	5
Total	80	77

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 16 and 17. Amounts outstanding at the end of the financial year are included in Notes 28 and 29.

Council Members and Chief Officers

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

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

Senior Council Officers remuneration paid during 2016/17 is set out in Note 7; Councillors Allowances are stated in Note 8.

During 2016/17, 6 Borough Councillors were also Warwickshire County Councillors (*Cllr Peter Butlin; Cllr Heather Timms; Cllr Richard Dodd; Cllr Jerry Roodhouse; Cllr O'Rourke and Cllr H Roberts*).

In addition to their normal involvement on various Council Committees, most members and some Senior Officers and staff also act as the Council's representative on a wide range of Outside and Voluntary Bodies – some such representation follows from their Committee membership(s).

A list of representatives relevant to 2016/17 was approved at the Annual Meeting of the Council on 19th May 2016.

A total of £238,000 grants were awarded to voluntary organisations in 2016/17, of which £97,00 was paid to voluntary organisations in which 12 members had an interest. All payments were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the payments.

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



Other Public Bodies (subject to control by Central Government)

Warwickshire County Council (WCC) and the Office of the Warwickshire Police & Crime Commissioner
These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. WCC is the administering authority for the Pension Fund and employer's contributions paid by this council total £2,393,000 for 2016/17.

A £25,000 partnership grant was received from WCC to assist with the continued the delivery of the Green Waste collection service for the last quarter of 2016/17.

£35,000 of grant was received from the Office of the Police and Crime Commissioner for Warwickshire to fund various Community Safety Projects across the Rugby Borough.

Parish Precepts

For 2016/17 the precepts issued to parish councils totalled £715,000.

West Midlands Combined Authority

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

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

In 2016/17 Rugby Borough Council paid the WMCA a £25,000 contribution to help fund its programmes and initiatives.

Read more about the WMCA at: <https://www.wmca.org.uk/>

Shared Procurement & Training Agreements

The Council is part of a shared Procurement Service with Nuneaton & Bedworth Borough Council. Nuneaton & Bedworth Borough Council is the lead authority in this shared service and in 2016/17 £36,000 was contributed by Rugby Borough Council to the scheme.

Further shared service agreements are in place with Nuneaton & Bedworth Borough Council where the Council contributes to the shared salary costs to provide IT and Human Resources training. In 2016/17 £23,000 was contributed by Rugby Borough Council to these schemes.

Shared Building Control Service

The Council is part of a shared Building Control Service with Warwick District Council and Daventry District Council. Warwick District Council are the lead authority who host and provide the Building Control Service for the partnership. In 2016/17 Rugby Borough Council contributed £59,000 into the scheme.



Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2016/17; these are mainly local government associations or local groups that the Council supports with grant aid and advice. Examples include the Local Government Association, West Midlands Local Government Association, Rugby First, Rugby Citizens Advice Bureau, Rugby Age Concern and Rugby Business Improvement District (BID) Company. The majority of individual transactions may be material for the recipient organisations but are relatively immaterial in financial terms for this organisation.

Rugby First Ltd - BID Division

As Growth & Investment Portfolio Holder, Cllr Mrs Timms and as Environment & Public Realm Portfolio Holder, Cllr Lisa Parker, are on the Board of Rugby First Limited. An amount of £1.024m was paid to the BID Company in 2016/17 of which £582,000 related to the collection of BID Levy income, the remaining £443,000 is used to provide a CCTV Monitoring and Town Centre Management Service.

Rainsbrook Crematorium

Rainsbrook Crematorium is a joint project between Rugby Borough Council and Daventry District Council. The Crematorium is operated by Rugby Borough Council's bereavement services team on behalf of a joint committee which represents both authorities. Each council has an equal share in the entity. Rugby Borough Council paid £140,000 to Daventry District Council in 2016/17 in relation to their share of the annual operating surplus.

Queen's Diamond Jubilee Centre

The Queen's Diamond Jubilee Centre is owned by Rugby Borough Council and is operated by Greenwich Leisure Ltd (GLL). Rugby Borough Council received £277,000 from GLL for the annual contract fee and profit share as per the contract agreement in 2016/17.

The Hall of Fame – World Rugby

The Hall of Fame is a joint venture between World Rugby Ltd and Rugby Borough Council £1.2m was spent by Rugby Borough Council in capital expenditure to fund the construction and implementation of the Hall of Fame project in 2016/17. A further £6,000 Operational Expenditure was also spent in 2016/17.

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)**, which is administered locally by Warwickshire County Council – this is a funded defined benefit career average salary scheme, meaning the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2016/17 the Council paid an employer's contribution total of £2.263m, which represented 20.38% of employees' pensionable pay of £11.102m into the Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations and the current rate was determined by the latest valuation undertaken up to 31st March 2016.
- **discretionary post-retirement benefits** upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. In 2016/17 the cost of the added years benefit awarded in the past amounted to £130,000, representing 1.17% of pensionable pay.

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

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

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

Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method; which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Market quoted investments – current bid price on the final day of the accounting period
 - Fixed interest securities – net market value based on their current yields
 - Unquoted investments – professional estimate

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

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

Transactions relating to Post-Employment Benefits

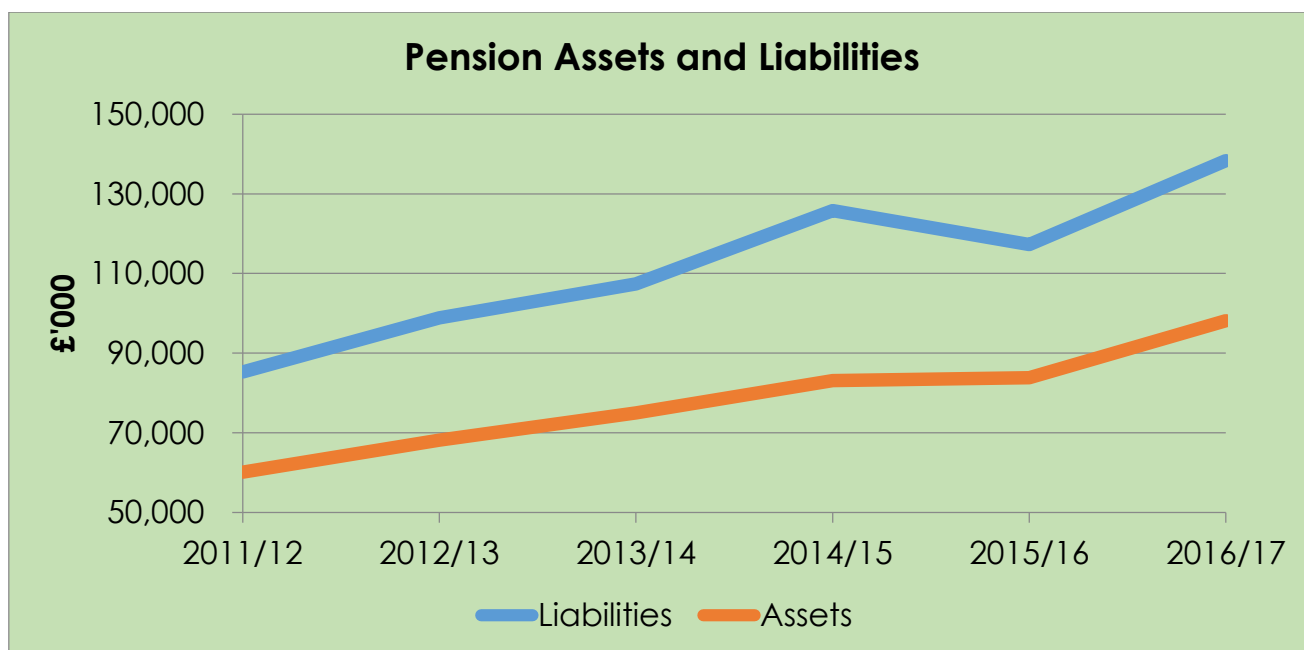
The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax and HRA rents is based on the cash payable in the year, so the real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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
• Current Service Costs	3,315	2,831	-	-
• Past Service Costs	1	74	-	-
<i>Financing and Investment Income and Expenditure</i>				
• Net Interest Expense	1,323	1,118	61	59
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,639	4,023	61	59
<i>Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement</i>				
Re-measurement of the net defined benefit liability comprising:				
• Return on Plan Assets (excluding the amount included in the net interest expense)	993	(12,523)	-	-
• Actuarial gains and losses arising on changes in demographic assumptions	-	(1,355)	-	(22)
• Actuarial gains and losses arising on changes in financial assumptions	(11,078)	19,638	(33)	60
• Other experience	(1,554)	(750)	(103)	43
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(7,000)	9,003	(75)	140
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(4,639)	(4,023)	(61)	(59)
<i>Actual amount charged against the General Fund and HRA Balances for Pensions in the year:</i>				
• Employer's contributions payable to the scheme	2,101	2,263	-	-
• Retirement benefits payable to pensioners	-	-	134	130

