

Agenda Item No 7

Executive Board

15 February 2021

**Report of the
Corporate Director Resources**

The Capital Strategy

1 Summary

- 1.1 This report updates the Capital Strategy approved by the Council in February 2020.

Recommendation to the Council

That the Capital Strategy, attached at Appendix A, be approved.

2 Introduction

- 2.1 In December 2017, CIPFA issued a revised Prudential Code with a focus on non-treasury investments and especially on the purchase of property with the intention of generating income. Such purchases may involve undertaking external borrowing to finance these acquisitions or utilising cash balances which exposes the council to risk. The revised code now requires all authorities to produce a detailed Capital Strategy.
- 2.2 The Council has had an approved Capital Strategy, which is updated on a regular basis, for a number of years.

3 Capital Strategy

- 3.1 The Capital Strategy forms a key part of the Council's overall Corporate Planning Framework and Medium Term Financial Strategy. It provides a mechanism by which the Council's capital investment and financing decisions can be aligned over a medium term planning horizon.
- 3.2 The Capital Strategy describes the Authority's priorities and its approach to capital investment. It also describes how the use of capital resources will contribute to the achievement of the Council's objectives and desired outcomes.
- 3.3 The Strategy overlaps with the Treasury Management Policy, as it now includes the limits for external borrowing. It also sets out the Council's approach to commercial activities and how risk will be assessed in taking opportunities forward.
- ... 3.4 The revised strategy is attached as Appendix A.

4 Report Implications

4.1 Finance and Value for Money Implications

4.1.1 An assessment of future expenditure requirements and available resources has been undertaken in the capital programme report later on this agenda.

4.1.2 The Public Works Loans Board (PWLB) is a good source of borrowing for local authorities. To access this funding in the future, the Council will need to ensure that the capital programme doesn't include any purely commercial schemes. Schemes that have both service and commercial elements are permitted.

4.2 Legal and Human Rights Implications

4.2.1 The Council has a fiduciary duty to its taxpayers maintain its assets and a duty to maintain a record of those assets as part of its accounting records.

4.3 Environment and Sustainability Implications

4.3.1 The use of an effective Capital Strategy will make the most of the resources available to the Council. This will help to achieve the Council's aims, benefiting all who live and work within the Borough.

4.4 Risk Management Implications

4.4.1 The Council has limited resources in both capital and revenue terms and needs to ensure these are used effectively. The use of a Capital Strategy will ensure that resources are directed towards the Council's priorities.

4.5 Equalities Implications

4.5.1 The Capital Strategy needs to be equality assessed for impact and needs. If and when decisions are made in relation to the Capital Programme, then individual bids will need to be Equality Impact Assessed (EIA) to determine any adverse impact which may affect local communities.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
The Capital Strategy	NWBC	Report to Executive Board	10 Feb 2020

THE CAPITAL STRATEGY 2021/22

1 Introduction

- 1.1 The Council's vision is to "*protect the rurality of North Warwickshire, support its communities and promote the wellbeing of residents and businesses.*" To do this we provide many services for the people who live or work in or visit the Borough, with the aim of improving the quality of life in North Warwickshire.
- 1.2 The Council has a number of plans and strategies relating to different areas of its business, including: the Housing Strategy and HRA Business Plan; the Local Development Framework; the Green Space Strategy; and the Playing Pitch and Play Strategy. The Council uses a Corporate Plan to set out its corporate and service objectives and to provide a framework for individual service plans over the next three years. The Corporate Plan therefore provides the focus for the capital strategy and capital programme.
- 1.3 The purpose of the capital strategy is to show how the Council determines its priorities for capital investment, decides how much it can afford to borrow and sets its risk appetite.

2 Capital Investment Programme

- 2.1 Capital Investment is the term used to cover expenditure which provides value for a period of more than one financial year. This includes expenditure on:
- property, plant and equipment – assets held for use in the production or supply of goods or services, or for administrative purposes;
 - heritage assets – these may relate to the Council's history or local area;
 - investment properties – properties used solely to earn rentals and / or for increases in value; and
 - intangible assets – spending where long term benefit is obtained, but a physical asset is not evident, such as computer software.
- 2.2 The Council is required to maintain both a General Fund Account and a Housing Revenue Account. The General Fund Account covers the majority of the services provided by the Council, with some funding from residents of the Borough through Council Tax. The Housing Revenue Account covers the management and maintenance of the Council's housing stock, and is funded by rental income from tenants. Capital investment for the two accounts is considered separately, due to the different funding arrangements.
- 2.3 Within the strategic framework, key priorities for capital investment over the medium term are, subject to availability of resources, as indicated below:
- to meet the Authority's statutory duties, secure the safety of the public, its tenants and the Council's own employees, and meet operational requirements for information technology, vehicles and equipment.
 - to maintain the Council's existing housing stock to an acceptable standard, and to increase the stock where possible and cost effective.
 - to increase affordable housing within the Borough, through a variety of means. The Council may act as an enabler, or a direct provider.

- to address the problems of public and private sector dwellings, which are unfit for purpose.
- to secure the long-term availability and viability of key facilities provided by the Council and, at the same time, ensure they meet the changing needs and demands of users.
- to deliver services in ways that will best fit the needs of its citizens, at an affordable cost. The key priorities are to look at ways of providing 'joined up' services and better access to services.
- to assess the options for implementing the action plan stemming from the Green Space Strategy, including the maximisation of external funding and partnership working.

3 Funding for Capital Investment

3.1 The Capital Investment Programme can be funded from the following sources:

- Capital receipts from asset sales. The Council's main source of receipts come from the Right to Buy sales of council homes;
- Government grants. These may be government grants for specific purposes, such as Disabled Facilities Grant;
- External contributions, such as Section 106 developers' contributions towards the public services and amenities required for development. The Council can also attract partnership funding from other agencies;
- Capital Reserves. The Council has reserves which it has put aside for capital spending;
- Revenue contributions. Revenue balances from both the General Fund and Housing Revenue Account may be used to support capital expenditure (relating to the relevant account); and
- Borrowing (also known as the Capital Financing Requirement). The Council is allowed to borrow to support its capital expenditure as long as this is prudent, sustainable and affordable.

4 Approach to Prioritising Investment

4.1 The main factors in determining the size of the capital programme are the requirements for capital spending, the availability of resources for capital projects and the impact of the programme on the Council's revenue budgets. However, some resources are specific to a particular scheme or service, and this must also be taken into account.

4.2 The expected resources available for capital spending are pulled together over both a three and ten year period and are shown in the table below. Looking at both time periods allows capital resources to be balanced over both a medium and longer term. Resources are recorded for both accounts, to ensure that spending for each account remains within the resources available to it.

	3 Years £000	10 Years £000
HRA	18,097	57,680
General Fund	6,375	11,895
TOTAL	24,472	69,575

- 4.3 Funding from Right to Buy receipts have been assumed in resource projections, but this source of funding has a degree of risk associated.
- 4.4 Funding for the construction of affordable houses will be generated from a number of sources which includes an annual contribution from rental income, receipts from the sale of land and houses, and grants received through partnership working. Right to Buy Sales above the forecast level in the HRA business plan can be used to offset the construction of new affordable housing.
- 4.5 The demand for capital spending is consistently higher than the funding available. In order to decide which schemes should be included in its capital programme, the Council prioritises the capital schemes put forward. The assessment criteria used include:
- the contribution to corporate and community plan priorities,
 - if spending enables a statutory obligation to be met;
 - if spending is to maintain an asset;
 - if external funding is available;
 - the revenue impact of individual schemes; and
 - the risk of not taking the scheme forward.
- 4.7 The Service Boards consider their support for individual schemes. Subject to consideration of any comments from the Service Boards, the Executive Board approves a three year programme. The first year is taken as being firm and schemes are put in hand. The later two years are provisional and only preparatory work is allowed to go ahead. The aim is to maintain a small but balanced programme over a ten-year period.
- 4.8 The consistent shortfall in funding has meant that the majority of non urgent General Fund projects have been excluded from the programme. Some of these schemes will become more urgent as time passes, and the Council will need to take steps to address the funding gap.
- 4.9 The proposed programme for the next three years is summarised below:

	3 Year Programme £000
HRA	16,848
General Fund	8,025
TOTAL	24,873

5 Revenue Implications of Capital Investment

- 5.1 The revenue impact of capital expenditure is itself a key factor in capital investment and is considered as part of any bid for capital resources. When approving the capital programme, the Executive Board is made aware of the revenue implications of each scheme and these are built into the budget, which is considered at the same time. These will include any borrowing costs (internal or external) as well as any increased operational costs.
- 5.2 The use of leasing to finance vehicle replacement was used in the past, however it is currently more cost effective to finance the expenditure through borrowing. External borrowing has therefore been assumed for the vehicle replacement programme. Any additional borrowing would only be added to the revenue budget, on a scheme by scheme basis.
- 5.3 Some projects may provide revenue savings, by reducing future running costs or by generating income. However others won't. The Authority will spend money to save money, and will seek the capital resources for investments that will increase efficiency or reduce revenue expenditure.

6 Managing and Monitoring the Capital Programme

- 6.1 The Executive Board approves the capital strategy of the Authority and subsequently a three-year expenditure programme. The Resources Board undertakes the monitoring and management of the capital programme throughout the year. Progress against the programme is reported to Resources Board, together with the explanations for any variances. The Resources Board also review the outcomes of the spending undertaken.
- 6.2 The Council has a Corporate Property Officer who is responsible for the management and maintenance of the Council's portfolio of General Fund assets. This is the Council's Corporate Director of Streetscape. The Director of Housing is responsible for the management and maintenance of assets within the Housing Revenue Account.
- 6.3 Resources Board manage the majority of the Authority's own property portfolio including Council housing, the potential disposal of surplus land and the efficient use of property. The Community and Environment Board also have a property management role, where it relates to leisure facilities.

7 Disposal of Capital Assets

- 7.1 The Authority does not have a large portfolio of assets that can be used to fund future investment. We are subject to Right to Buy legislation for council housing and have assumed the sale of 30 properties in projecting the resources in this strategy.
- 7.2 Any decision to dispose of other assets will be taken with full consideration of the economic position and requires the approval of the Resources Board. Decisions on the use of any additional receipts will be made by the Executive Board, taking into account the priorities of schemes that are currently excluded from the capital programme.

8 Commercial Activities

- 8.1 The Council has previously entered into some relatively low level commercial activity, in order to provide economic development opportunities for small businesses, through the provision of industrial units. These have worked well, and also provide a contribution towards the Council's overheads in the revenue budget. However additional spending on these assets is required in the future, which will require an assessment of the future value of the industrial units.
- 8.2 The Council is interested in looking at new commercial ventures, which will assist in service delivery and also provide revenue income streams. Each investment opportunity will be assessed on an individual basis, by the appropriate Service Board and Executive Board. They will only be progressed where there is a viable business case, following consideration of the costs and risks involved. Where appropriate, the Council will procure additional external resource when either there is insufficient officer availability or when specialist advice and support is required.
- 8.3 The Council has started to identify possible commercial opportunities for investigation. In the event that a commercial vehicle is needed to progress any of the opportunities, the Council will need to take professional advice on both financial and legal issues.
- 8.4 Any commercial activity undertaken will be monitored by the Resources Board, as part of its budgetary control monitoring.

9 Risk Appetite

- 9.1 Financial risks are closely monitored as part of the corporate risk management framework. The Council's risk appetite for commercial activities is likely to evolve as opportunities are assessed. Whilst recognising the importance of generating income to support services, the Council will seek

to balance income from more commercial ventures against the overall level of risk and the amount of reserves available to mitigate this risk.

- 9.2 The assessment of each commercial activity will include: the level of risk inherent in the income stream, the security held, the ability to realise assets or other security should the need arise and the level of income likely to be received from the commercial activity. The assessment will be used to ensure that the Council is not exposed to unknown, unmanaged or unacceptable risks. In this way the Council can judge what level of risk it is willing to take to achieve strategic outcomes, on a case by case basis.
- 9.3 The Council has previously taken a low risk approach to investment decisions, but has started to move to a managed risk approach in light of its service aspirations. An example is the agreed investment in the Materials Recycling Facility project.

10 Debt and Borrowing and Treasury Management

- 10.1 The Capital Financing Requirement (CFR) is the outstanding capital expenditure which has not yet been paid for from either revenue or capital resources, it is essentially a measure of the Council's underlying borrowing need. Where borrowing is used to fund capital schemes, the Council may borrow externally. However, the Council manages its cash balances as a whole and may choose to use internal cash, generated by holding reserves and the timing of cash flows, to finance capital schemes. Where the Council decides to borrow to fund capital expenditure the annual cost of borrowing is included within the revenue budget.