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	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Present Value of the Defined Benefit Obligation	(115,505)	(136,585)	(1,759)	(1,769)
Fair Value of Plan Assets	83,870	98,180	-	-
Net Liability Arising from the Defined Benefit Obligation	(31,635)	(38,405)	(1,759)	(1,769)



The liabilities show the underlying commitments that the Council has in the long term to pay post-employment (retirement) benefits. The total net liability of £40.174m 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:

	2015/16 £'000	2016/17 £'000
Opening Balance at 1 st April	83,099	83,870
Interest Income on Plan Assets	2,645	2,914
Return on Plan Assets, excluding the amount included in the net interest expense	(993)	12,523
Contributions from Employer	2,235	2,393
Contributions from Scheme Participants	716	708
Benefits Paid	(3,832)	(4,228)
Closing Balance at 31 st March	83,870	98,180

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2015/16 £'000	2016/17 £'000	2015/16 £'000	2016/17 £'000
Opening Balance at 1 st April	123,835	115,505	1,968	1,759
Current Service Cost	3,315	2,831	-	-
Interest cost	3,968	4,032	61	59
Contributions by Scheme Participants	716	708	-	-
Re-measurement Gain/(Loss):				
• Actuarial gains/losses arising from changes in demographic assumptions	-	(1,355)	-	(22)
• Actuarial gains/losses arising from changes in financial assumptions	(11,078)	19,638	(33)	60
• Other experience	(1,554)	(750)	(103)	43
Benefits Paid	(3,698)	(4,098)	(134)	(130)
Past Service Costs	1	74	-	-
Closing Balance at 31 st March	115,505	136,585	1,759	1,769

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method valuation, an estimate of the pensions that will be payable in future years' dependent on assumptions about mortality rate, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31st March 2016.

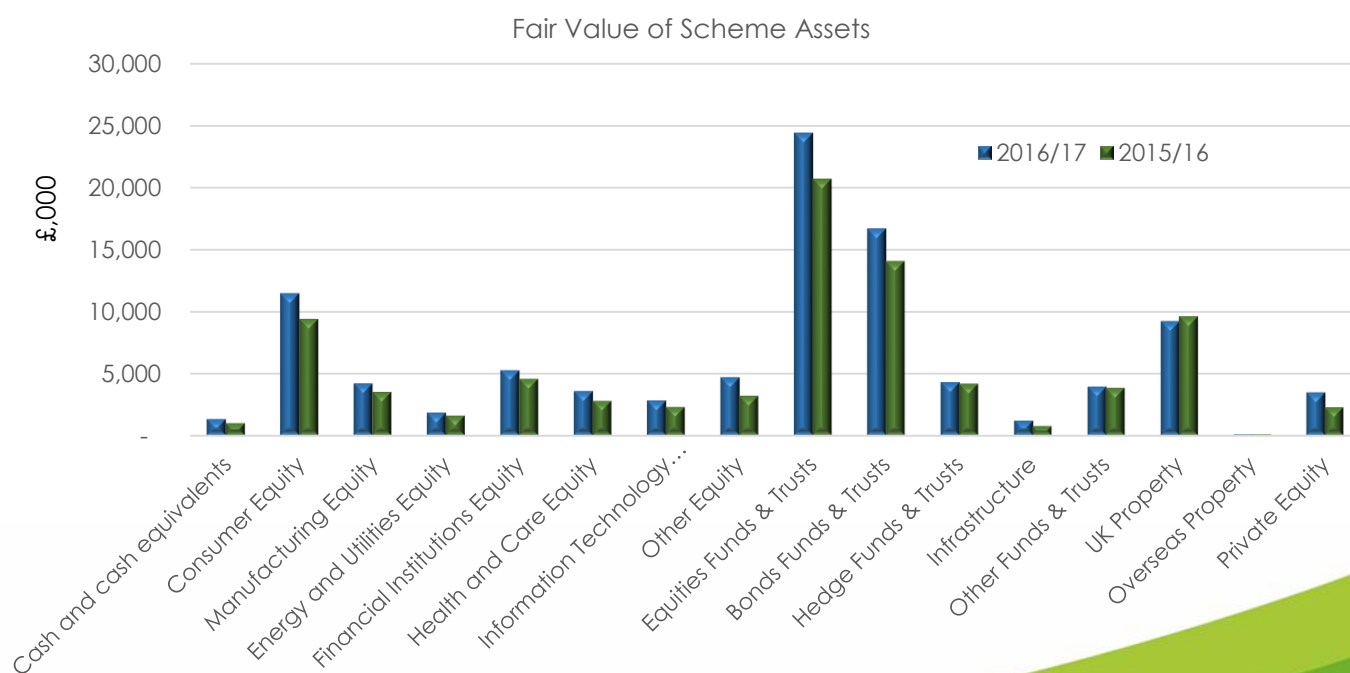
The significant assumptions used by the actuary have been:

	2015/16 £'000	2016/17 £'000
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
• Men	22.4	22.5
• Women	24.4	24.7
Longevity at 65 for future pensioners (years):		
• Men	24.3	24.3
• Women	26.6	26.7
Rate of Inflation (CPI)	2.20%	2.4%
Rate of increase in salaries	4.20%	3.0%
Rate of increase in pensions	2.40%	2.4%
Rate of discounting of scheme liabilities	3.50%	2.6%
Take-up option to convert annual pension into retirement lump sum	50%	50%

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

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

Local Government Pension Scheme Assets Comprised:



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

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate Monetary Amount £'000	Approximate % increase to Employer Liability
Rate of increase in salaries (increase by 0.5%)	2,028	1%
Rate of increase in pensions (increase by 0.5%)	10,858	8%
Rate for discounting scheme liabilities (decrease by 0.5%)	13,079	9%

Impact on the Council's Cash Flows

The contributions paid by Rugby Borough Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being at 31st March 2016). The objectives of the scheme are to keep employers' contributions at as constant a rate as possible; the contributions payable over the period to 31st March 2017 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 19 years. The next triennial valuation is due to be completed as at 31st March 2019. Employer contributions for the period to 31st March 2018 are estimated to be approximately £2.344m.

Note 38. Pensions Reserve

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

2015/16 £'000		2016/17 £'000
42,703	Balance at 1 st April	33,394
(11,774)	Re-measurement of the net defined liability	5,091
4,700	Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the CIES	4,082
(2,235)	Employer's pension contributions and direct payments to pensioners payable in the year	(2,393)
33,394	Balance at 31 st March	40,174

Note 39. Financial Instruments

Financial Liabilities (e.g. Borrowing)

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

Financial Assets (e.g. Investments)

Financial Assets are classified into two types:

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

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

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

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

	Long Term		Current (Short Term)	
	31 st March 2016 £'000	31 st March 2017 £'000	31 st March 2016 £'000	31 st March 2017 £'000
Investments:				
Loans & receivables	-	6,015	3,544	4,544
Available-for-sale financial assets	9,499	5,944	12,075	28,891
Total investments	9,499	11,959	15,619	33,435
Debtors:				
Loans & receivables	124	130	1,315	1,827
Total debtors	124	130	1,315	1,827
Borrowings:				
Financial liabilities at amortised cost	(89,585)	(82,109)	(7,329)	(19,668)
Total borrowings	(89,585)	(82,109)	(7,329)	(19,668)
Creditors:				
Financial liabilities at amortised cost – trade creditors	-	-	(1,294)	(2,414)
Total creditors	-	-	(1,294)	(2,414)

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:

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

2015/16	Financial Liabilities Amortised Cost £'000	Loans & Receivables £'000	Available for Sale £'000	Total £'000
Interest expense	2,247	-	-	2,247
Change in fair value.	42	(32)	-	10
Interest payable & similar charges	2,289	(32)	-	2,257
Interest income	-	(165)	(337)	(502)
Interest and investment income	-	(165)	(337)	(502)
Net Gain (-) / Loss for the year	2,289	(197)	(337)	1,755

Hedge Accounting

In accordance with the Code, the Council will apply Hedge Accounting on a transaction by transaction basis.

The Council will carry out hedging activities, from time to time, to limit its exposure to different financial risks, such as interest rate risk. These activities commonly consist of entering into a forward dated contract with a counterparty to eliminate or limit risk. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

A hedging relationship that qualifies for hedge accounting will be recognised when the following conditions are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Council's risk management objective and strategy for undertaking the hedge. The documentation will include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;

- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- For a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is assessed on an on-going basis and determined actually to have been effective throughout its life.

Cash Flow Hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in the Comprehensive Income and Expenditure Statement and any ineffective portion is recognised immediately in Other Comprehensive Income and Expenditure. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Comprehensive Income and Expenditure Statement are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in the Comprehensive Income and Expenditure Statement are recognised in Financing and Investment Income and Expenditure.