CFR	Original 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000
HRA	44,023	41,943	39,600
General Fund	16,726	17,597	16,997
Total	60,749	59,541	56,597

- 10.2 External borrowing was taken out to fund the 'buy out' of the housing stock from the national subsidy system. This is being repaid in line with the agreed strategy, which will reduce a substantial part of the debt, whilst giving opportunities in later years to maintain some debt if borrowing is required.
- 10.3 In recent years, internal borrowing has been used by the General Fund to fund some spending. It is currently a cheaper alternative than borrowing externally and the Council has sufficient cash flow to allow this. As reserves get spent, this internal borrowing will need to be replaced by external borrowing. Market rates are monitored, so that external debt can be sourced when appropriate.
- 10.4 Treasury Management, including the Council's approach to Investments, is covered in more detail within the Authority's Treasury Management Strategy.

11 Authorised Limit and Operational Boundary

- 11.1 There are two limits on external debt: the Authorised Limit and the Operational Boundary.
- 11.2 The Authorised Limit is a statutory limit determined under section 3 (2) of the Local Government Act 2003, which sets a boundary for overall borrowing by the Council. It provides for some headroom in the event of unexpected activity which results in an increased call on the Council's budgets but is not sustainable in the longer term.
- 11.3 A key control for treasury activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should

not (except in the short term) exceed the total of the CFR in the preceding year plus estimates of any additional capital borrowing in the years covered by the Medium Term Financial Strategy. The Operational Boundary is calculated using the expected activity included within the Council's budgets, with a small allowance for timing issues.

- 11.4 Both of these limits are monitored by the Resources Board as part of its monitoring of treasury management activity.

12 Provision for the repayment of debt

- 12.1 The Council is required to make prudent provision, by way of a charge to the revenue account, to repay the debt taken out. This must be over a period that is reasonably commensurate with that over which the capital expenditure provides benefit.
- 12.2 The Council has chosen to repay older General Fund debt using 4% per annum of the Capital Financing Requirement relating to the General Fund. Any borrowing taken out from 2011/12 onwards is repaid on a prudential basis, which requires an assessment of the life of the asset that the borrowing has been used for. Where possible the Council uses borrowing to fund longer dated spending, rather than assets with relatively short lives.
- 12.3 Repayment of HRA debt is in line with the external loans taken out.

13 Skills, Knowledge and Professional Advice

- 13.1 Internally the Council employs fully qualified and experienced staff such as accountants, surveyors and solicitors, and supports those staff to complete their Continuing Professional Development requirements.
- 13.2 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors. They assist with advice on the management of cash flows, investments and borrowings and with market information. The Council's VAT advisers are PSTax.
- 13.3 Treasury Management training for members of the Resources Board is provided periodically, or when requested.

14 Long Term View of Capital Expenditure Plans and Financing

- 14.1 After programming in all previously approved schemes and those which have been deemed essential, the Council has a small deficit in General Fund capital resources over the next ten years, which will need to be addressed before year 6.
- 14.2 Major schemes such as replacing existing leisure facilities are not included in the proposed programme for 2021/22 onwards. As detailed in the Council's Medium Term Financial Strategy, the Council is facing a significant reduction in its anticipated financial resources for General Fund activities. Given the current financial position, borrowing to fund the shortfall won't be an option, unless individual capital schemes are self funding. In order to progress these schemes therefore, external funding from other sources will be essential.

Report of the Management Team

The Proposed 3 Year Capital Programme 2021/22 to 2023/24

1 Summary

- 1.1 This report puts forward proposals for the Three Year Capital Programme and outlines the availability of capital resources and the options to meet any shortfalls.

<p>Recommendations to the Board</p> <p>a That the Board adopts the Revised Capital Programme for 2020/21 as set out in Appendix A;</p> <p>b That the Board adopts the 3 Year Capital Programme for the period 2021/22 to 2023/24 as set out in Appendix B; and</p> <p>Recommendation to Council</p> <p>c That the prudential indicators set out in Section 9 are approved, subject to any changes that may be required as a result of decisions taken during this evening's meeting.</p>

2 Background

- 2.1 The Council is permitted to borrow to fund capital expenditure, but no longer receives government support for any new borrowing. The Council has the ability to undertake unsupported borrowing and have forecast the use of this in order to fund the purchase of vehicles from the vehicle renewal programme, the works required to shops and flats at High Street, Coleshill and to contribute to the Material Recycling Facility (MRF).
- 2.2 The majority of housing capital spending is funded from the revenue generated through the Housing 30 Year Business Plan.
- 2.3 Other sources of finance are required to enable the Council to fund the Capital Programme and we will continue to be dependent on the use of capital receipts from the sale of Council Houses and land, together with external sources, such as specific grant funding.

3 2020/21 Revised Capital Programme

- ...
- 3.1 In relation to capital expenditure, Appendix A shows the originally approved programme for 2020/21 alongside the in year movements. The revised position is £2,710,710 less than the approved programme.
 - 3.2 There have been some virements made within the budget for the HRA Housing budget, but no change to the overall level of provision.
 - 3.3 Within the General Fund schemes, some provision has been left in the Disabled Discrimination Adaptations budget to cover the parking works in Baddesley and Baxterley, with the remaining budget of £262,310 being pushed back into 2021/22 and 2022/23. The replacement of the Financial Management System has been delayed until 2021/22.
 - 3.4 Budget provision of £1,074,000 for the Materials Recycling Facility, has been moved into 2021/22, whilst changes in the timings of the vehicle replacement programme requires £357,230 to be moved into 2021/22.
 - 3.5 The budget provision of £195,000 for the replacement of the roof cladding at Innage Park has been delayed until 2021/22, along with the schemes to replace the roofing at the Maya Restaurant and the Atherstone Leisure Complex. The Electrical Upgrade at the Old Bank House is also now expected to take place in 2021/22. The Council has received Disabled Facilities Grant funding of £794,290 and is expected to transfer this funding to the HEART project, as it has in recent years.
 - 3.6 The final actual expenditure out-turn for 2020/21 could still differ to the revised position shown. It is difficult to predict when some work will be completed and some schemes, like the Decent Homes Grants for Private Sector Housing are reliant on the timing of client claims for works over which the Council has no control. In line with normal practice, the Executive Board may be asked to approve the carry over of some of these budgets into 2021/22, once the final spend for 2020/21 is established.

4 Formulating the Capital Programme

- 4.1 The Council needs to control its capital programme carefully, firstly to ensure that available resources are targeted effectively towards meeting corporate targets and secondly, to take into account the effect that capital expenditure has on revenue budgets.
- 4.2 The capital programme, by its nature, is long term and therefore the initial programme drawn up is for a ten year period to 2030/31. However, as both expenditure and funding is difficult to predict so far in advance, a more detailed three-year programme has also been developed.

5 10-Year Capital Resource Forecast - 2021/22 to 2030/31

- 5.1 The resources for 2021/22 to 2030/31 have been estimated using the following assumptions:

- Capital receipts will be received from Right to Buy sales, with some receipts used to fund General Fund (GF) programmes. The Council has entered into an agreement with the government which allows the retention of a greater proportion of these receipts. The additional receipts retained must be used for the construction/purchase of new affordable properties within 3 years of receipt;
- Future year estimates of the Disabled Facility Grant have not been included on the basis that all government funding in relation to this grant will be transferred from the Council to the Heart project;
- The use of revenue contributions to fund the majority of HRA expenditure;
- Borrowing will be used for the purchase of General Fund vehicles, essential refurbishment work to the shops and flats at High Street, Coleshill and to contribute to the construction of the Materials Recycling Facility, amounting to £10,229,200 over the 10 year programme.

5.2 The expected resources for the period 2021/22 to 2030/31 are shown in the table below:

	HRA £'000	Gen Fund £'000	Total £'000
Resources b/f	(4,463)	(2,228)	(6,691)
Use of earmarked reserves	-	(234)	(234)
Revenue Contributions to capital schemes	(45,138)	-	(45,138)
Borrowing/Leasing	-	(10,229)	(10,229)
Capital receipts	(12,542)	(1,432)	(13,974)
Total	(62,143)	(14,123)	(76,266)

5.3 This gives a total of £76.266 million available resources over the ten-year period to 2030/31. However, it must be emphasised that figures for 2022/23 onwards are indicative only, and firmer figures will only be available a few months ahead of the relevant year.

6 Ten Year Capital Expenditure Forecast – 2021/22 to 2030/31

6.1 An initial forecast of all potential capital projects has been collated covering the next 10 years, including both HRA and GF schemes. This followed an analysis of the general fund building maintenance requirements and a detailed breakdown of the key components needed to maintain the Decent Homes Standard within the Council's housing stock in the future.

6.2 A draft 10 year capital programme commencing in 2021/22 has been compiled based on the approved schemes from 2020/21. The opportunity has been taken to assess any new schemes and review schemes previously classed as non-essential, to assess whether this classification is still valid.

The review also gave the opportunity to reconsider the timing of existing schemes.

- 6.3 There is a continuation of the scheme to increase new build homes in the HRA. This is required under the Section 11 agreement that the Council has entered into with the Government to retain some of the capital receipts relating to the sale of Council houses. This expenditure will be focused on specific schemes at Long Street and Coleshill Road, Atherstone in 2021/22.
- 6.4 Work needed to shops and flats at High Street, Coleshill in 2021/22 was considered by the Resources Board at its meeting on 25 January. The Board requested some further information on the proposed scheme but approved the proposal to include the £1,000,000 budget allocation within the proposed capital programme. It is has therefore been included in the programme with the restriction that it can only be committed, once Resources Board have received the appropriate detail and approved the scheme.
- 6.5 A major works programme will be required at Alexandra Court in 2021/22, at an approximate cost of £1,200,000. A further £600,000 has been requested to enable essential works to be carried out to electrical installations, whilst an unplanned downstairs extension which will be needed at a property in Westwood Crescent, at a cost of £50,000. These amounts have been added to the existing budget provision within 2021/22.
- 6.6 In addition to the timing change mentioned in paragraph 3.4, the overall budget allocation for the Material Recycling Facility has been increased from £2.1 million to £2.726 million. The reasons for the increase are set out in a separate report on this agenda.

... The draft programme is summarised below and the details are shown in Appendix B:

Initial Forecast 2021/22 to 2030/31	£000
HRA	56,399
General Fund	14,327
TOTAL	70,726

- 6.7 As shown in the previous section, the total estimated resources for the ten-year period are £76.266 million compared with the expenditure bids of £70.726 million. This expenditure reflects the total bids put forward for consideration that have been identified to ensure the continuity of current services.
- 6.8 Whilst this leaves a surplus of £5.540 million in overall terms, there is a potential deficit of £204,000 in the General Fund programme mid-way through the ten year period. If the decision is taken to stop direct provision of the Borough Care service, the removal of associated capital spending will remove the potential deficit.

7 Unallocated Schemes

7.1 The level of schemes put forward for inclusion in the capital programme outweighed the General Fund resources available. As a consequence projects which have been assessed as non-essential have not been included in the proposed programme. Details of these schemes are outlined in Appendix C.

7.2 Over the coming years there are various systems that will need to be reviewed, to assess whether they still meet user needs.

7.3 Depending on the outcome of the Strategic Leisure Review, it may be necessary for the Council to retain the Ansley Hall Sports Ground and the Piccadilly Sports Pavilion. In the event of this, improvement works will need to be made to both buildings.

8 Three-Year Capital Spend and Resources to 2023/24

8.1 As well as the long term programme, it is prudent to ensure that the Council can afford the capital schemes required in the medium term. As such, schemes included in the next 3 years have been assessed in more detail.

8.2 The table below highlights that there is an overall surplus generated over the 3 year period for both the General Fund and the HRA.

Potential 3 year programme	HRA £'000	Gen Fund £'000	Total £'000
Resources b/f	(4,463)	(2,228)	(6,691)
Total 3 year resources	(18,097)	(6,376)	(24,473)
Total 3 year expenditure	16,848	8,027	24,875
Total	(5,712)	(577)	(6,289)

8.3 It is prudent to have a capital programme with surplus balances. The incoming resources include Right to Buy within the resources total, which has a degree of risk associated with it. In addition, resources are not received consistently, and the surplus will be needed to fund 2024/25 onwards.

9 Prudential Indicators for Capital Investment

9.1 The introduction of the Local Government Act 2003 resulted in a change in the capital finance system for Local Authorities and established a prudential framework for capital investment. Under this system, Councils are free to determine the affordability of their capital investment proposals and of any borrowing required to finance those proposals.

9.2 A prudential code was developed in 2011, which required the Council to consider the affordability of its proposals, their prudence and sustainability, value for money, asset management planning, practicality and service objectives. The prudential code was updated in September 2018.