Hedging

On 5th August 2011, the Council entered into a forward dated contract with BAE Systems Pension Fund to borrow £10m on 30th December 2011 to fund the Queen's Diamond Jubilee Leisure Centre project. The forward contract was settled on 30th December 2011 by delivery of the underlying loan and its fair value of £437,000 was transferred to the hedging reserve and recognised as a loss in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement. This sum was scheduled to be released to the income and expenditure account over ten years to 30th December 2021 to match the interest payable on the loan.

On 30th June 2016 the Council and Bae Systems Pension Fund entered into a revised agreement, terminating the previous contract. Consequently, the underlying loan and the fair value of the forward contract have been written out of the balance sheet and hedge reserve. The sum released in the 2016/17 financial year was £13,000 (2015/16: £42,000) recognising the period 1st April 2016 to 30th June 2016.

No financial assets or liabilities were designated as hedging instruments at 31st March 2017 (2016: £nil).

Fair Values of Assets and Liabilities

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

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	31 st March 2016 Fair Value £'000	31 st March 2017 Fair Value £'000
Available for Sale – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,332	2,295
Available for Sale – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,002	2,035
Available for Sale – Corporate Bonds / Certificates of Deposit	Level 1	Unadjusted quoted prices in active markets for identical shares	17,240	30,504
			21,574	34,834

The Council held £30.5m in corporate bonds and certificates of deposit. The fair value has been calculated using published price quotations. There were no transfers between input levels during the financial year 2016/17. There has been no change in valuation technique used during the year for financial instruments.

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

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

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

The fair values are calculated as follows:

As at 31 st March 2016			As at 31 st March 2017	
Carrying Amount £'000	Fair Value £'000		Carrying Amount £'000	Fair Value £'000
57,598	60,869	PWLB Debt	50,697	54,760
39,316	41,144	Non-PWLB Debt	51,080	57,254
96,914	102,013	Total Borrowings	101,777	112,014
15,619	15,617	Money Market Loans < 1 year	35,560	35,560
9,499	9,499	Money Market Loans > 1 year	9,834	9,834
25,118	25,116	Total Loans and Receivables	45,394	45,394

The fair value of total borrowing is more than the carrying amount because the Council's loans are fixed at a higher rate than was available at the 31st March 2017. This shows a notional future loss (based on economic conditions at 31st March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loans of £54.760m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early to the PWLB, the PWLB would raise a penalty charge, based on redemption interest rates, for early redemption of £6.459m for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £57.156m.

Note 40. Hedge Reserve

The Council established a cash flow hedging relationship between a forward contract element and the interest cash flows payable on a loan.

Upon settlement of the forward contract its fair value was transferred to the Hedge Reserve and recognised as a loss in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement.

This sum was scheduled to be released to the income and expenditure account over ten years to 30th December 2021 to match the interest payable on the loan.

On 30th June 2016 the Council and Bae Systems Pension Fund entered into a revised agreement, terminating the previous contract. Consequently, the underlying loan and the fair value of the forward contract have been written out of the balance sheet and hedge reserve.

2015/16 £'000		2016/17 £'000
310	Balance at 1 st April	268
(42)	Release to income and expenditure account to match interest payable on loan	(268)
268	Balance at 31 st March	-

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

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

The Council manages risk in the following ways:

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

Credit risk

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

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

As at 31 st March 2016		Deposits with banks and financial institutions	As at 31 st March 2017	
Carrying Amount on Balance Sheet £'000	Estimated maximum exposure to default £'000		Carrying Amount on Balance Sheet £'000	Estimated maximum exposure to default £'000
7,194	-	AAA rated counterparties/products	10,850	-
3,015	1	AA rated counterparties/products	17,852	4
9,046	7	A rated counterparties/products	11,821	9
5,863	13	BBB rated counterparties/products	4,870	11
1,439	43	Trade Debtors	1,957	59
26,557	64	Total	47,350	83

At 31st March 2017 sundry debts outstanding, arising from a contractual obligation, stood at £0.6m. Of this balance, £290,000 is past its due date for payment (30 days) and can be analysed by age as follows:

	31 st March 2016 £'000	31 st March 2017 £'000
Less than three months	94	174
Three to six months	64	9
Six months to one year	21	30
More than one year	67	77
Total	246	290

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

Liquidity risk

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

The maturity analysis of financial assets is as follows:

	31 st March 2016 £'000	31 st March 2017 £'000
Less than one year	13,590	35,561
Between one and two years	3,027	3,819
Between two and three years	4,167	2,004
More than three years	4,334	4,010
Total	25,118	45,394

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

Refinancing and Maturity Risk

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

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

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

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

	Approved maximum limits	Approved minimum limits	Actual 31 st March 2017	Actual 31 st March 2016	Actual
	%	%	£'000	£'000	%
Less than one year*	20	-	16,223	6,901	16
12 months to 2 years	30	-	22,683	14,216	23
Between 2 and 5 years	60	-	35,537	42,289	36
Between 5 and 10 years	60	-	19,106	27,572	19
Between 10 and 20 years	75	-	515	4,475	1
Between 20 and 30 years	75	-	512	515	1
Between 30 and 40 years	75	-	434	434	-
More than 40 years	75	-	3,766	512	4
Total*			98,776	96,914	100

* excludes short term borrowing less than 365 days.

Market risk

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

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

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

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

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

Foreign exchange risk – Other than those sums held in Icelandic kroner (ISK) previously mentioned in Note 9, the Council has no financial assets or liabilities denominated in foreign currencies. In co-operation with other local authorities and legal advisors, the Council is examining options to facilitate the release of funds held in Iceland at the earliest opportunity. Fluctuations in foreign exchange values are, in part, mitigated by interest earned on these sums whilst held in escrow.

Note 42. Available for Sale Financial Instruments Reserve

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

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

2015/16 £'000		2016/17	
		£'000	£'000
(73)	Balance at 1 st April		(228)
(211)	Upward revaluation of investments	(68)	
157	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	135	
(101)	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	(124)	
(155)	Net Movement		(57)
(228)	Balance at 31 st March		(285)

Note 43. Provisions

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

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

Provision for Business Rate Appeals

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

On 1st April 2016 the Council's provision for business rate appeals was £3.6m. During the course of the financial year £0.7m was charged to the provision for successful appeals in 2016/17 which have been previously provided for.

After reflecting the amounts charged to the provision in 2016/17, the Council carried out an assessment of the future risk of appeal losses. Following this, the 2016/17 overall provision in the business rates Collection Fund has been increased to £4.9m. Rugby Borough Council's 40% share of the total provision is £1.9m of which it is expected that £971,000 will be settled in the next twelve months and £1m in 2017/18 or later years.

Provision for Redundancy Costs

A provision has been included at 31st March 2017 to cover the redundancy costs of a post that was placed at risk prior to the end of the financial year. In addition, the probable cost of the restructure of the operational management of Waste Collection service has also been provided for.

During 2016/17 the opening balance relating to a post at risk at 31st March 2016 was also used in the year.

Provision for Management Restructure

At the end of 2015/16 a provision to recognise the probable cost of the Senior Management restructure included in the Accounts. The restructure was completed during 2016/17 and therefore the provision was used in the year.

	2016/17 Business Rates Appeals £'000	2016/17 Management Restructure £'000	2016/17 Redundancy £'000	2016/17 Total Provision £'000
Short – Term Provisions				
Balance at 1 st April	(262)	(160)	(14)	(436)
Amounts used in the year	301	160	14	475
Increase/decrease in provision	(1,010)	-	(87)	(1,097)
Balance at 31 st March	(971)	-	(87)	(1,058)
Long – Term Provisions				
Balance at 1 st April	(1,172)	-	-	(1,172)
Amounts used in the year	-	-	-	-
Increase/decrease in provision	166	-	-	166
Balance at 31 st March	(1,006)	-	-	(1,006)
Total	(1,977)	-	(87)	(2,064)

Note 44. Contingent Liabilities

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

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

There are no material contingent liabilities or assets to disclose for 2016/17.

Note 45. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of 2016/17 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31st March 2017 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

Disclosure

In June 2017 the Council accepted the Central Bank of Iceland's offer to purchase its assets that were held in an escrow account denominated in Icelandic Kroner. The Council received £610,000, representing a gain of £81,000 against the carrying value of £529,000 at balance sheet date.

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

In August 2017, working in partnership with a local Housing Association, the Council placed an offer to secure a number of affordable housing units from a developer on the Cawston Meadows site. If secured these properties will expand the Council's social housing stock, particularly in the much needed one and two-bedroom tenure.