- 9.3 In addition to the information already provided within this report, the Council is required to set and review regularly a range of indicators that have been developed as part of the Code, which will be used to support capital investment decision-making. As risk and uncertainty form a key part of capital investment planning, the Code requires three year integrated capital and revenue spending plans to determine the indicators. These need to be set as part of the overall budget-setting process.
- 9.4 The Code requires a number of indicators be set. Two sets of these indicators have already been detailed within the Treasury Management Strategy statement, MRP Policy statement and Annual Investment Strategy for 2021/22, which was reported to Resources Board on 25th January 2021. These are:
- External Debt Indicators (the Authorised Limit for Borrowing and the Operational Boundary); and
 - Treasury Management Indicators.

External Debt/ Treasury Indicators	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Authorised Limit for External Debt	81,967	83,673	82,993	80,586
Operational Boundary	59,972	60,749	59,541	56,597
Upper Limit for Fixed Interest Rate Exposure	62,000	60,000	58,000	56,000
Upper Limit for Variable Rate Exposure	31,000	30,000	29,000	28,000
Upper Limit for Total Principal Sums Invested for over 364 days (per maturity date)	50%	50%	50%	50%
Maturity Structure of New Fixed Rate Borrowing	Upper Limit		Lower Limit	
Under 12 months	100%		0%	
12 Months and within 24 months	100%		0%	
24 months and within 5 years	100%		0%	
5 years and within 10 years	100%		0%	
10 years and above	100%		0%	

Each of the remaining sets of indicators is covered in the paragraphs below.

- 9.5 **Capital Expenditure Indicators** – the Council is required to make a reasonable estimate of the capital expenditure it plans to incur in each of the next three years, and report actual expenditure incurred at year-end. Using the proposals contained within this report, these are set out below, together with the actual position for 2019/20 and the revised position for 2020/21.

	Actual 2019/20 £'000	Revised 2020/21 £'000	Original 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000
HRA	5,234	5,833	5,492	3,782	3,733
HRA - New Build	671	2,983	1,255	1,280	1,306
General Fund	581	2,821	5,560	2,112	355
Total	6,486	11,637	12,307	7,174	5,394

9.6 **Capital Financing Requirement Indicators** – these indicators measure the Council's underlying need to borrow to fund capital expenditure, which is the normal level of borrowing expected. The actual capital financing requirement as at 31 March 2020, the revised estimate for 2020/21 and estimates for the next three years are set out below. The method of calculation is set out as Appendix D.

	Actual 2019/20 £'000	Revised 2020/21 £'000	Original 2021/22 £'000	Forecast 2022/23 £'000	Forecast 2023/24 £'000
HRA	48,173	46,291	44,023	41,944	39,600
General Fund	13,179	13,681	16,726	17,597	16,997
Total	61,352	59,972	60,749	59,541	56,597

9.7 **Capital Financing Cost Indicators** – an indicator of affordability is the estimated ratio of financing costs to net revenue stream in percentage terms. If the ratio is increasing rapidly over time, then a larger proportion of revenue resources are being taken up by financing costs, which could be used to fund direct service delivery. This indicator is calculated for both the General Fund and the Housing Revenue Account, and these are shown below. The calculation of both is shown in more detail in Appendix E.

	Actual 2019/20	Revised 2020/21	Original 2021/22	Forecast 2022/23	Forecast 2023/24
HRA	26.76%	29.07%	30.52%	29.74%	29.60%
General Fund	0.73%	3.57%	6.21%	6.77%	7.14%

9.7.1 HRA financing costs reflect the scheduled repayment of the debt taken out by the Council as part of the move to self financing. The increase in the General Fund amount from 2020/21 onwards, reflects the additional financing costs required to replace the Authority's existing vehicles and to cover the borrowing required for the shops and flats at Coleshill.

9.7.2 The five sets of indicators required by the Code may need to be amended, depending on the decisions on the capital programme taken by this Board.

9.8 **Net debt and the capital financing requirement** – an indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the Authority must ensure that external debt does not exceed the total capital financing requirement for the preceding year and the estimates for the next two financial years. Current external borrowing is £48.489 million, well below the Capital Financing Requirement projections shown in Appendix D.

10 Conclusion

10.1 Some sources of funding are specific to particular types of expenditure. The proposed programme takes this into account, so Members need to be mindful of this should they wish to vary the proposed programme.

10.2 Only those schemes that either meet a statutory duty or which score highly against the Council priorities and risk assessment are included in the Capital Programme.

10.3 The proposed 3 Year Programme has a level of unallocated balances which is felt prudent as there are certain risks to some income streams and potentially unforeseen costs that may be unavoidable.

11 Report Implications

11.1 Finance and Value for Money Implications

11.1.1 The financial implications of this 3 Year Capital programme, in terms of the cost of funding, are given below.

GENERAL FUND	2021/22 £	2022/23 £	2023/24 £
Financing costs	61,280	231,780	29,380

Not all of the financing costs are additional, as some relate to the replacement of existing vehicles. The maintenance costs of the vehicles are included with the existing revenue allocations.

HRA	2021/22 £	2022/23 £	2023/24 £
Financing costs	5,884,909	3,336,363	3,314,897

The majority of the financing costs for the HRA are funded through revenue contributions to capital expenditure.

11.2 Environment and Sustainability Implications

11.2.1 Continuing to follow the capital strategy when setting a capital programme will ensure that the Council continues to achieve its priorities within the available capital resources.

11.3 Equality Implications

11.3.1 The proposals for the capital programme will need to be equality assessed for impact and needs and some of the schemes highlighted in the report will have positive impacts including the housing developments and improvements to Leisure facilities.

11.4 Safer Communities

11.4.1 The identified schemes would have positive implications for the development of safer communities, in that the provision of good quality leisure opportunities reduces the likelihood of criminal and/or anti-social behaviour.

11.5 Risk Management Implications

11.5.1 There are a number of risks associated with setting a capital programme, as assumptions are made on the type and level of available resources, as well as the required level of expenditure. To minimise the risks, decisions on these have been taken using past experience and knowledge, informed by current forecasts and trends. Risk will be managed through the production of regular budgetary control reports, assessing the impact of variances and reporting on the need to take any further action.

The Contact Officer for this report is Daniel Hogan (719337).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Expenditure Proposals	Approved Budget	Moved to future year	Revised 2020/21
HRA Assets			
Staffing	275,540		275,540
Electrics	1,136,322		1,136,322
Kitchens and Bathrooms	144,740		144,740
Heating	447,995		447,995
Windows and Doors	257,257		257,257
Energy Saving Measures	614,561		614,561
Disabled Facilities Adaptations	400,710		400,710
Roofing	503,781		503,781
Alder & Heather Court Flats	184,910		184,910
Improvement works to blocks of flats - external and common areas	774,784		774,784
Replacement of DLO vehicles	168,920		168,920
Replacement of Housing Inspectors vehicles	88,490		88,490
Replacement of Neighbourhood Warden vehicles	75,000		75,000
Multi Trade Contract	760,000		760,000
New Build	2,982,920		2,982,920
HRA TOTAL	8,815,930	0	8,815,930
General Fund Assets			
Decent Homes Grants & Works (Private Sector)	25,000		25,000
Disabled Facilities Grants	794,290		794,290
Borough Care Lifelines	23,000		23,000
CCTV System Replacement	69,560		69,560
Financial Management System Replacement	300,000	(300,000)	0
Computer Software	40,000		40,000
ICT Infrastructure Development	45,400		45,400
Network Infrastructure Replacement	40,000		40,000
Server Virtualisation Replacement	50,000		50,000
Payment Management System	18,000		18,000
Environmental Health System Replacement	85,000		85,000
Atherstone Leisure Complex - Replacement Roof	252,170	(252,170)	0
The Pavilions - Cladding/roof works	105,000		105,000
Innage Park Phase 2 - Cladding/roof works	195,000	(195,000)	0
Maya Restaurant Roof Replacement	120,000	(120,000)	0
Disabled Discrimination Adaptations	267,310	(262,310)	5,000
Water Orton Car Park	59,000		59,000
Depot Works	70,000		70,000
Electrical Upgrade at Old Bank House	150,000	(150,000)	0
Materials Recycling Facility	1,134,000	(1,074,000)	60,000
Replacement of Refuse Vehicles	565,050		565,050
Replacement of Street Cleaning Vehicles	139,570	(111,570)	28,000
Replacement of Horticulture Vehicles	184,680	(154,270)	30,410
Replacement of Leisure Services Vehicles	15,720	(15,720)	0
Replacement of Borough Care Scheme Vehicles	75,670	(75,670)	0
Community Fund	100,000		100,000
Parks and Playing Fields	320,130		320,130
Leisure Centre Fitness Suite Equipment Replacement	250,000		250,000
Leisure Equipment	20,000		20,000
Capital Salaries - Management	17,970		17,970
GENERAL FUND	5,531,520	(2,710,710)	2,820,810
OVERALL TOTAL	14,347,450	(2,710,710)	11,636,740

Draft Capital Programme - HRA Housing

Name of the Scheme	Basic Details of the Scheme	Year 1	Year 2	Year 3	Year 4 - 10	Total
		2021/22	2022/23	2023/24	2024/25 to 2030/31	10 Year Programme
Electrics	A scheduled programme to replace consumer units and to bring wiring in Council properties up to date.	1,014,440	426,870	439,680	3,470,100	5,351,090
Staffing	Housing officers who deliver the capital programme to Council properties.	278,860	284,210	291,300	2,218,830	3,073,200
Kitchens and Bathrooms	Replacement programme to ensure these facilities meet the Decent Homes Standard.	414,440	426,870	439,680	3,470,100	4,751,090
Heating	To replace heating systems which are at the end of their component life time, can't be repaired or to provide for controllable systems to meet the Decent Homes Standard.	255,040	262,690	270,570	2,135,450	2,923,750
Windows and Doors	Programmes of window and door replacements to address older installations that are not energy efficient and those that are defective.	255,040	262,690	270,570	2,135,450	2,923,750
Energy Saving Measures	External Wall Insulation & Loft Insulation programmes will be required to ensure properties meet the necessary levels for energy usage.	270,640	98,510	101,470	800,870	1,271,490
Adaptations	Undertake adaptations to properties to improve accessibility in accordance with recommendations from social care assessors.	241,280	197,020	202,930	1,601,600	2,242,830
Roofing	To replace roofs (flat or pitched) which do not meet the Decent Homes Standard and cannot be repaired to extend their use.	414,440	426,870	439,680	3,470,100	4,751,090
Improvement works for blocks of flats - external and common areas	In 2019 we started a rolling priority programme of remedial works to blocks of flats. The works deal with blocks of flats that require extensive structural repairs.	1,933,240	755,270	777,900	6,139,200	9,605,610

Draft Capital Programme - HRA Housing

Name of the Scheme	Basic Details of the Scheme	Year 1	Year 2	Year 3	Year 4 - 10	Total
		2021/22	2022/23	2023/24	2024/25 to 2030/31	10 Year Programme
Replacement of DLO Vehicles	Replacement as per the vehicle replacement schedule.	-	214,010	60,000	540,000	814,010
Replacement of Housing Inspectors Vehicles	Replacement as per the vehicle replacement schedule.	-	-	-	108,000	108,000
Replacement of Neighbourhood Warden Vehicles	Replacement as per the vehicle replacement schedule.	-	-	-	90,000	90,000
Multi Trade Contract	To cover a range of capital works including remedial work following fire risk assessments and schemes for garages and sheltered scheme communal rooms as well as external works and structural works.	414,440	426,870	439,680	3,470,100	4,751,090
New Build - Atherstone	Demolition and rebuild of flats at Coleshill Road and Long Street, Atherstone.	1,255,000	1,280,100	1,305,700	9,901,080	13,741,880
		6,746,860	5,061,980	5,039,160	39,550,880	56,398,880

Draft Capital Programme - General Fund

Name of the Scheme	Basic Details of the Scheme	Year 1	Year 2	Year 3	Year 4 - 10	Total
		2021/22	2022/23	2023/24	2024/25 to 2030/31	10 Year Programme
Decent Homes Grants and Works (Private Sector)	Assistance with repairs and replacements targeted at vulnerable households on a means tested basis to prevent deterioration and associated health effects.	25,000	25,000	25,000	175,000	250,000
Borough Care Lifelines	Provide new lifelines and replace units that are beyond repair and/or obsolete.	23,000	23,000	23,000	161,000	230,000
Computer hardware and software, purchase and replacement	To continue to provide PC's that meet the requirements of the increasingly complex software that is used to deliver Council services and back office functions. This budget includes the renewal of the Microsoft Software licenses.	30,000	30,000	30,000	240,000	330,000
Replacement of scanner/plotter	Replacement of the existing separate scanner and plotter with a single solution.	10,000	-	-	10,000	20,000
Replacement Financial Management System (FMS)	The current Financial Management System (TOTAL) is time limited and will be withdrawn in a few years time. As the software has not been developed for some time, this is increasingly causing issues. A replacement system is needed.	300,000	-	-	-	300,000
ICT Infrastructure Development	To further develop the network and hardware structures to ensure that the Council's aspirations of home and mobile working and self service delivery are possible.	20,000	20,000	20,000	140,000	200,000
Network Infrastructure	Replacement of the existing network infrastructure.	-	-	-	40,000	40,000
Telephone System	Replacement of the existing telephone system.	-	20,000	-	40,000	60,000
Server Virtualisation	Replacement of the existing virtual server.	-	-	-	50,000	50,000
Backing Up	Primarily used at two levels; the day to day use of the recovery of lost data or damaged systems that need to be rolled back to a previous state. The major use is in the event of fire or theft where the backups we hold would be used to restore systems.	25,000	-	-	25,000	50,000
Payment Management System	Upgrade to Payment Management System to meet new encryption standards and introduce contact less payments.	10,000	-	15,000	45,000	70,000
Uninterruptable Power Supply	A large 'battery' which ensures power to all systems. This supply is unaffected by power cuts etc.	-	10,000	-	-	10,000
Atherstone Leisure Complex - Replacement Roof	The leisure complex has a single ply flat roof covering virtually all of the facility that has an estimated life span of around 10 years and will need replacing.	252,170	-	-	-	252,170
Innage Park Phase 2 - Cladding/roof works	Replacement of the roof cladding.	195,000	-	-	-	195,000
Maya Resturant (Bear and Ragged Staff)	To replace the roof covering the building.	120,000	-	-	-	120,000
Refurbishment of Council Owned Buildings	To carry out improvements to all council owned property.	45,000	-	-	90,000	135,000
Electrical Upgrade at Old Bank House	The electrical system at Old Bank House is 30 years old and will be in need of updating to comply with current legislation.	150,000	-	-	-	150,000

Draft Capital Programme - General Fund

Name of the Scheme	Basic Details of the Scheme	Year 1	Year 2	Year 3	Year 4 - 10	Total
		2021/22	2022/23	2023/24	2024/25 to 2030/31	10 Year Programme
Disabled Discrimination Adaptations	To undertake work where appropriate to improve access to and around our facilities for disabled users of the service.	25,000	237,310	-	-	262,310
Works required at High Street, Coleshill **	Refurbishment works to shops and flats.	1,000,000	-	-	-	1,000,000
Materials Recycling Facility	The Council is now a full partner in a project to develop a local authority owned and operated MRF. The Facility is to provide guaranteed capacity to process all recyclable material collected by the partner authorities over a 20 year period.	2,666,000	-	-	-	2,666,000
Replacement of Pool Vehicles	Replacement as per the vehicle replacement schedule.	-	-	26,000	62,000	88,000
Replacement of Refuse Vehicles	Replacement as per the vehicle replacement schedule.	-	1,429,620	-	2,779,000	4,208,620
Replacement of Cesspool Vehicles	Replacement as per the vehicle replacement schedule.	-	-	126,000	155,000	281,000
Replacement of Rodent Control Vehicles	Replacement as per the vehicle replacement schedule.	-	-	22,000	27,000	49,000
Replacement of Street Cleaning Vehicles	Replacement as per the vehicle replacement schedule.	163,310	11,280	22,000	675,760	872,350
Replacement of Horticulture Vehicles	Replacement as per the vehicle replacement schedule.	161,030	166,770	7,170	527,510	862,480
Replacement of Leisure Services Vehicles	Replacement as per the vehicle replacement schedule.	15,720	-	-	19,330	35,050
Replacement of Borough Care Scheme Vehicles	Replacement as per the vehicle replacement schedule.	75,670	-	-	93,030	168,700
Leisure Equipment	To replace the equipment used in the execution of various activity programmes in each of the leisure centres that conforms to industry and market standards relating to customer needs and safety requirements. The proposed investment protects significant levels of income. Whilst fitness equipment has been replaced over the last few years, there is other sports equipment that is in need of renewal.	30,000	20,000	20,000	150,000	220,000
Leisure Centre Fitness Suite Equipment Replacement	Planned full replacement of the fitness centre equipment at the three leisure centres in the Borough. This replacement will take place once the fund has built up sufficient funding for the work to take place.	-	-	-	250,000	250,000
Play Area Replacement Programme	Planned replacement of play facilities - Year 1 at Corley, Hurley, Wood End; Year 2 at Mancetter and Dordon (Kitwood Avenue).	200,000	100,000	-	400,000	700,000
Capital Salaries - Management	General Fund staffing.	18,300	18,630	19,090	145,260	201,280
		5,560,200	2,111,610	355,260	6,299,890	14,326,960
		12,307,060	7,173,590	5,394,420	45,850,770	70,725,840

** approval of detail required before this scheme can proceed

Draft Capital Programme - Not Currently in the Approved Programme

Appendix C

Name of the Scheme	Basic Details of the Scheme	Essential or Non Essential?	Year 1	Year 2	Year 3	Year 4 - 10	Total
			2021/22	2022/23	2023/24	2024/25 to 2030/31	10 Year Programme
Replacement Housing/Rents	The current system (IBS) will be more than 10 years old and it is Council practice to review and assess systems to ensure they still meet user needs.	Non Essential	-	100,000	-	-	100,000
Electronic Document and Record Management System (EDRMS) - Development and Corporate roll-out	To review and assess system to ensure it still meets user needs and replace if required.	Non Essential	-	70,000	-	-	70,000
Web Development (Internet, Intranet and Extranets)	To review and assess systems to ensure they still meet user needs and replace if required.	Non Essential	-	50,000	-	-	50,000
Replacement Leisure System	To review and assess system to ensure it still meets user needs and replace if required.	Non Essential	-	-	-	70,000	70,000
Replacement Planning System	To review and assess system to ensure it still meets user needs and replace if required.	Non Essential	-	-	50,000	-	50,000
Mobile CCTV Replacement	The introduction of mobile CCTV cameras in the borough.	Non Essential	-	-	-	44,000	44,000
Internal refurbishment of Piccadilly Sports Pavilion and replacement of hard standing areas	If a review shows a need to retain Piccadilly Sports Pavilion, there will be a need to carry out improvement works at the sports pavilion, particularly to improve energy efficiency, the extent and nature of which will be determined once future management options for the site have been agreed.	Non Essential	-	-	-	35,000	35,000
Improvements to Ansley Hall Sports Ground to include refurb of Pavillion	If a review shows a need to retain Ansley Hall Sports Ground, there will be a need to carry out improvement works at the sports pavilion, the extent and nature of which will be determined once future management options for the site have been agreed.	Non Essential	-	35,000	-	-	35,000
Total			-	255,000	50,000	149,000	454,000

	HRA (£)	GF (£)	GF Prudential Borrowing (£)	Grand Total
Fixed Assets	154,523,048	22,622,149		177,145,197
Revaluation Reserve	(10,924,815)	(4,688,231)		(15,613,046)
Capital Adjustment Account	(95,425,138)	(4,754,679)		(100,179,817)
Actual CFR as at 31-3-20	48,173,095	13,179,238	0	61,352,334
Repayment of HRA borrowing	(2,000,000)			(2,000,000)
Materials Recycling Facility payment			60,000	60,000
Repay Principal - K'bury Link			(2,682)	(2,682)
Repay Principal - Vehicles			(750)	(750)
Repay Principal - Lower House Farm			(9,117)	(9,117)
Repay Principal - Coleshill LC			(40,914)	(40,914)
Repay Principal - Recycling Containers			(1,939)	(1,939)
Repay Principal - Office Accommodation			(80,735)	(80,735)
Repay Principal - Play Areas			(17,905)	(17,905)
Repay Principal - Vehicles 14/15			(1,555)	(1,555)
Repay Principal - Vehicles 15/16			(144,383)	(144,383)
Repay Principal - Vehicles 20/21	(9,065)		(69,742)	(78,807)
Repay Principal - MRF 20/21			(3,000)	(3,000)
New prudential borrowing - Vehicles MRP	126,910		906,450	1,033,360
		(92,364)		(92,364)
Estimated CFR as at 31-3-21	46,290,940	13,086,874	593,728	59,971,543
Repayment of HRA borrowing	(2,250,000)			(2,250,000)
Materials Recycling Facility payment			2,664,000	2,664,000
Repay Principal - K'bury Link			(2,682)	(2,682)
Repay Principal - Vehicles			(750)	(750)
Repay Principal - Lower House Farm			(9,117)	(9,117)
Repay Principal - Coleshill LC			(40,914)	(40,914)
Repay Principal - Recycling Containers			(1,939)	(1,939)
Repay Principal - Office Accommodation			(80,735)	(80,735)
Repay Principal - Play Areas			(17,905)	(17,905)
Repay Principal - Vehicles 15/16			(134,346)	(134,346)
Repay Principal - Vehicles 20/21	(18,130)		(139,484)	(157,614)
Repay Principal - MRF 20/21			(3,000)	(3,000)
Repay Principal - MRF 21/22			(133,200)	(133,200)
New prudential borrowing - Vehicles			58,500	58,500
Repay Principal - Vehicles 21/22			(4,179)	(4,179)
Coleshill Shops and Flats			1,000,000	1,000,000
Coleshill Shops and Flats - repay 21/22			(20,000)	(20,000)
MRP		(88,669)		(88,669)
Estimated CFR as at 31-3-22	44,022,810	12,998,205	3,727,977	60,748,993
Repayment of HRA borrowing	(2,260,000)			(2,260,000)
Repay Principal - K'bury Link			(2,682)	(2,682)
Repay Principal - Vehicles			(750)	(750)
Repay Principal - Lower House Farm			(9,117)	(9,117)
Repay Principal - Coleshill LC			(40,914)	(40,914)
Repay Principal - Recycling Containers			(1,939)	(1,939)
Repay Principal - Office Accommodation			(80,735)	(80,735)
Repay Principal - Play Areas			(17,905)	(17,905)
Repay Principal - Vehicles 15/16			(58,527)	(58,527)
Repay Principal - Vehicles 20/21	(18,130)		(139,484)	(157,614)
Repay Principal - Vehicles 21/22			(8,357)	(8,357)
Repay Principal - MRF 20/21			(3,000)	(3,000)
Repay Principal - MRF 21/22			(133,200)	(133,200)
New prudential borrowing - Vehicles	214,010		1,607,670	1,821,680
Repay Principal - Vehicles 22/23	(15,286)		(114,834)	(130,120)
Coleshill Shops and Flats - repay 21/22			(40,000)	(40,000)
MRP		(85,122)		(85,122)
Estimated CFR as at 31-3-23	41,943,404	12,913,083	4,684,203	59,540,691

	HRA (£)	GF (£)	GF Prudential Borrowing (£)	Grand Total
Repayment of HRA borrowing	(2,350,000)			(2,350,000)
Repay Principal - K'bury Link			(2,682)	(2,682)
Repay Principal - Vehicles			(750)	(750)
Repay Principal - Lower House Farm			(9,117)	(9,117)
Repay Principal - Coleshill LC			(40,914)	(40,914)
Repay Principal - Recycling Containers			(1,939)	(1,939)
Repay Principal - Office Accommodation			(80,735)	(80,735)
Repay Principal - Play Areas			(17,905)	(17,905)
Repay Principal - Vehicles 20/21	(18,130)		(139,484)	(157,614)
Repay Principal - Vehicles 21/22			(8,357)	(8,357)
Repay Principal - Vehicles 22/23	(30,573)		(229,667)	(260,240)
Repay Principal - MRF 20/21			(3,000)	(3,000)
Repay Principal - MRF 21/22			(133,200)	(133,200)
New prudential borrowing - Vehicles	60,000		203,170	263,170
Repay Principal - Vehicles 23/24	(4,286)		(14,512)	(18,798)
Coleshill Shops and Flats - repay 21/22			(40,000)	(40,000)
MRP		(81,717)		(81,717)
Estimated CFR as at 31-3-24	39,600,415	12,831,366	4,165,111	56,596,893

Capital Financing Costs Indicator

Appendix E

	Actual 2019/20 £000	Revised 2020/21 £000	Original 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
HRA					
Interest and Investment Income	(105)	(20)	(12)	(11)	(12)
External Interest Costs	1,539	1,504	1,460	1,406	1,348
Repayment of Borrowing	1,750	2,009	2,268	2,293	2,403
Total	3,184	3,493	3,716	3,688	3,739
Net Revenue Stream	11,898	12,014	12,176	12,401	12,632
Ratio	26.76%	29.07%	30.52%	29.74%	29.60%
General Fund					
External Interest Costs	10	10	10	10	10
Investment Income	(354)	(200)	(80)	(110)	(150)
Repayment of Borrowing	302	370	452	515	586
MRP	102	92	89	85	82
Total	60	272	471	500	528
Council Tax	4,409	4,466	4,579	4,731	4,910
New Homes Bonus	921	738	578	208	0
NDR	2,897	2,422	2,431	2,451	2,480
Net Revenue Stream	8,227	7,626	7,588	7,390	7,390
Ratio	0.73%	3.57%	6.21%	6.77%	7.14%

Agenda Item No 9

Executive Board

15 February 2021

Report of the Corporate Director - Resources

General Fund Revenue Estimates 2021/22

1 Summary

- 1.1 This report covers the revised budget for 2020/21 and an estimate of expenditure for 2021/22, together with forward commitments for 2022/23, 2023/24 and 2024/25.