HOUSING REVENUE ACCOUNT

Income and Expenditure Account

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

2015/16		2016/17
£'000		£'000
	Income	
(16,732)	Dwelling Rents	(16,322)
(276)	Non-dwelling rents	(213)
(1,355)	Charges for services	(1,427)
(233)	Contributions towards expenditure	(256)
(18,596)	Total Income	(18,218)
	Expenditure	
3,328	Repairs and maintenance	3,007
4,218	Supervision and management	4,592
2	Rents, rates, taxes and other charges	2
0	Exceptional item full stock revaluation/change to regional adjustment factor	(39,540)
(2,697)	Depreciation and impairment of non-current assets	(1,289)
6	Debt management costs	24
50	Movement in allowance for bad debts	55
4,907	Total Expenditure	(33,149)
(13,689)	Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(51,367)
229	HRA Share of Corporate and Democratic Core costs	210
(13,460)	Net Expenditure of HRA Services	(51,157)
1,365	Gain (-) / Loss on sale of HRA non-current assets	2,017
1,287	Interest payable and similar charges	1,324
(111)	Interest and investment income	(221)
241	Pension interest and expected return on pension assets	200
(8)	Capital grants and contributions receivable	(51)
(10,686)	Surplus (-) / Deficit for the year on HRA services	(47,888)

Movement on the HRA Statement

2015/16		2016/17
£'000		£'000
(2,725)	HRA revenue balance brought forward	(2,828)
(10,686)	Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account	(47,888)
5,627	Adjustments between accounting basis and funding basis under statute	49,924
(5,059)	Net increase or decrease (-) before transfers to or from reserves	(2,036)
4,956	Transfers to (-) or from earmarked reserves	(639)
(103)	Increase (-) / decrease in the HRA Revenue Balance	1,397
(2,828)	HRA revenue balance carried forward	(1,431)

Note to the Movement on the HRA Statement

	Adjustments between accounting basis and funding basis under statute	
(1,966)	Charges for depreciation and impairment of non-current assets	(2,703)
4,687	Revaluation losses(-) / gains on Property Plant and Equipment	43,601
(24)	Amortisation of intangible assets	(69)
(3,606)	Amounts of non-current assets written off on disposal or sale	(4,121)
2,241	Sale proceeds credited as part of the gain/loss on disposal	2,103
(8)	Transfer to Accumulated Absences account	-
988	Capital expenditure financed from revenue balances	1,014
9	Capital grants and contributions applied	51
(737)	Net charges made for retirement benefits (IAS 19)	(582)
3,759	Reversal of Major Repairs Allowance credited to the HRA	3,893
-	Statutory provision for the financing of capital investment	6,453
284	Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	284
5,627		49,924

	Transfers to or from (-) earmarked reserves	
(211)	Transfer to or from (-) Housing Repairs Account	323
5,167	Transfer to or from (-) HRA Capital balances	(1,014)
-	Transfer to or from (-) other earmarked reserves	52
4,956		(639)

Note 1. HRA Assets

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

2015/16		2016/17
2,180	Houses/Bungalows (including part-ownerships)	2,162
1,635	Flats	1,634
3,815		3,796

The change in the stock was as follows:

2015/16		2016/17
3,848	Stock at 1 st April	3,815
(35)	Less sales (including part-ownership)	(26)
(1)	Less removal from stock	-
-	Add: new build properties	-
3	Add: purchase of properties	7
3,815	Stock at 31 st March	3,796

The balance sheet includes Housing Revenue Account assets as follows:

2015/16 £'000		2016/17 £'000
	Balance Sheet values as at 31 st March	
129,293	Operational Assets: Dwellings	182,395
170	Operational Assets: Other Land & Buildings	790
149	Operational Assets: Equipment	278
685	Operational Assets: Infrastructure	704
724	Non-Operational Assets	76
-	Assets Under Construction	611
131,021		184,854

Note 2. Vacant Possession

2015/16 £'000		2016/17 £'000
378,428	Vacant Possession Value of Dwellings at April 2016 prices	454,446
(129,293)	Balance Sheet Value of Dwellings	(182,395)
249,135	Economic cost to Government	272,051

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

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

Note 3. Major Repairs Reserve

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

2015/16 £'000		2016/17 £'000
(5,109)	Balance at 1 st April	(3,839)
(1,949)	Depreciation on non-current assets	(2,703)
(1,810)	Appropriations to/from HRA Revenue	(1,191)
(47)	Interest received	(31)
(8,915)	Sub-total	(7,764)
5,076	Capital financing	5,301
(3,839)	Balance at 31 st March	(2,463)

Note 4. Housing Repairs Account

2015/16 £'000		2016/17 £'000
(842)	Balance at 1 st April	(631)
(3,118)	Contributions during the year	(3,330)
3,329	Repairs and maintenance charged	3,007
(631)	Balance at 31 st March	(954)

Note 5(i). HRA Capital Expenditure and Financing

2015/16 £'000		2016/17 £'000
5,377	Council dwellings	6,017
701	Other assets	556
230	Housing Management Systems	46
17	Other expenditure	2
6,325	Sub-total	6,621
	Financed by:	
988	Direct Revenue Finance	1,014
9	Government Grant	51
-	S.106 Funding	-
252	Right to Buy Receipts	255
5,076	Major Repairs Reserve	5,301
6,325		6,621

Note 5(ii). HRA Capital Receipts

2015/16 £'000		2016/17 £'000
2,241	Sales of Council Houses under Right to Buy (RTB)	2,080
10	RTB Discounts repaid	-
7	Council House Mortgage Principal Repayments	-
2,258		2,080

Note 6. Depreciation of Property Plant and Equipment

2015/16 £'000		2016/17 £'000
	Operational Assets	
1,871	Dwellings, other land, buildings	2,633
75	Equipment	49
20	Non-operational assets	21
1,966		2,703

A full valuation of the stock has to be undertaken every 5 years. The latest one was carried out as at 1st April 2016. The results have been incorporated into the values shown in the balance sheet.

Note 7. Contribution to/from Pensions Reserve

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

Note 8. Tenant Arrears

During 2016/17 rent arrears as a proportion of gross rental income have changed from 3.60% of the amount due to 3.80%. The figures, excluding service charges and debts of up to three weeks are as follows:

2015/16 £'000		2016/17 £'000
485	Arrears of current tenants (not including current weeks)	471
109	Arrears of former tenants	165
594	Total tenants arrears at 31 st March	636

Bad Debts

The total provision for bad debts was £194,730 (as at 31st March 2017). Amounts actually written off during the year totalled £23,270. The level of bad debt provision is calculated with reference to the HRA (Arrears of Rents and Charges) Directions 1990. An analysis of the Bad Debt Provision Account is as follows:

2015/16 £'000		2016/17 £'000
(187)	Balance at 1 st April	(163)
74	Write off	23
(50)	Provision made in the year	(55)
(163)	Balance as at 31 st March	(195)

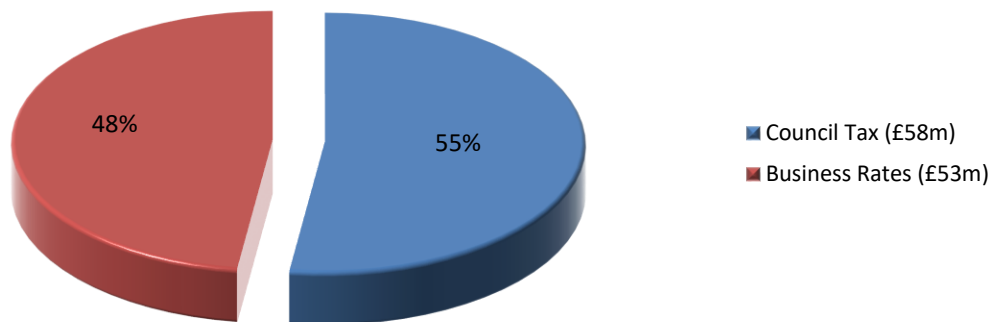
COLLECTION FUND STATEMENT

As a billing authority the Council acts as an agent collecting council tax and business rates (national non-domestic rates) on behalf of the major preceptors, Central Government and itself.