Recommendation to the Board

- a To accept the revised budget for 2020/21; and**
- b To accept or otherwise vary the Estimates of Expenditure for 2021/22, as submitted, for their inclusion in the overall budget considered in a later agenda item.**

2 Introduction

- 2.1 In consultation with other Directors, the Corporate Director - Resources has prepared an estimate of net expenditure for 2021/22 and this, together with a revised budget for 2020/21, appears in Appendices A and B. To provide a more complete picture of the spending pattern of the service, the actual figures for 2019/20 are shown.

- 2.2 At its meeting in September 2020, the Executive Board agreed the budget strategy for 2021-2025, which required savings of £2.30 million over a four year period. This required budget savings of £700,000 in 2021/22 with additional savings of £800,000 in 2022/23 and £800,000 in 2023/24. A savings target was not included for 2024/25 at that time. Some limited growth was built into the strategy in specific areas.

- 2.3 Directors were asked to identify areas where savings could be made, either by a reduction in expenditure or through the generation of additional income.

2.4 A subjective analysis of the Board's requirement is shown below:

	Original Budget 2020/21 £	Revised Budget 2020/21 £	Original Budget 2021/22 £
Employee Costs	273,690	265,050	281,440
Premises	410	100	410
Supplies and Services	160,860	90,060	137,380
Transport	1,530	70	-
Earmarked Reserves	(36,390)	(9,000)	(11,860)
Gross Expenditure	400,100	346,280	407,370
Income	(3,280)	(220)	(3,280)
Net Controllable Expenditure	396,820	346,060	404,090
Departmental Support	151,610	151,610	158,120
Central Support	173,390	173,390	177,630
Capital Charges	9,710	9,710	9,710
Net Expenditure	731,530	680,770	749,550

2.5 The Council values all of its assets using a five year rolling programme, and this can affect the level of capital charges that are made to services and can therefore significantly affect the net service cost. Although few assets are used for the services within this Board, changes in net service expenditure that are as a result of increases or decreases in capital charges are shown below net operating expenditure in the following pages.

3 **Comments on the 2020/21 Revised Budget**

3.1 The revised budget for 2020/21 is estimated to be £680,770, a reduction of £50,760 on the original budget. The main reasons for variations are set out below.

3.2 **Corporate Communications** **(£13,940)**

3.2.1 There is a one-off saving in the printing and delivery costs of North Talk, partly offset by loss of advertising income, as the North Talk publication is not going to be produced in 2020/21.

3.3 **North Warwickshire Local Development Framework** **(£35,290)**

3.3.1 There is a reduction in the Local Development Framework professional fees, as work which was originally scheduled for 2020/21 has been deferred to 2021/22 or later, due to the Covid-19 pandemic.

4 **Comments on the 2021/22 Estimates**

4.1 The 2021/22 estimates have been prepared, taking into account the following assumptions:

- A 2% pay award from 1 April 2021

4.2 The estimated budget for 2021/22 is £749,550; an increase of £18,020 on the 2020/21 approved budget, and an increase of £68,780 on the revised 2020/21 budget. The main variations from the revised budget are set out below:

4.3 **Corporate Communications** **£15,190**

4.3.1 The increase is due to the reinstatement of one-off savings mentioned earlier and inflationary increases.

4.4 **North Warwickshire Local Development Framework** **£39,250**

4.4.1 An increase in the budget for the Local Development Framework to match the anticipated work programme.

4.5 **Departmental and Central Support Services** **£10,750**

4.5.1 Departmental and Central Support costs have increased due to the pay award.

5 **Income**

5.1 There are no fees and charges for services under the responsibility of this Board.

6 **Risks to Services**

6.1 The key risks to the budgetary position of the Council from services under the control of this Board are:

	Likelihood	Potential impact on Budget
The Local Plan process is becoming more costly due to the Duty to Cooperate and also needs to be repeated more often as national guidance requires.	High	High
The Emergency Planning budget may be insufficient to cover the costs of any major local emergency.	Low	High

7 Future Year Forecasts

7.1 In order to assist with medium-term financial planning, Members are provided with budget forecasts for the three years following 2021/22. The table below provides a subjective summary for those services reporting to this Board:

	Forecast Budget 2022/23 £	Forecast Budget 2023/24 £	Forecast Budget 2024/25 £
Employee Costs	287,340	295,040	303,000
Premises	410	420	420
Supplies and Services	151,290	73,230	93,420
Earmarked Reserves	(11,590)	(5,000)	(5,000)
Gross Expenditure	427,450	363,690	391,840
Income	(3,340)	(3,400)	(3,460)
Net Controllable Expenditure	424,110	360,290	388,380
Departmental Support	160,640	164,270	167,590
Central Support	181,430	185,810	190,020
Capital Charges	9,710	9,710	9,710
Net Expenditure	775,890	720,080	755,700

7.2 The forecasts given above have used a number of assumptions, which include pay awards of 2% in 2022/23 to 2024/25, increases in contracts and general increases in supplies and services of 2% in 2023/24. In total, net expenditure is expected to increase by 3.51% in 2022/23, decrease by 7.19% in 2023/24, and increase by 4.95% in 2024/25.

7.3 These forecasts are built up using current corporate and service plans. Where additional resources have already been approved, these are also included. However, these forecasts will be amended to reflect any amendments to the estimates, including decisions taken on any further corporate or service targets.

8 Report Implications

8.1 Finance and Value for Money Implications

8.1.1 As detailed in the body of the report.

8.2 Environment and Sustainability Implications

8.2.1 Continuing the budget strategy will allow the Council to manage its expected shortfall in resources without disruption of essential services.

8.3 Risk Management Implications

8.3.1 There are a number of risks associated with setting a budget, as assumptions are made on levels of inflation and demand for services. To minimise the risks, decisions on these have been taken using past experience and knowledge, informed by current forecasts and trends. However, the risk will be managed through the production of regular budgetary control reports, assessing the impact of any variances and the need for any further action.

The Contact Officer for this report is Nadeem Afzal (719444).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

NORTH WARWICKSHIRE BOROUGH COUNCIL
EXECUTIVE BOARD SUMMARY
SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Code	Description	Actual 2019/20 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
2000	Housing Strategic Service Review	2,086	-	-	-
2001	Outreach and Access to Services	54,896	45,010	45,010	45,840
2002	Corporate Communications	53,918	50,580	36,640	51,830
2003	Community Strategy	47,295	41,610	40,080	42,710
2007	Emergency Planning	4,211	6,030	6,030	6,160
2009	North Warwickshire Local Development Framework	292,409	253,590	218,300	257,550
5050	Support to Parishes	165	-	-	-
	Net Controllable Expenditure	454,980	396,820	346,060	404,090
	Departmental Support	153,359	151,610	151,610	158,120
	Central Support	155,338	173,390	173,390	177,630
	Capital Charges	6,911	9,710	9,710	9,710
.	EXECUTIVE BOARD TOTAL	770,588	731,530	680,770	749,550

2000 - HOUSING STRATEGIC SERVICE REVIEW

This budget shows the cost of officer time spent on strategic decision making for Housing.

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	2,086	-	-	-
NET CONTROLLABLE EXPENDITURE	2,086	-	-	-
Departmental Support	29,454	30,470	30,470	31,140
Central Support	1,038	1,080	1,080	1,050
NET EXPENDITURE	32,578	31,550	31,550	32,190

Contributes to corporate priority :

- Promoting sustainable and vibrant communities

2001 - OUTREACH AND ACCESS TO SERVICES

This budget covers the costs of creating and maintaining the Community Hubs and administering the referral process to Edible Links.

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	46,467	35,870	35,870	36,910
Premises	-	-	-	-
Supplies and Services	13,521	16,170	13,070	15,790
Transport	1,097	1,530	70	-
Earmarked Reserves	(6,189)	(8,560)	(4,000)	(6,860)
GROSS EXPENDITURE	54,896	45,010	45,010	45,840
GROSS INCOME	-	-	-	-
NET CONTROLLABLE EXPENDITURE	54,896	45,010	45,010	45,840
Departmental Support	28,784	18,340	18,340	19,210
Central Support	62,069	63,390	63,390	64,960
Capital Charges	6,911	9,710	9,710	9,710
NET EXPENDITURE	152,660	136,450	136,450	139,720

Contributes to corporate priority :

- Promoting sustainable and vibrant communities

- Improving leisure and wellbeing opportunities

2002 - CORPORATE COMMUNICATIONS

North Talk is the Borough Council's newsletter produced two times a year and is distributed to all households in the Borough and to businesses, voluntary organisations and other partners.

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	48,638	44,740	36,100	46,110
Supplies and Services	8,630	8,900	540	8,780
Earmarked Reserves	-	-	-	-
GROSS EXPENDITURE	57,268	53,640	36,640	54,890
GROSS INCOME	(3,350)	(3,060)	-	(3,060)
NET CONTROLLABLE EXPENDITURE	53,918	50,580	36,640	51,830
Central Support	8,922	13,260	13,260	12,910
NET EXPENDITURE	62,840	63,840	49,900	64,740

Contributes to corporate priority :
- Promoting sustainable and vibrant communities

2003 - COMMUNITY STRATEGY

The Council is working in partnership to deliver improvements in the quality of life for local communities by the implementation of a Sustainable Community Strategy. This includes addressing priorities relating to health, anti poverty, raising aspirations and attainment. The budget is used to deliver projects and initiatives to support the priorities.

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	45,693	40,080	40,080	41,180
Supplies and Services	1,602	29,360	5,000	6,530
Miscellaneous Expenditure	-	-	-	-
Earmarked Reserves	-	(27,830)	(5,000)	(5,000)
GROSS EXPENDITURE	47,295	41,610	40,080	42,710
GROSS INCOME	-	-	-	-
NET CONTROLLABLE EXPENDITURE	47,295	41,610	40,080	42,710
Departmental Support	30,887	33,580	33,580	35,090
Central Support	51,319	55,050	55,050	56,400
NET EXPENDITURE	129,501	130,240	128,710	134,200

Contributes to corporate priority :
- Creating safer communities
- Protecting our countryside and heritage
- Improving leisure and wellbeing opportunities
- Promoting sustainable and vibrant communities

2007 - EMERGENCY PLANNING

Emergency planning budget to cover the costs of fulfilling legal duties under the Civil Contingencies Act 2004

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	2,045	-	-	-
Supplies and Services	2,166	6,030	6,030	6,160
Miscellaneous Expenditure	-	-	-	-
Earmarked Reserves	-	-	-	-
NET CONTROLLABLE EXPENDITURE	4,211	6,030	6,030	6,160
Departmental Support	25,028	29,190	29,190	30,380
Central Support	6,681	12,230	7,180	13,560
NET EXPENDITURE	35,920	47,450	42,400	50,100

Contributes to corporate priority :
- Protecting our countryside and heritage
- Creating safer communities

2009 - NORTH WARWICKSHIRE LOCAL DEVELOPMENT FRAMEWORK

Local tier of the Development Plan and other documents required as a statutory duty.

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	158,203	153,000	153,000	157,240
Premises Related Expenditure	-	410	100	410
Supplies and Services	159,206	100,400	65,420	100,120
Earmarked Reserves	(25,000)	-	-	-
GROSS EXPENDITURE	292,409	253,810	218,520	257,770
GROSS INCOME	-	(220)	(220)	(220)
NET CONTROLLABLE EXPENDITURE	292,409	253,590	218,300	257,550
Departmental Support	38,564	39,420	39,420	41,670
Central Support	23,627	26,030	26,030	26,390
NET EXPENDITURE	354,600	319,040	283,750	325,610

Contributes to corporate priority :
- Protecting our countryside and heritage
- Promoting sustainable and vibrant communities

5050 - SUPPORT TO PARISHES

To assist Parish Councils on parish plans and provide match funding for projects.

DESCRIPTION	ACTUALS 2019/2020	APPROVED BUDGET 2020/2021	REVISED BUDGET 2020/2021	ORIGINAL BUDGET 2021/2022
Employee Expenditure	165	-	-	-
Supplies and Services	1,972	-	-	-
Earmarked Reserves	18,028	-	-	-
GROSS EXPENDITURE	20,165	-	-	-
GROSS INCOME	(20,000)	-	-	-
NET CONTROLLABLE EXPENDITURE	165	-	-	-
Departmental Support	642	610	610	630
Central Support	1,682	2,350	2,350	2,360
NET EXPENDITURE	2,489	2,960	2,960	2,990

Contributes to corporate priorities :

- Protecting our countryside and heritage
- Promoting sustainable and vibrant communities

Agenda Item No 10

Executive Board

15 February 2021

**Report of the
Corporate Director - Resources**

**General Fund Revenue Estimates
2021/22 and Setting the Council
Tax 2021/22**

1 Summary

- 1.1 This report sets out the proposed General Fund Revenue Estimate for 2021/22 and the options available when setting the 2021/22 Council Tax for the Borough in the context of the Authority's Settlement Funding Assessment, and the effect on General Fund balances.

Recommendation to the Council

- a To approve the savings of £705,640 shown in Appendix H;**
- b To approve the revised estimate for the year 2020/21 and the revenue estimates for 2021/22, including the use of earmarked reserves shown in Appendix N;**
- c To note the Council Tax base for 2021/22, as set out in Appendix G;**
- d To approve a Council Tax increase of £5 for 2021/22;**
- e To note the Corporate Director - Resources comments on the minimum acceptable level of general reserves;**
- f That the manpower estimates for the year 2021/22 in Appendix L are approved; and**
- g That a Council Tax resolution be prepared for consideration by the Council, using the recommendations agreed by this Board.**

2 The Council's Budget Requirement

2.1 All Service Boards have now considered their individual budget requirements for 2021/22, and these are shown in Appendices A – E, along with the revised requirements for 2020/21.

2.2 Board requirements are summarised in the table below, together with other items, such as investment interest and contingencies.

	2020/21 Original Estimate £	2020/21 Revised Estimate £	2021/22 Original Estimate £
Board Summary	9,384,980	9,873,260	9,727,700
Contingencies	4,590	4,590	4,660
Covid-19 Grants	-	-	(441,420)
Use of Earmarked Reserves	-	(441,970)	(300,000)
Financing Adjustment	(716,190)	(841,690)	(763,150)
Investment Interest Income	(360,000)	(200,000)	(80,000)
Service Summary	8,313,380	8,394,190	8,147,790

2.3 Appendix F sets out the figures as presented to the Boards, adjusted for proposed reductions in the base budget.

3 The Council's 2020/21 Estimated Out-turn

3.1 The Council's revised net expenditure requirement for 2020/21 amounts to £8,394,190 which is £80,810 more than the original estimate. The major changes in expenditure were included in the summary report taken to Resources Board on a service basis and these are set out in Appendix O for Members information.

3.2 The overall impact of Covid on the Council's financial position was not clear, as some of the increased costs were offset by government grant received and grant expected. Without trying to identify all the areas where Covid has impacted on Council services, a high level summary of the impact has been set out below, for Members information.

	£000
Additional refuse and recycling costs	749,300
Loss of green waste charging income	383,890
Loss of leisure income	1,170,900
Reduction in planning income	200,000
Debt recovery action put on hold	128,580
Reduction in investment income	160,000
Additional Costs	2,792,670
General Covid Grant received	(1,021,130)
Compensation for loss of Sales, Fees and charges	(1,240,860)
Covid Grant received	(2,261,990)
Shortfall in Income	530,680

4 **The Council's 2021/22 Expenditure Requirement**

4.1 The Council's net expenditure requirement for 2021/22 amounts to £8,147,790, which is £165,590 less than the approved estimate for 2020/21 and £246,400 less than the revised estimate. The main variations between the 2021/22 original budget and the 2020/21 revised budget are set out below.

... 4.2 The Financial Strategy required reductions in baseline expenditure of £700,000 for 2021/22. A summary of proposed reductions can be found in Appendix H. These total £705,640 and are included where appropriate within the other variance lines below.

4.3 Provision has been made for those posts that were vacant in 2020/21, the payment of annual increments, and a pay award of 2%. In addition, the vacancy factor has been set back to its original level.

£149,420

4.4 The one-off reductions in planning income mentioned earlier have been removed. In addition, the one-off Covid-19 sales, fees and charges grant for the loss of planning income has been removed.

(£74,370)

4.5 Within the leisure centres income has reduced. Although leisure income has been reinstated from April, it has been included at around 70 - 75% of the level previously generated. The improvement in customer numbers is expected to be gradual as Covid-19 is still expected to have an impact on leisure services in 2021/22. Some receipt of the Covid-19 Sales, Fees and Charges grant has been included to reflect the continuation of the scheme to the end of June 2021, in line with current Government announcements. One-off savings in premises and supplies and services budgets have been removed.

£146,870

4.6 Within Refuse and Recycling, employee costs have reduced due to the removal of the one-off increases in the use of agency staff as a result of Covid-19 mentioned earlier. Supplies and Services and transport budgets have increased due to inflationary increases to equipment, clothing, software maintenance, recycling disposal, fuel and repairs and maintenance budgets. Income has also reduced due to the removal of the one-off Covid-19 grant funding and the removal of the one-off increases in income from the sale of bins, clinical and bulky waste collections mentioned earlier in the report. This has been partly offset by the reinstatement of the green waste collection income budget.

£232,020

4.7 Council Tax legal fee income has been reinstated, as recovery action is expected to improve. This has partly offset by the reinstatement of the one-off savings in 2020/21.

(£80,500)

- 4.8 Income from the recovery of housing benefit overpayments for Rent Allowances and Rent Rebates has also been reinstated. This has been partly offset by a general reduction of 10% in the administration grant.
(£79,910)
- 4.9 The inclusion of the Covid-19 Local Authority Support and Lower Tier Services grants for 2021/22 as announced by the Government in the provisional financial settlement.
(£441,420)
- 4.10 A reduction in the use of earmarked reserves has been assumed, in line with the use agreed by this Board in September 2020.
£141,970
- 4.11 An increase in the financing adjustment to cover the repayments needed for the prudential borrowing assumed in the draft capital programme presented in another report on the agenda.
£86,650
- 4.12 A lower level of investment income is expected to be generated. The General Fund only retains a proportion of the decrease.
£111,890
- 4.13 Proposed reductions relating to the Borough Care and Reception services.
(£439,440)

5 **Budget Projections**

- 5.1 In addition to preparing the 2021/22 budget, the three following years have been forecast.
- 5.2 Pay awards of 2% have been included for each year, whilst premise and supplies and services costs have only been given an increase in alternate years. Only limited growth has been included relating to refuse and recycling costs. The growth included reflects the additional capacity needed to match the anticipated new properties in the Borough.
- 5.3 Recycling disposal costs have increased in 2020/21 due to an increase in the disposal costs charged by external waste processing organisations, and also as a result of increased volumes of recycling collected. Whilst the Council receives additional recycling credits income for the recycling collected, the increase in income is significantly less than the increase in the disposal costs. There is a net increase in expenditure of £207,870. Recycling disposal costs are dependent on external market factors and it is unlikely recycling disposal costs will reduce in the short term, so growth of £207,870 has been included in the Recycling Budget for 2021/22 onwards.

5.4 The forecast has been summarised and is shown below.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Spending Requirement	8,148	9,505	9,965	10,152

An increase in the expenditure requirement of £2.004 million is expected over the forecast period.

6 Summary of the Finance Settlement

6.1 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. An authority's settlement funding assessment is added to their Council Tax and then reduced by a given percentage to keep within the national control total. From this total the Council's Business Rates baseline and Council Tax income are deducted to arrive at the level of RSG. In years where an authority's entitlement to RSG is zero, increases to business rate tariffs were planned in order to reduce the amount of income retained by an authority.

6.2 The Government includes the Settlement Funding Assessment in calculating an authority's Core Spending Power. Our figures are shown below:

	2021/22 £'000
NDR Baseline Funding	1,922
RSG / Tariff Adjustment	-
Sub-total - SFA	1,922
Assumed Council Tax	4,810
Other Grants	578
Total	7,310

The Council had previously been informed of a negative RSG sum from 2019/20 onwards. The Government decided that negative RSG would not be deducted in 2019/20 and 2020/21. This decision has been repeated in the Provisional Finance Settlement for 2021/22.

6.3 The Fair Funding Review has been deferred due to the pandemic and a revised timescale for the review has not yet been confirmed. The Provisional Finance Settlement has indicated a one-year settlement will be issued for 2021/22.

6.4 The aims of the Fair Funding Review were to simplify the funding mechanism for local government, with a reduced number of cost drivers taken into the calculations. How the effects of the pandemic will be included in the review is not yet known. However Adult Social Care and Children's Services are expected to feature in any revised allocation methodology, which could put pressure on the general funding available and the allocations for District Councils.

- 6.5 The provisional one-year settlement for 2021/22 has left the business rates multiplier unchanged at 2020/21 levels but has confirmed that an inflationary increase of 0.5% will be paid to Councils through a section 31 grant. An increase in Council Tax has been assumed to arrive at the Council's Core Spending Power. For this forecast, it has been assumed that for 2022/23 onwards an inflationary increase in NDR Baseline funding will be received, along with increases in Council Tax.
- 6.6 The Government's calculation of core spending power assumes that all District Councils will increase their Band D Council Tax in line with the referendum limit for 2021/22, by whichever is the greater of £5 or 2%. No information around potential Council Tax increases from 2022/23 onwards is currently available.
- 6.7 Notification of New Homes Bonus of £577,680 has been received for 2021/22. The legacy payments expected in 2021/22 are included and an additional £115,961 added. No change to the £208,098 expected for 2022/23 has been indicated. No indications around a potential alternative have yet been provided.

7 Council Tax

- 7.1 As part of the budget setting process, the tax base for the Borough is updated each year to reflect new properties, demolitions and changes to the valuation bands of existing properties. Allowances are also made for properties which are exempt from Council Tax, or where the residents receive discounts. The tax base has been updated for 2021/22 and is attached as Appendix G.
- 7.2 A review of potential new build in the tax base has taken place, along with a review of exemptions and discounts. Given the expected increase in exemptions and discounts, a growth rate of 0.17% in the tax base has been used in projecting Council Tax income for 2021/22, with 1.0% assumed for 2022/23 and 1.5% assumed from 2023/24 onwards.
- 7.3 The Authority has estimated the Council Tax position that will be brought forward from 2020/21, which is an expected deficit. All major precepting authorities have been notified of the amounts they will be required to pay. North Warwickshire Borough Council will be required to pay a sum of £9,110 for 2021/22.
- 7.4 In general terms, an inflationary increase in Council Tax is built into the budget on an annual basis. Given the significant pressure on the Council's budget, this budget forecast has used the permitted increase of £5 in 2021/22 and has assumed a further £5 increase each year in subsequent years.
- 7.5 A Council Tax increase of £5 per annum for ratepayers gives the Council an additional £105,350 in income in 2021/22. The Council could choose to opt for a different Council Tax increase; however, a lower tax increase would not be sustainable. Previous decisions to freeze Council Tax have had an ongoing and cumulative effect on the Council's financial position, reducing council tax income by around £1 million per annum.

- 7.6 The Government wants to ensure that Council Taxpayers are protected against authorities that impose excessive Council Tax rises. A referendum will be required for any District that proposes a Council Tax increase over £5.

8 Expected Resources

- 8.1 Expected Resources from the sources covered above are set out in the table below:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Council Tax	(4,579)	(4,731)	(4,910)	(5,093)
New Homes Bonus	(578)	(208)	-	-
Business Rates	(1,931)	(1,950)	(1,980)	(2,010)
Additional Business Rates	(500)	(500)	(500)	(500)
Collection Fund Deficit / (Surplus)	9	7	(17)	(37)
Total	(7,579)	(7,382)	(7,407)	(7,640)

- 8.2 Even with Council Tax increases in line with expected Government guidelines, overall resources are only expected to increase by £61,000 over the life of the forecast, due to the expected loss of New Homes Bonus. This increases the gap between expenditure and income, leaving unfunded expenditure as follows:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Unfunded Expenditure	569	2,123	2,558	2,512

9 Requirement to Reduce Annual Expenditure

- 9.1 In September 2020, this Board agreed that reductions to the budget of £2.3 million would need to be identified over 2021/22 and the following three years. Directors were tasked with reviewing their service areas, with the aim of producing proposals to meet this challenging target.
- 9.2 The target for reducing the budget was set at £700,000 for 2021/22. Amounts totalling £705,640, have been reported to Service Boards and are built into the 2021/22 estimates. Reductions in the budget are summarised in Appendix H.
- 9.3 Following the departure of the Corporate Director Community Services, a review of the Revenues and Benefits service was undertaken. Special Sub Group have agreed a revised management structure within the Service, so the balance of funding relating to the Corporate Director post has been taken out of the budget. In addition, the Director of Corporate Services retired at the end of January. Given the Councils financial position, some proposed changes to existing posts have been taken to Special Sub Group, to allow this area to be covered without direct replacement of the post. Changes to the revised roles will be reviewed after six months and are still to be evaluated, but a reduction

in expenditure of around £48,000 is anticipated. These changes to the senior management of the Council are estimated to reduce expenditure by £93,500 and this has been taken out of the expenditure forecast.