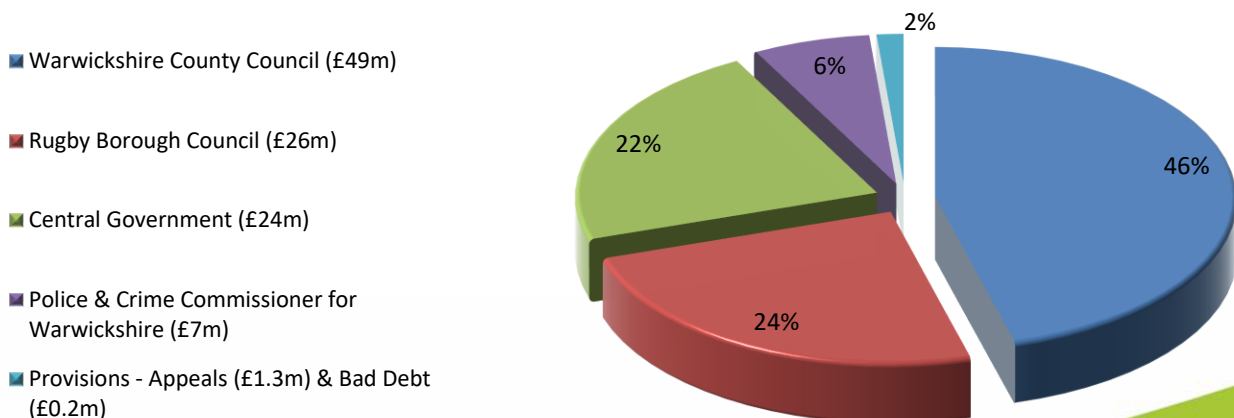
Under the legislative framework for the Collection Fund, billing authorities, major preceptors and Central Government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted. Transactions and balances in respect of council tax and business rates therefore need to be allocated between the billing authority, major preceptors and Central Government, in accordance with the proportionate shares set out in legislation.

The Council's share of council tax income and retained business rate income alongside the related business rates tariff payment and levy payment will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. The difference between the business rate and council tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement.

2016/17 Collection Fund Income £111m



2016/17 Collection Fund Expenditure £107m

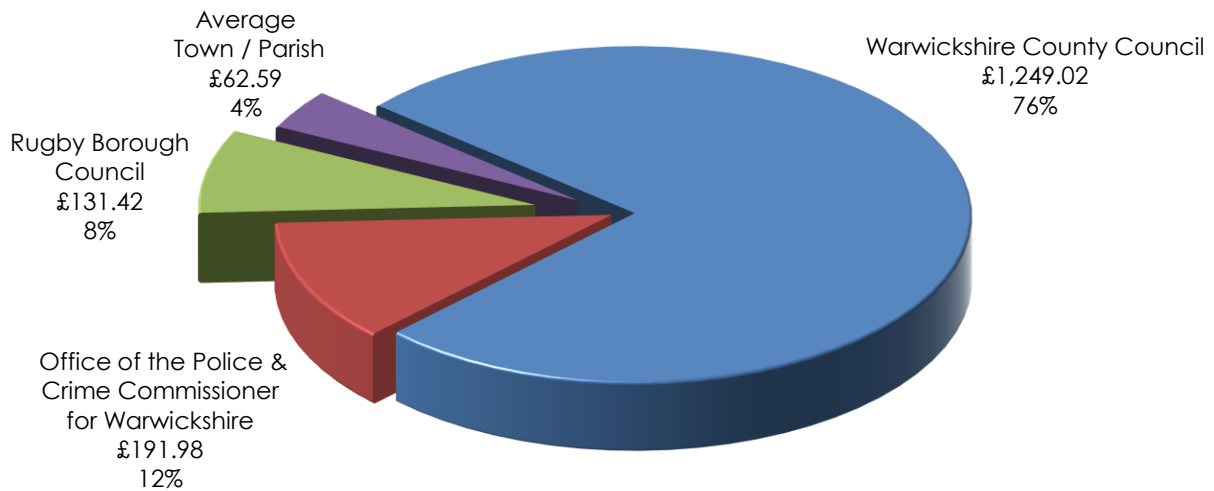


2015/16 Total £'000		2016/17 Business Rates £'000	2016/17 Council Tax £'000	2016/17 Total £'000
	INCOME			
(54,866)	Council Tax Receivable	-	(57,882)	(57,882)
(45,321)	Business Rates Receivable	(49,351)	-	(49,351)
-	Transitional Protection Payments Receivable	-	-	-
(100,187)		(49,351)	(57,882)	(107,233)
	Contribution to Previous Year Estimated Deficit			
-	Central Government	(1,853)	-	(1,853)
-	Warwickshire County Council	(370)	-	(370)
-	Rugby Borough Council	(1,482)	-	(1,482)
-	Office of the Police and Crime Commissioner for Warwickshire	-	-	-
-		(3,705)	-	(3,705)
(100,187)	Total Income	(53,056)	(57,882)	(110,938)
	EXPENDITURE			
224	Transitional Protection Payments	3	-	3
	Distribution of Previous Year Estimated Surplus			
104	Central Government	-	-	-
607	Warwickshire County Council	-	748	748
177	Rugby Borough Council	-	118	118
92	Office of the Police and Crime Commissioner for Warwickshire	-	117	117
980		-	983	983
	Precepts, Demands and Shares			
23,193	Central Government	23,720	-	23,720
45,649	Warwickshire County Council	4,744	43,431	48,175
24,983	Rugby Borough Council	18,976	6,746	25,722
6,427	Office of the Police and Crime Commissioner for Warwickshire	-	6,675	6,675
100,252		47,440	56,852	104,292
	Charges to Collection Fund			
437	Less: write offs of uncollectable amounts	55	144	199
(6)	Less: Increase / Decrease (-) in Bad Debt Provision	(8)	8	-
1,383	Less: Increase / Decrease (-) in Provision for Appeals	1,358	-	1,358
137	Less: Cost of Collection	137	-	137
1,951		1,542	152	1,694
103,407	Total Expenditure	48,985	57,987	106,972
	Movement on Fund			
3,220	Surplus (-) / Deficit arising during the year	(4,071)	105	(3,966)
(300)	Surplus (-) / Deficit arising at 1 st April	3,862	(942)	2,920
2,920	Surplus (-) / Deficit arising at 31 st March	(209)	(837)	(1,046)

Notes to the Collection Fund Statement

Note 1. Council Tax

The Council is required to calculate a tax base each year and this is divided into the total precept requirement for Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the band D council tax figure of **£1,635.01** for 2016/17.



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

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

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	7.69	5/9	4.27
A	5,448.39	6/9	3,628.63
B	8,586.06	7/9	6,671.37
C	9,218.20	8/9	8,185.76
D	5,363.69	9/9	5,363.69
E	4,070.44	11/9	4,974.08
F	2,579.00	13/9	3,724.07
G	1,471.49	15/9	2,451.50
H	65.56	18/9	131.12
			35,134.49
		Less allowance for non-collection	(491.88)
		Contributions in lieu (MOD properties)	129.10
		COUNCIL TAX BASE 2016/17	34,771.71

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

The tax base multiplied by the average band D council tax of £1,635.01 provided an original estimate of income, including council tax benefit, of £56,852,126 for 2016/17. The actual income for 2016/17 was £57,882,624 thus exceeding expectations by 1.8%

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 £114,162,057 at 31st March 2017 (£111,262,579 in 2015/16). The non-domestic rating multiplier for 2016/17 was 49.7p (49.3p in 2015/16) and the small business non-domestic rating multiplier was 48.4p (48.0p in 2015/16).

Note 3. Collection Fund Balance Apportionment

The Collection Fund balance as at 31st March 2017 will be split between the authorities and recovered in 2018/19 in the following proportions:

2015/16 Total £'000		Council Tax 2016/17 £'000	Business Rates 2016/17 £'000
1,931	Central Government	-	(104)
(331)	Warwickshire County Council	(639)	(21)
(113)	Office of the Police and Crime Commissioner for Warwickshire	(99)	-
1,433	Rugby Borough Council	(99)	(84)
2,920		(837)	(209)

The Balance Sheet as at 31st March 2017 will include a net debtor for each of the precepting authorities' share of the Collection Fund surplus.

The Council's share of the overall surplus on the Collection Fund of £183,000 is recognised in the Comprehensive Income and Expenditure Statement in 2016/17, but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

Collection Fund Adjustment Account

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

Total		Council Tax	Business Rates	Total
2015/16		2016/17	2016/17	2016/17
£'000		£'000	£'000	£'000
136	Balance at 1 st April	(112)	1,545	1,433
1,297	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.	13	(1,629)	(1,616)
1,433	Balance at 31 st March	(99)	(84)	(183)



INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the Members of Rugby Borough Council

We have audited the financial statements of Rugby Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements 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 the related notes (which include the Expenditure and Funding Analysis). 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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.

Respective responsibilities of the Head of Corporate Resources and Chief Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Head of Corporate Resources and Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Corporate Resources and Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report, and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

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

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Respective responsibilities of the Authority and auditor

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.

We are required under Section 20(1)(c) of the Act 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.



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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Grant Patterson

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

The Colmore Building
Colmore Plaza
Birmingham
B4 6AT

29 September 2017

ANNUAL GOVERNANCE STATEMENT 2016/17

1. SCOPE OF RESPONSIBILITY

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement. The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's annual governance statement for 2016/17.