- 9.4 During the current year the operation of the Central Services Administration Unit has been under review. There are proposals to change the structure of the unit, to better meet the needs of the Council going forward. Whilst the review is not yet complete, a reduction in expenditure of around £90,000 is expected and this has also been taken out of expenditure forecasts.
- 9.5 Proposals to stop direct provision of the Borough Care Service and amend the operation of the Reception area were considered by the Resources Board at its meeting in January. Both of these proposals were accepted by Resources Board but were subsequently subject to a minority report. Whilst they have been included within the forecast figures in this report, they are still subject to Council decision.
- 9.6 This will still require the Council to reduce expenditure by £2.1 million over the remainder of the Strategy period. If the recommendations on Borough Care and Reception services are not agreed, then the requirement to reduce expenditure will increase to £2.6 million over the remainder of the Strategy period, with £2.4 million of this required for 2022/23. In addition, general balances at the end of 2021/22 would fall to £1.173 million, which would be below the recommended level of £1.4 million.
- 9.7 Any decision not to increase Council Tax by the assumed £5 will lead to a direct loss of funding and would increase the required reduction in expenditure in future years by a further £105,000. Given the expenditure reductions highlighted above, this is not sustainable.

10 Performance Against the Budget Strategy

- 10.1 The budget strategy agreed at the September meeting envisaged reductions in expenditure and the following use of balances over the next four years.

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Use of / (Contribution to) Balances	422	273	(4)	(75)
Level of Balances 31 March	1,634	1,361	1,365	1,440
Reduction in Expenditure needed	700	800	800	-

- 10.2 Each Board has projected its expenditure requirements up to and including 2024/25, together with financing and other adjustments. Including the reductions in 2021/22 already identified, the expenditure forecast has been summarised and is shown in the table below, together with expected resources:

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Spending Requirement	8,148	9,065	9,526	9,713
Cumulative Reduction in Expenditure needed	-	(1,500)	(2,100)	(2,100)
Expected Resources	(7,579)	(7,382)	(7,407)	(7,640)
Use of / (Contribution to) Balances	569	183	19	(27)
Level of Balances 31 March	1,613	1,430	1,411	1,437

Net expenditure reductions will need to be found in line with the plan to ensure that there are sufficient balances at the end of 2024/25. Additional detail is given in Appendix M.

...

10.3 This predicted use of balances is based on limited growth and a £5 increase in Council Tax for 2021/22, with increases of £5 for subsequent years. The anticipated General Fund balance at 1 April 2021 is £2,182,000, which is higher than expected in the Budget Strategy. This is due to lower use of balances in 2019/20 and the proposal to use earmarked reserves in 2020/21 in order to reduce the call on general balances.

10.4 In order to keep the level of balances in each following year broadly in line with the strategy, the need to reduce expenditure in 2022/23 has increased significantly, from £800,000 to £1.5 million. A further reduction of £600,000 will also be need in 2023/24. This takes the reductions still needed for 2022/23 onwards to £2.1 million.

11 Risks to the Council's Financial Position

11.1 As with all types of forecasting, there are certain inherent risks that may affect the financial position of the Council over the forthcoming periods. These risks require that the Council maintains a sufficient level of general reserves. The individual estimate reports to each Board have included a range of potential risks that could impact upon the budgetary position of services. In addition to these specific service risks, there are a number of risks that could impact more generally on the Council's financial position. The major risks to the Councils budget are highlighted below.

11.2 **Business Rates** - the Council has risks it cannot currently quantify, around the retention of business rates in place of revenue support grant and the impact of appeals against valuations. We currently anticipate collecting more business rates than assumed in our baseline funding level. This means that we will retain a proportion of any additional rates collected.

11.3 Projections include a benefit of £500,000 in 2021/22. Plans to reset business rates has been delayed but is still expected, and this could remove the growth mentioned above. In this event, the Volatility Reserve will be used to provide an additional £500,000 in 2022/23, 2023/24 and 2024/25, and this has been included in the Strategy.

- 11.4 Any major changes to the Council's tax base through successful appeals, or removal of premises from the rating list over and above those allowed for, could impact on the additional rating income figures mentioned above. Given the current economic uncertainty, this risk has increased.
- 11.5 A further consideration is the construction of HS2 within the Borough that has now started, so there is the potential for reductions in rateable income due to successful appeals for disruption and demolition of premises. The resources in this strategy could reduce before the safety net comes into effect. There are also future risks around the potential implementation of 75% local retention of business rates.
- 11.6 **Fair Funding Review** – a national review is planned, which may adversely change the assumed spending need of the council, and therefore the level of government support that is received.
- 11.7 **New Homes Bonus scheme** – although a scheme for 2021/22 has been announced, there is no detail for further years. The indications seem to be that if continued, funding will be allocated using a different mechanism.
- 11.8 **Growth in the Borough** – if new homes and estates are delivered in line with expectations, there will be a significant impact on some Council services, for example, refuse and recycling and grounds maintenance. Provision for an extra refuse round has been built into the figures for 2022/23 and a further round in 2023/24, but the actual timing of the additional resources required will need to be monitored and assessed.
- 11.9 **Other Risks** – Further deterioration in the economic position could increase demand for services such as benefits and homelessness, whilst reducing demand in income generating areas. Unexpected changes in the remuneration of the workforce could impact on the financial position, as could any significant loss of employees which required additional resources to complete statutory functions.
- 11.10 An overall risk assessment for 2021/22 has been completed to determine the minimum level of general reserves that the Corporate Director Resources considers it is appropriate for the Authority to hold, and this is shown in Appendix J. This is based on the expected or 'most likely' position and the assumption that not all risks will occur within the next year.
- ...
- 11.11 As can be seen, the balance between future risks and the adequacy of general reserves held by the Council is a key part in establishing a medium-term financial strategy. Provided that expenditure is reduced in line with the targets identified, the level of balances is expected to remain above £1.4 million over the next four years, although careful monitoring of this will still be necessary. The Council has used some earmarked reserves to offset some of the additional costs of the pandemic which has reduced the ability to do this again in the future.

11.12 As already mentioned, there is the potential for the Council to benefit from any additional rates collected, but there is also the risk that if rating income falls, there will be a direct impact on the Council's finances. There is a lot of uncertainty around the collection of business rates and the impact of appeals and refunds.

11.13 However, if a general reserve of £1.4 million is held, it is felt that this amount, together with other provisions, reserves and balances held by the Council, is adequate to protect the Council's financial position for both the forthcoming year and in the medium-term.

11.14 Although not all risks are likely to occur in 2021/22, there is a real possibility that the position could be worse than that anticipated. It could also be better. Best and worst case scenarios are indicated in Appendix K, and show that in the event of the worst case scenario being realised in 2021/22, the Authority would need to adjust its financial strategy, and manage any changes required in 2021/22. Budgets are monitored throughout the year, with the budgetary position reported to Boards on a regular basis, so the Authority is in a good position to identify risks as they occur.

12 Availability of Reserves

12.1 The Local Government Act 2003 requires the Corporate Director Resources to make an annual statement on the adequacy of financial reserves. General reserves or balances are held to provide a general contingency for unavoidable or unforeseen expenditure, and also give stability for longer term planning. The level of general reserves held is based on an assessment of the financial risks attached to the budget, and this is covered in section 11.

12.2 In addition to its general financial reserves, the Council holds a number of earmarked reserves, for both revenue and capital purposes. It also holds some reserves on behalf of other organisations.

12.3 General Council policy has been not to use earmarked reserves to fund ongoing service activity, so that the base budget position is not understated. An exception to this has been made with regards to the pandemic. However going forward, further use will not be assumed. So, for example, external grant received in advance for specific projects will be held in an earmarked reserve until the activity takes place and the grant is spent. Timing differences on particular activities will also be dealt with through earmarked reserves, to remove unnecessary fluctuations in the base budget, whilst ensuring sufficient budget provision is available.

12.4 The Council will use earmarked reserves to set aside funding for capital schemes and projects. The Council uses reserves to build up funding for the future replacement of assets and equipment, such as leisure fitness equipment.

12.5 Where earmarked reserves are used for revenue activities, the expenditure is included within the appropriate service budget, together with the contribution from the reserve to offset this. These movements are highlighted in the budget

reports considered by Members. As mentioned above, it is proposed to use a number of earmarked reserves in order to reduce the call on general balances in 2020/21 and 2021/22. These are shown in Appendix N.

- 12.6 The expected position on earmarked reserves at the end of 2020/21 relating to the General Fund is outlined below, with more detail on the larger reserves given in Appendix I.

Earmarked Reserves	Expected Balance 31 March 2021 £000
Capital	874
Revenue	4,657
Total	5,531

Some of the reserves set aside for capital are for specific equipment replacement and are not yet due to be spent.

13 **Budget Consultation**

- 13.1 It is planned to use electronic means to carry out budget consultation for 2021/22, in place of the usual meeting set up for business ratepayers.

14 **Council Tax Resolution**

- 14.1 A Council Tax resolution will be prepared for consideration at the Council Meeting, using the recommendations agreed by this Board.

15 **Manpower Estimate for the Year 2021/22**

- 15.1 Within the Authority's revenue and capital estimates, allowances have been made for the required manpower provision. Appendix L sets out the manpower estimates for 2021/22, compared with 2020/21.

16 **Delivering Value for Money**

- 16.1 All Councils will be looking for reductions in net expenditure in the coming year, to sustain their financial position. Efficiencies will be introduced wherever possible to minimise the impact on service provision.

17 **Conclusion**

- 17.1 It is clear that even with Council Tax increases of £5, there is an imperative need to reduce the net expenditure of the Council. Reductions of around £2.1 million will inevitably impact on service levels. However if these expenditure reductions can be achieved, current forecasts indicate that reserves will remain above the minimal acceptable level of £1.4 million by the end of 2024/25, although this is subject to the uncertainties inherent in budgetary forecasting, and subject to the level of Council Tax increase agreed.

17.2 There are a number of factors that could affect these forecasts. The major factors are set out in section 11. In addition:

- The Council may struggle to deliver the necessary reductions in the required timeframe.
- The Council currently has no external borrowing. However, there is an underlying borrowing requirement, which may increase costs in the future.
- The impact of Covid-19 will impact on some service areas such as Leisure Facilities income and Refuse and Recycling costs in 2021/22. If the income is greater than estimated, this will impact on the council's financial position.
- The ability to earn income from investments has reduced significantly and this has been taken into account in the budget forecast. Any difference in actual experience will affect the financial projections; this could be beneficial or detrimental, and will be reliant on how the economy performs.

17.3 The options available to the Council to meet these future pressures are restricted: increases in Government funding, higher increases in Council Tax (subject to a referendum) and reductions in service costs. As service delivery pressures increase, the options for reducing expenditure whilst maintaining existing service levels decrease.

18 Report Implications

18.1 Financial Implications

18.1.1 As detailed in the body of the report.

18.2 Safer Communities Implications

18.2.1 The Council provides services and takes part in initiatives that work to improve Crime and Disorder levels within the Borough, and provision is included within the budgets for this.

18.3 Environment and Sustainability Implications

18.3.1 The financial strategy is linked to the delivery of targets and actions identified in the Corporate Plan and service plans. Continuing the budget strategy will allow the Council to manage its expected shortfall in resources without disruption of these targets and without disrupting essential services. Progress against both performance and financial targets are reported regularly to Service Boards.

18.3.2 Parts of the corporate and service plans directly support the sustainability agenda, for example, recycling and the green space strategy.