2. WHO IS RESPONSIBLE FOR ENSURING GOOD GOVERNANCE?

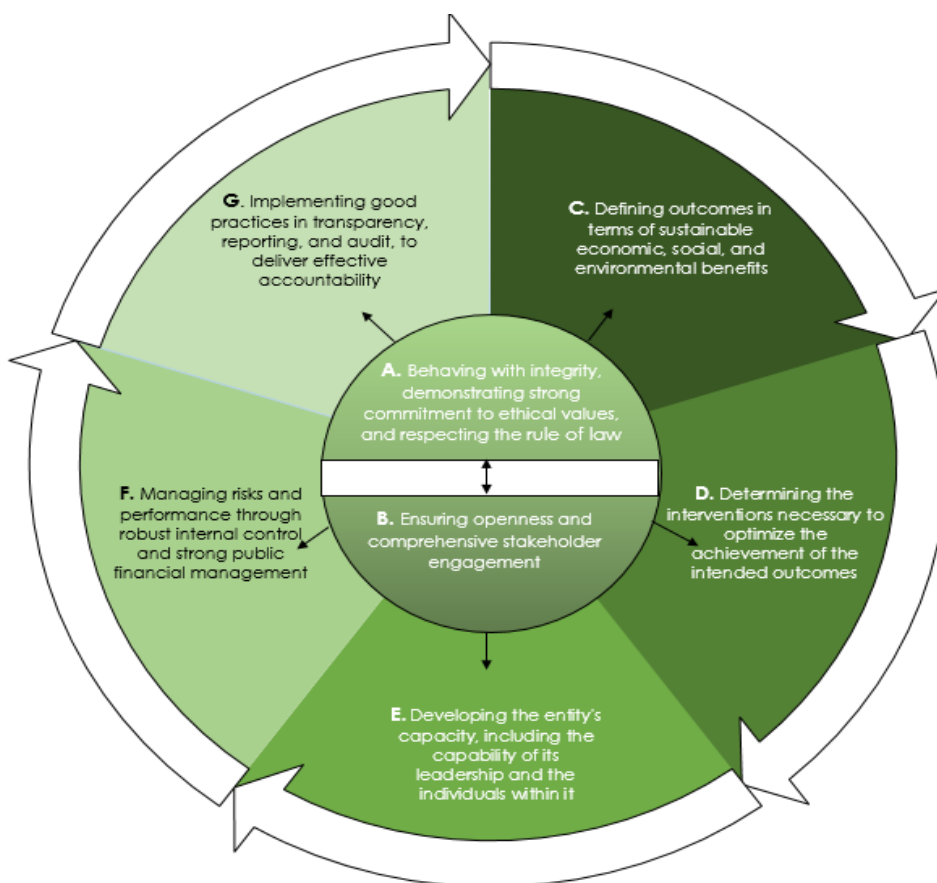
- 2.1 The Council's governance arrangements are overseen by the Audit & Ethics Committee. The Executive Director has overall responsibility for ensuring that effective controls and processes are implemented across the Council and these are regularly reviewed and updated. Regular reports are submitted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

3. WHAT THIS STATEMENT TELLS YOU

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

4. THE PRINCIPLES OF GOOD GOVERNANCE

- 4.1 The principles of good governance are set out in the new CIPFA Framework for Delivering Good Governance in Local Government 2016. The new framework is different in a number of ways, in particular the positioning of 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 new framework and also meets the requirements of the Accounts and Audit Regulations 2015 (England).
- 4.2 Good governance is dynamic, and the Council is committed to improving its governance on a continuing basis through a process of evaluation and review. The diagram below, taken from the International Framework for Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.



Principles A and B permeate implementation of principles C to G

5. THE GOVERNANCE FRAMEWORK

- 5.1 The governance framework comprises the policies, plans, systems, processes, culture and values (the system of 'internal control') that the Council has in place to ensure its intended outcomes for stakeholders and the community are defined and delivered. To deliver good governance objectives must be achieved whilst also acting in the public interest. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 5.2 The governance arrangements are designed to ensure that an appropriate and proportionate approach is taken to managing risk whilst ensuring that objectives are achieved. The governance framework has been in place for the year to the date of approval of this annual governance statement. The arrangements are not designed to eliminate all risks but rather provide a reasonable degree of assurance of effectiveness.
- 5.3 The governance framework and an assessment of its effectiveness are set out on the following ten pages.

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

Arrangements in place

- Member and officer codes of conduct
- Confidential Reporting Code
- Counter Fraud, Bribery and Corruption Strategy
- Fraud Response Plan
- Contract Standing Orders
- Declaration of interests procedure
- Register of interests
- Register of gifts and hospitality
- Customer feedback and complaints procedure
- Equalities & Diversity policy statement
- Information security policies and a Chief Information Officer in post
- Newly updated corporate values which all employees are expected to act in accordance with
- Recruitment/ selection procedures aligned with corporate values
- A new standard template has been developed for 1 to 1 meetings between managers and staff, ensuring that corporate values are embedded and adhered to
- An internal audit review has been scheduled in 2017/18 to provide assurance that corporate values are embedded across the organisation
- The Council participates in the National Fraud Initiative
- Delivery of fraud and corruption awareness training
- 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

Effectiveness and future developments

A revised Counter Fraud Strategy and Fraud Response Plan were implemented during 2016/17 which has led to a more consistent approach to investigation of irregularities across the Council and improved awareness amongst staff. Furthermore, dedicated time has been set aside within the internal audit work plan to ensure that resources are available to thoroughly investigate any allegations and to enable proactive risk based testing to be conducted during the year.

New corporate values were developed in full consultation with almost 200 employees involved in their development. There is a high commitment to embedding the values across the organisation. A behaviours document will be issued to all officers and compliance will be mandatory. Rolling licensing committee training has been provided to members leading to a clearer evaluation of prosecution cases. Regulatory training has been provided to planning committee members leading to a greater awareness and understanding when making decisions, leading to a reduction in appeals.

The feedback and complaints procedure is robust, however at present there is formal analysis of feedback undertaken to identify common themes or issues for which lessons may need to be learnt across the organisation. Furthermore, positive feedback is not always celebrated and recognised in a consistent manner.

See Action 1.

The Council's information security procedures are comprehensive but the new General Data Protection Regulations take effect in May 2018 and steps need to be taken to implement and embed the regulations across the Council. **See Action 2.**

The Council's voluntary and community grants working party has issued approximately £250,000 in funds to benefit our citizens and communities. Applications are subject to a consistent evaluation process. Outcomes are clearly defined in Service Level Agreements and delivery is monitored.

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

Arrangements in place

- The Council publishes a range of information including meeting agendas and reports, financial and procurement data, invitations to tender, senior officer salaries, the contracts register, annual governance statement and financial statements, corporate performance information, planning applications and decisions and section 106 agreements.
- The strategic risk register is scrutinised by the Audit & Ethics Committee with open reporting to Cabinet.
- The Council consults widely and comprehensively with stakeholders on its proposals. Wider engagement takes place via the West Midlands Combined Authority and the Local Enterprise Partnership.
- There is a Scrutiny Committee work programme in place, with members of the public invited to recommend topics and attend annual work planning meetings.
- A Forward Plan is in place setting out what consultation will be undertaken in advance of decisions being made, and with whom.
- The Council has retained its Equality & Diversity "excellent" accreditation and Equality Impact Assessments are completed for Council decisions.
- Communications strategy in place
- Customer feedback and complaints procedure
- Active engagement with employees takes place in a number of ways including through a bi-annual survey, regular employee briefings, core briefs, and the corporate management forum and through the Joint Union Consultation Forum.

Effectiveness and future developments

On May 24th 2017 the Council was reaccredited as "excellent" under the equalities framework for local government, the first and only district Council to have achieved the reaccreditation.

The Council uses a range of approaches to engage with communities including through associations, forums, leafletting, parish councils, drop in events, Facebook, our website, surveys, and face to face. There is a contract with language line to support any face to face communication issues and the Council accesses the Warwickshire County Council interpretation and translation service to translate written documents.

The Council is a partner of Warwickshire Observatory, which provides information and intelligence about Warwickshire and its people. The information provided was used to inform the Council's vision for Rugby Town Centre and to inform the development of the Corporate Strategy for 2017-20. The information is also used by staff when completing Equality Impact Assessments, which helps to ensure that decisions are taken after due consideration of the impacts across the community.

There is an annual 'Our Rugby, Our Future' event which enables voluntary and community sector and statutory partners to contribute their views on progress on the Regeneration Strategy priorities and amend them as appropriate. This informs the work which is undertaken with community partners.

Consultation is also undertaken with staff and trade unions in developing employment policies. During 2016/17 there was consultation on proposed changes to staff terms and conditions; staff were kept informed of progress and amendments were made to the proposals as a result.

Cross party working parties are operated as an additional measure which ensures engagement with all members on key Council decisions.

As part of the strategy of ensuring the Council is fit for the future, residents helped shape changes to the way the housing warden service is delivered. This resulted in improved service resilience and consistency of service quality whilst delivering greater efficiency and value for money. Furthermore, the residents' panel and housing association champions provide greater community involvement and shaping of decisions which concern them.

In Brownsover, funding has enabled the delivery of a job club – the Brownsover Buddy Club – in partnership with Christ Church, Benn Partnership Centre and Boughton Leigh Children's Centre. The Club delivers 2 sessions per week with activities including training in the use of computers and on-line adult learning. Over 150 local residents have been supported, the majority of whom have found employment as a result.

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

Arrangements in place

- A new Corporate Strategy was approved which was subject to a public consultation exercise
- Medium Term Financial Plan is regularly reviewed and updated
- Cabinet and Committee reports set out the impact of changes on stakeholders
- Strategic and operational risk registers are in place, and a register of corporate risks will be developed in 2017.
- A "clean" Value for Money opinion was received from the external auditors in 2016.
- As part of plans to ensure the Council is fit for the future, decisions are being taken for the long term including implementation of green waste charges, digitalisation of services and internal processes, a forward plan for the Rugby Art Gallery and Museum, and through the commercialisation agenda.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a clear vision for Rugby Town Centre including an action plan and marketing plan.

Effectiveness and future developments

It was a successful year for the borough's parks and open spaces; Rugby gained a gold award in both the regional Heart of England in Bloom and the National Britain in Bloom campaigns. The Council received 5 Green Flag awards including Caldecott Park and Centenary Park, with the latter being recognised as the most improved park in the country by the Fields in Trust. Funding was secured from the Woodland Trust to plant over 28,000 trees and the Council supported over 8,000 hours of volunteer activity on its green spaces.

As an indicator of its success the Play Team resources have been significantly increased in order to accommodate demand. The service helps local schools to deliver their healthy schools agenda by running breakfast clubs where healthy eating and physical activity are encouraged. Park sessions are run with families to encourage them to use the green spaces in the local area and young people are stakeholders in the design of play facilities. The service also runs youth clubs for children.

In the Benn Ward area local residents were educated to take responsibility for their own waste; residents are now taking the lead in ensuring the area is kept clean. In March 2017 the Council launched a new campaign to crackdown on fly tipping and in 2016 more than 1,400 fly tipping incidents were dealt with.

The Council delivered a number of improvements to enhance the public realm of the Town Centre including replacement and refurbishment of timber benches, improvements to car park lighting, and replacement of town centre car park pay and display machines.

Through the Council's on-going crime and disorder initiatives serious violent crime was reduced by 7.5%, domestic burglary was reduced by 9% and every Council supported victim of anti-social behaviour saw a reduction in their vulnerability.

In January 2017 work commenced to improve a flood-prone stretch of the Great Central Way footpath and cycle way between the Clifton Road bridge and Hillmorton's Pytchley Road.

The Rugby Multilink project was also launched, offering free advice and support to the Polish speaking community. The project links established Polish speaking residents with new residents in need of help and support.

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

Arrangements in place

- We manage performance through local and management performance indicators; this enables intervention to be targeted where it is needed.
- The service planning process is designed to ensure that we target the actions necessary to deliver our Corporate Strategy.
- The corporate performance management system (RPMS) is used to monitor the delivery of action plans.
- Following a restructure of the senior management team in 2016 there are now four distinct service areas and a dedicated member portfolio holder for each service.
- Committee and Cabinet reports set out the risks and options associated with decisions.

- A “clean” Value for Money opinion was received from the external auditors in 2016 and the Contract Standing Orders and financial instructions are designed to ensure best value.
- Quarterly finance and performance reports are submitted to and reviewed by Cabinet.
- An annual budget report is submitted and there is an established budget setting process.
- The Medium Term Financial Plan is regularly reviewed and updated.
- The Council consults widely on its proposals considering the economic, social and environmental impacts of plans, policies and decisions.
- There is a Forward Plan of key decisions and a scrutiny committee arrangement in place.
- A customer feedback and complaints procedure is in place.

Effectiveness and future developments

Together with the Newbold-on-Avon Community Partnership the Council transformed a former allotment site on Parkfield Road into a flagship green space with a sensory garden, wildlife zones, a butterfly bank, picnic area and nature trail.

The Council led a partnership bid from the Warwickshire Together Homelessness Early Intervention Project to secure a £855,000 grant from the Department for Communities and Local Government's Homelessness Prevention Trailblazers fund.

As part of the corporate strategy the Council continued to facilitate investment and growth in Rugby. This is evidenced by the commencement of a new community development at the site of the old Rugby Radio Station, the granting of planning permission for phase 2 of the Elliott's Field retail park and the launch of new promotional branding for the town centre. The Council received the best 'Small Business Friendly' award at the Federation of Small Business' annual Local Authority awards.

Difficult decisions were taken during 2016/17 to ensure that the Council is financially fit for the future, including the introduction of green waste collection charges. These decisions enabled the Council to continue presenting a sustainable balanced budget and will enable highly valued local services to be preserved whilst delivering the outcomes set out in the corporate strategy.

Whilst service planning is embedded in the Council's approach to achieving its corporate strategy, delivery of associated action plans is not closely monitored and there is scope to directly link our key performance measures back to the outcomes set out in the strategy. **See Action 3.**

The Council continued to implement systems thinking reviews. These reviews involve challenging existing internal processes and are focussed on improving the customer experience. An example of a successful outcome was the housing review which led to a reduction in the number of customer complaints and an increase in the number of compliments.

The Council brokered agreements with key community groups in the five most deprived neighbourhoods in the Borough. This enabled the provision of core funding towards the running of community centres and delivery of other community priorities.

PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Arrangements in place

- Each member of the senior management team undertakes professional development appropriate to their role.
- The respective roles of the Executive Director and Leader are clearly defined.
- The senior management team meets formally every two weeks and informally every week and Cabinet meets on a regular basis.
- Section 151 (Chief Finance) and Monitoring Officers are in post.
- The Constitution sets out roles and responsibilities and the Council's decision making process. An approved scheme of delegation is in place. Contract Standing Orders and associated toolkits are designed to ensure procurement activity is cost effective and ethical.
- Registers of gifts, hospitality and conflicts of interest in place.
- Protocol in place setting out the relationship between and roles of members and officers.
- Member training and development programme in place including dedicated training for planning and licensing committee members.
- Thorough induction processes are in place for all new employees and members, linked to the corporate values.
- Job profiles clearly set out the responsibilities of officers throughout the organisation.
- Learning and Development Strategy and Corporate Learning Group in place.
- There is a system of regular team meetings and one to one meetings between managers and staff.
- Employee health and wellbeing days are arranged and confidential employee counselling support is available at all times.
- A comprehensive suite of training and development courses is offered to all employees.
- All managers are expected to complete the "Way We Manage" training programme.
- Corporate Management Forum in place.
- 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.

Effectiveness and future developments

Due to the challenging financial climate, there was a restructure of the senior management team in 2016. As a result the Council now has four portfolio holders who form the Cabinet along with the Leader. Following the restructure the Council now has one Executive Director and four Heads of Service aligned with the portfolios. The restructure provided savings of circa £200,000 per year.

The Council has a Corporate Apprenticeship scheme and there have been 24 apprentices since the scheme started. The apprentices provide a range of valuable support to various Council services whilst undergoing a structured programme of self-development.

Over 100 managers have completed the Council's "Way We Manage" corporate training programme. This is a significant investment in the workforce. The training includes governance issues such as financial management, performance management, health and safety and procurement procedures.

A more consistent format has been developed for one to one meetings between managers and staff. A standard formal agenda will be issued which will enable staff development needs to be identified and addressed throughout the year rather than at six monthly intervals.

As part of a wider review of the Constitution and given that there is no longer a Standards Board, in 2017 the Council will review, update and communicate our protocol for member/ officer relations. **See Action 4.**

An employee health and wellbeing day was held in March 2017 at which staff were offered free mini health checks including blood pressure and cholesterol, taster massage and reflexology sessions, financial advice and access to a wealth of health information. This event is run annually.

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

Arrangements in place

- The Council has a risk management strategy in place which is reviewed and refreshed annually. Strategic and operational risk registers are in place. Senior management, Audit & Ethics Committee, Cabinet, Strategic Risk Management Group, and the Health & Safety Members Working Party, all oversee the risk management arrangements.
- A regular risk assessment of the Council's financial reserves and balances is conducted. Key risks are identified and the financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- Financial information is published on a regular basis and established and embedded budget setting and monitoring procedures are in place.
- Cabinet and Committee system in place including two scrutiny committees and an Audit & Ethics Committee with independent Chair and Vice Chairs.
- 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.
- In 2017 work will be completed to align service planning and KPIs to the new Corporate Strategy.
- A corporate system is used to monitor, manage and report performance and conduct verification checks on the quality of our data. Performance data is reported quarterly to Cabinet and is reviewed by a scrutiny committee.
- Data sharing protocols are in place covering, for example, the HEART service, Trailblazer and the County Counter Fraud Initiative.

Effectiveness and future developments

The Council realised a General Fund underspend of £403,010 for the year. A further £5 million was invested in the borough's housing stock by replacing windows and doors in over 1,350 properties, replacing 126 gas central heating systems and 123 kitchens. The time taken to fill an empty housing property was reduced from 39 days to 26. This reduction equated to increased rental income of circa £50,000.

The annual report of the Corporate Assurance and Improvement Manager provides a Substantial level of assurance that the Council has an adequate and effective control environment in place. An internal audit review of corporate Health & Safety, however, resulted in only Limited assurance. A full action plan was agreed with management and delivery is being monitored by internal audit, senior management, and the health & safety members' working party and by the Audit & Ethics Committee.

An internal audit service improvement plan was delivered during 2016/17. This included full implementation of Risk Based Internal Auditing (RBIA) which is recognised as best practice. The work of internal audit has been aligned more closely with the aims and risk profile of the organisation and the service is responsive to emerging issues and risks. Linkages between the results of internal audits, the associated risks and actions have been enhanced.

A full review and update of corporate performance indicators was completed during the year to ensure that measures are relevant to the needs and objectives of the organisation.

Cabinet approved a new Anti-Fraud, Bribery and Corruption Strategy in 2016/17 in addition to a Fraud Response Plan. Training was provided to managers in April 2017 and in support of the strategy fraud risks were assessed by internal audit with actions put in place where necessary.

A review of operational risk registers highlighted a number of risks which cut across service areas and which need to be considered at a corporate level. Officers will develop a corporate risk register in 2017 to ensure these risks are effectively managed through our Strategic Risk Management Group. **See Action 5.**

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Arrangements in place

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- All reports are subject to a robust internal review process to ensure they are presented in an understandable style.
- The performance information set out in the financial statements is prepared in consideration of the presentational approach adopted by other similar authorities.
- There is an open data section on the Council's website.
- Implementation of external audit recommendations is monitored by the Financial Services Manager and Deputy Section 151 officer.
- Implementation of internal audit recommendations is monitored by the Corporate Assurance and Improvement Manager and reported to senior management and the Audit & Ethics Committee.
- The Corporate Assurance and Improvement Manager is provided with direct unfettered access to the Chair and Vice Chairs of the Audit & Ethics Committee.
- The Council submits itself to external peer reviews including by the Local Government Association, and in May 2017 welcomed an equalities and diversity peer review and challenge. Action plans arising from these reviews are monitored by the senior management team.

- An internal audit review of governance arrangements for jointly managed organisations and partnerships is scheduled for 2017.
- Invitations to tender are published.

Effectiveness and future developments

As outlined in the action plan arising from last year's annual governance statement, the contracts register was updated and published. Details of senior officer salaries were also published.

The Annual Audit Letter for 2015/16 provided assurance over the Council's financial control and overall governance arrangements.

The presentation of the Council's financial statements was redesigned for 2016/17 to make them easier to read and for stakeholders to understand. The design of this annual governance statement has also been updated to make it easier to read, and it has been prepared in line with good practice guidelines published by the Chartered Institute of Public Finance & Accountability (CIPFA). Furthermore, the draft financial statements and annual governance statement are being published one month earlier than previous years; this provides stakeholders with more timely information and new publication timetables have been met a year ahead of schedule.

In May 2017 the Council welcomed an external review which resulted in it being the first and only district authority to be recredited as "excellent" under the equalities framework for local government.

An internal audit review of the Council's governance arrangements for jointly managed organisations and partnerships has been scheduled for 2017. In line with recommended practice the results of this review will be published. **See Action 6.**

Whilst the Council's corporate performance information is published within Cabinet and scrutiny committee reports and in the financial statements, in 2017 this information will be made easier for stakeholders to access because it will be added to the open data section of the website. **See Action 7.**

In September 2017 the internal audit service will partake in an independent external quality assessment. The results will be reported to senior management and the Audit & Ethics Committee and the service improvement plan will be updated to reflect the results of the review. **See Action 8.**

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

	Improvement Action	Assessment of Progress
1	Production of the detailed Medium Term Financial Plan (MTFP) for 2017-21	Completed The MTFP was presented alongside the proposed budget for 2017/18.
2	Development of Business Continuity Plans for critical services	Not completed This action has been on hold pending a review of the structure of corporate health and safety and resilience service. Expected completion December 2017. See Action 9
3	Completion of self-assessment against the Equalities Framework for Local Government	Completed Following an external review the Council was reaccredited as "excellent" under the framework.
4	Review and update of the Constitution to reflect the restructure of the Council's senior management team	In progress This has now formed part of a wider review and update of the Constitution expected to be complete by November 2017. See Action 10
5	Introduction of a dedicated governance forum	In progress The format of the forum was discussed at the Strategic Risk Management Group in April 2017 and following consideration by senior management it will be introduced by December 2017. See Action 11
6	Review and update of the Code of Conduct for Officers	In progress This is being aligned with the review and update of the Constitution. See Action 10
7	Fully implement and embed the new Anti-Fraud, Bribery and Corruption Strategy	In progress Significant progress has been made. Risk exposures have been assessed, a response plan has been developed and training provided to managers. Further training will be provided to members and individual teams. See Action 12
8	Review, update and publication of the Confidential Reporting Code	Completed Will be published alongside the updated Constitution.
9	Complete the review, update and publication of the Contracts Register	Completed Updated register published in February 2017.
10	Update the published details of senior officer salaries on the Council's website	Completed Updated details published in December 2016.
11	Fully implement the Internal Audit service improvement plan, including Risk Based Internal Auditing (RBIA)	Completed Progress was regularly reported to the Head of Corporate Resources and Chief Finance Officer, and Audit & Ethics Committee during 2016.
12	Complete the review and streamlining of the Council's suite of performance indicators	Completed Review completed in March 2017. Further work planned in 2017 to align key performance measures with the new corporate strategy.

7. UPDATED ACTION PLAN

	Action	Lead officer	Target completion date
1	Update the feedback and complaints procedure, ensuring that: <ul style="list-style-type: none"> • Common themes are identified for which lessons may need to be applied across the Council; and • There is a common approach to recognising and celebrating positive feedback from customers. 	Executive Director	December 2017
2	Implement and embed compliance with the new General Data Protection Regulations.	Executive Director	May 2018
3	Review and update the service planning process, ensuring that delivery of action plans is monitored and that there are clear linkages between key performance measures and the outcomes envisaged in the corporate strategy.	Head of Corporate Resources and s151 Officer	September 2017
4	Review, update and communicate the protocol for member/ officer relations	Executive Director	November 2017
5	Develop a corporate risk register; ensuring risks are effectively managed through the Strategic Risk Management Group.	Head of Corporate Resources and s151 Officer	December 2017
6	Complete and publish the review of governance arrangements for jointly managed organisations and partnerships.	Head of Corporate Resources and s151 Officer	March 2018
7	Add corporate performance information to the open data section of the Council website	Head of Corporate Resources and s151 Officer	December 2017
8	Report the results of the internal audit external quality assessment to the Audit & Ethics Committee and update the service improvement plan to reflect the results of the assessment.	Head of Corporate Resources and s151 Officer	November 2017
9	Develop Business Continuity Plans for critical services	Executive Director	December 2017
10	Review and update of the Constitution, including the Code of Conduct for Officers	Executive Director	November 2017
11	Introduce a dedicated governance forum, ensuring that any emerging governance issues are reviewed and addressed during the year.	Executive Director	December 2017
12	Fully implement and embed the new Anti-Fraud, Bribery and Corruption Strategy, including provision of further training to members and individual teams	Head of Corporate Resources and s151 Officer	March 2018

8. SUMMARY, CONCLUSION AND CERTIFICATION

- 8.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 8.2 This statement has been considered by the Audit & Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. A number of future developments have been highlighted and these are specifically addressed within the Action Plan.
- 8.3 The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2017/18.
- 8.4 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations.

Adam Norburn - Executive Director

Date:

Councillor M Stokes - Leader of Rugby Borough Council

Date:



GLOSSARY OF TERMS

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Appointed Auditors

From 1st April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton is the Council's appointed Auditor.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Accounts.



Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Department for Communities and Local Government (DCLG)

DCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.



Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patent



International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Non Domestic Rate (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

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

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).



Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Section 106 (Developer) Contributions

Planning obligations are legal contracts made under section 106 of the 1990 Town and Country Planning Act. They are generally entered into by agreement between councils and landowners.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.