18.4 Equality Implications

18.4.1 Equality Assessments should be undertaken when making financial decisions to determine what the adverse impact on individuals or communities will be.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
Financial Strategy 2020/25	NWBC	Report to Executive Board	21 Sept 2020

NORTH WARWICKSHIRE BOROUGH COUNCIL
 PLANNING AND DEVELOPMENT BOARD
 SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Code	Description	Actual 2019/2020 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
4009	Planning Control	83,309	(83,250)	(16,640)	(67,960)
4010	Building Control	36,177	35,200	35,200	35,900
4012	Conservation and Built Heritage	49,776	42,100	42,100	43,260
4014	Local Land Charges	(14,157)	(19,600)	(19,210)	(18,480)
4018	Street Naming and Numbering	(13,962)	(5,440)	(4,290)	(5,520)
	Net Controllable Expenditure	141,143	(30,990)	37,160	(12,800)
	Departmental Support	105,718	108,460	108,460	108,970
	Central Support	156,301	170,790	170,790	172,140
	Capital Charges	4,261	16,390	16,390	16,390
	Planning and Development Board Total	407,423	264,650	332,800	284,700

NORTH WARWICKSHIRE BOROUGH COUNCIL
COMMUNITY AND ENVIRONMENT BOARD
SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Codes	Description	Actual 2019/2020 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
3072	Polesworth Sport Centre	174,053	113,560	161,570	171,370
3075	Coleshill Leisure Centre	291,982	182,510	281,510	321,520
3077	Atherstone Leisure Complex	368,710	185,860	326,720	411,140
3081	Leisure Facilities Strategic Outcome Plan	-	-	-	-
3082-3	Memorial Hall	121,987	110,140	114,890	127,530
4002	Public Health (Commercial Pollution Control)	247,864	240,740	247,470	247,070
4003	Public Health (Domestic Pollution Control)	64,763	24,740	23,940	25,400
5000	Domestic Refuse Collection	725,317	663,450	589,960	633,090
5001	Streetscene Grounds Maintenance	21,014	8,450	5,630	18,160
5002	Trade Refuse Collection	(42,037)	(45,880)	(46,100)	(44,250)
5003	Cesspool Emptying	(12,527)	(51,870)	(28,800)	(49,410)
5004	Recycling	1,005,366	532,220	602,420	791,310
5005	Animal Control	22,948	16,220	25,730	23,220
5006	Abandoned Vehicles	2,303	2,010	2,010	2,050
5010	Amenity Cleaning	534,385	545,600	522,420	559,090
5013	Unadopted Roads	4,058	7,900	7,900	8,050
5014	Flooding And Land Drainage	1,058	-	-	-
5015	Street Furniture	3,398	1,350	1,350	1,380
5016	Atherstone Market	2,331	1,840	1,790	1,880
5019	Green Space Budget	421,402	432,670	412,960	431,330
5021	Public Health (Control of Disease) Act 1984 Burials	2,050	-	1,720	-
5023	Consultation	574	4,650	-	4,650
5025	Corporate Policy	48,255	44,120	44,120	47,790
5030	Rural Regeneration	30,228	27,390	27,390	27,980
5034	Landscape	10,345	10,260	10,570	10,780
5040	Marketing and Market Research	5,470	8,760	8,760	8,930
5044	Support to Voluntary Organisations	54,149	54,620	54,620	55,710
5047	Community Fund for Local Projects	-	-	-	-
5055	Community Development Health Improvement	25,945	32,100	32,440	33,550
5056	Community Development Safer Communities	56,009	62,840	62,840	64,740
5064	QE - Artificial Grass Pitch	(10,647)	(10,080)	(10,080)	(9,870)
7361	England's Rural Heart LEADER Partnership	(3,718)	1,050	1,040	660
7365	AFC Veterans Hubs Development	-	-	-	-
7700	Stronger & Safer Communities	-	-	-	-
7856	High Street Innovation Grants	-	-	-	-
72xx	Covid Related Expenditure	814	-	-	-
	Net Controllable Expenditure	4,177,849	3,207,220	3,486,790	3,924,850
	Departmental Support	653,418	696,400	696,400	708,960
	Central Support	617,176	658,350	658,350	688,260
	Capital	894,114	888,760	888,760	888,760
	Net Expenditure	6,342,557	5,450,730	5,730,300	6,210,830

NORTH WARWICKSHIRE BOROUGH COUNCIL
LICENSING COMMITTEE SUMMARY
SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Code	Description	Actual 2019/2020 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
4000	Licensing Authority	(33,848)	(36,500)	(35,350)	(36,090)
4001	Licences and Registration	(8,272)	(8,120)	(8,080)	(6,240)
4008	Hackney Carriages	(17,897)	(11,290)	(11,290)	(22,890)
4019	Gambling Act Authority	(10,338)	(9,310)	(7,920)	(9,310)
	Net Controllable Expenditure	(70,355)	(65,220)	(62,640)	(74,530)
	Departmental Support	37,999	73,320	73,320	76,190
	Central Support	41,869	39,830	39,830	40,310
	Licensing Committee Total	9,513	47,930	50,510	41,970

NORTH WARWICKSHIRE BOROUGH COUNCIL

RESOURCES BOARD (RECHARGED)

SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Code	Description	Actual 2019/2020 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
Various	Chief Executive	207,314	211,340	211,340	220,390
Various	Corporate Director - Resources	908,358	1,020,620	1,020,620	1,063,910
Various	Chief Executive - Other Services	1,098,979	1,102,310	1,102,310	1,111,510
Various	Corporate Director Resources - Community Services	1,396,379	1,486,740	1,486,740	1,501,810
Various	Director of Housing	2,230,943	2,325,130	2,325,130	2,446,350
Various	Corporate Director Streetscape	890,128	923,770	923,770	942,880
Various	Director of Leisure and Community Development	689,685	559,680	559,680	572,020
3006-3039	Building Maintenance Fund	226,164	226,380	226,380	231,250
3040-3041	Council Offices	189,161	188,030	188,030	181,430
3043	Central Telephones	16,176	17,700	17,700	18,100
3045	Recruitment	54,704	26,390	26,390	25,200
3046	Printing and Copying	65,248	68,930	68,930	71,230
3047	Training	19,324	82,840	82,840	84,200
3048	Depot and Stores	73,934	76,740	76,740	81,830
3110	Postage and Franking	66,447	69,890	69,890	70,050
3226	Central Services	256,536	278,710	278,710	286,290
3290	Information Services	767,856	765,600	765,600	786,140
3291	Procurement	75,815	75,200	75,200	74,300
3292	Staff Welfare	33,069	27,860	27,860	26,730
3300	Transport	822,081	829,820	815,980	837,840
	Net Controllable Expenditure	10,088,301	10,363,680	10,349,840	10,633,460
	Recharged to Services	(11,943,346)	(12,285,020)	(12,269,760)	(12,557,720)
	Departmental Support	22,082	21,490	21,490	22,030
	Central Support	1,466,658	1,478,920	1,478,920	1,482,720
	Capital	366,305	420,930	419,510	419,510
	Resources Board (Recharged) Total	-	-	-	-

Resources Board Summary

Description	Actual 2019/2020 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
Totals - Recharged Services	-	-	-	-
Totals - Services Remaining	3,947,836	3,124,140	3,393,880	3,273,590
Central Vacancy Factor	-	(234,000)	(315,000)	(393,500)
Resources Board Total	3,947,836	2,890,140	3,078,880	2,880,090

NORTH WARWICKSHIRE BOROUGH COUNCIL

RESOURCES BOARD (REMAINING)

SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Code	Description	Actual 2019/2020 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
3000	Cost of Democratic Services	329,631	368,730	354,290	357,880
3001	Election Expenses	88,698	5,400	5,400	5,510
3002	Registration of Electors	8,603	26,640	26,640	27,360
3003	Non Domestic Business Rates	(21,482)	(25,610)	(24,740)	(23,100)
3004	Council Tax Collection	134,807	71,240	158,800	78,300
3050	Finance Miscellaneous	(52,770)	-	-	-
3051	Compensation and Pension Increases	353,459	255,650	333,720	343,230
3052	Assisted Car Purchase	(303)	(280)	(400)	(350)
3054	Electricity at Work	16,671	18,920	18,920	19,300
3059	Finance Unused Land	211	700	700	720
3060	Corporate and Democratic Core	107,486	77,350	77,990	79,550
3061	Unallocated Central Support Services	(349)	63,240	92,750	102,930
3065	Coleshill Shops and Flats	(69,223)	(68,240)	(68,120)	(68,100)
3067	The Pavilions, Holly Lane	(81,869)	(84,780)	(81,010)	(86,260)
3068	Carlyon Road Industrial Estate	(127,393)	(130,850)	(126,250)	(131,530)
3069	Innage Park Industrial Estate	(175,795)	(194,900)	(201,060)	(235,030)
3070	Polesworth Workspace Units	(8,483)	(8,560)	(7,640)	(5,260)
3079	Maya Bar & Restaurant	(11,156)	(12,890)	(12,950)	(13,930)
3080	Football Stadium	9,729	-	-	-
3084	Homeless Persons	64,959	71,690	71,190	68,290
3085	Meadow House Young People Support	(1,417)	-	-	-
3086	Homeless Project Watling Street Dordon	-	-	-	-
3089	Public Conveniences	38,833	35,190	30,280	35,310
3094	Customer Contact	20,133	13,490	12,250	33,270
3097	Rent Allowances	159,705	(10,540)	27,440	(4,950)
3098	Housing Benefit Administration and Rent Rebates	(27,785)	68,160	88,740	41,220
3101	Council Tax Support	107,918	90,060	93,120	97,500
3102	Car Parks	51,811	50,940	48,960	52,130
5008	Private Sector Housing Assistance	36,290	16,350	41,350	10,330
5035	CCTV	3,155	(16,180)	(18,580)	(17,500)
5036	Community Support	231,369	245,830	248,710	275,850
72xx	Covid Related Expenditure	7,169	-	-	-
	Net Controllable Expenditure	1,192,612	926,750	1,190,500	1,042,670
	Recharged to Services	(249,840)	(255,120)	(249,130)	(258,760)
	Departmental Support	1,023,773	1,084,270	1,084,270	1,114,790
	Central Support	1,009,637	1,081,030	1,081,030	1,087,430
	Capital Charges	971,654	287,210	287,210	287,460
	Resources Board (Remaining) Total	3,947,836	3,124,140	3,393,880	3,273,590

NORTH WARWICKSHIRE BOROUGH COUNCIL
EXECUTIVE BOARD SUMMARY
SUMMARY OF GENERAL FUND REVENUE ESTIMATES

Code	Description	Actual 2019/20 £	Approved Budget 2020/2021 £	Revised Budget 2020/2021 £	Original Budget 2021/2022 £
2000	Housing Strategic Service Review	2,086	-	-	-
2001	Outreach and Access to Services	54,896	45,010	45,010	45,840
2002	Corporate Communications	53,918	50,580	36,640	51,830
2003	Community Strategy	47,295	41,610	40,080	42,710
2007	Emergency Planning	4,211	6,030	6,030	6,160
2009	North Warwickshire Local Development Framework	292,409	253,590	218,300	257,550
5050	Support to Parishes	165	-	-	-
	Net Controllable Expenditure	454,980	396,820	346,060	404,090
	Departmental Support	153,359	151,610	151,610	158,120
	Central Support	155,338	173,390	173,390	177,630
	Capital Charges	6,911	9,710	9,710	9,710
.	EXECUTIVE BOARD TOTAL	770,588	731,530	680,770	749,550

SUMMARY OF REVENUE REQUIREMENTS

2020/2021 Gross Expenditure	2020/2021 Gross Income	2020/2021 Net Expenditure		2021/2022 Gross Expenditure	2021/2022 Gross Income	2021/2022 Net Expenditure
£	£	£		£	£	£
9,507,060	3,776,760	5,730,300	Community and Environment	9,139,680	2,928,850	6,210,830
972,160	639,360	332,800	Planning and Development	999,850	715,150	284,700
150,270	99,760	50,510	Licensing	155,260	113,290	41,970
15,476,270	12,397,390	3,078,880	Resources	14,834,700	11,954,610	2,880,090
680,990	220	680,770	Executive	752,830	3,280	749,550
12,820,390	12,820,390	-	Council Housing	15,263,160	15,263,160	-
4,590	-	4,590	Contingencies	4,660	-	4,660
-	-	-	Covid-19 Grants	-	441,420	(441,420)
(441,970)	-	(441,970)	Use of Earmarked Reserves	(300,000)	-	(300,000)
-	200,000	(200,000)	Interest on balances	-	80,000	(80,000)
-	841,690	(841,690)	Financing adjustment	-	763,150	(763,150)
-	-	-	Proposed Reductions in Expenditure - Borough Care / Reception	(439,440)	-	(439,440)
39,169,760	30,775,570	8,394,190		40,410,700	32,262,910	8,147,790
-	670,750	(670,750)	Use of balances	-	569,200	(569,200)
39,169,760	31,446,320	7,723,440		40,410,700	32,832,110	7,578,590
1,073,986.95	-	1,073,986.95	Special items - Parish precepts	-	-	-
40,243,746.95	31,446,320	8,797,426.95		40,410,700	32,832,110	7,578,590
		(2,421,670)	Business Rates			(2,431,280)
		(738,480)	New Homes Bonus			(577,680)
		(97,570)	(Surplus) / Deficit on Collection Fund			9,110
		5,539,706.95				4,578,740

North Warwickshire Taxbase 2021/22

	Band A disabled	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
No. of dwellings		6,668.00	7,363.00	6,197.00	3,915.00	2,425.00	1,294.00	735.00	80.00	28,677.00
Plus additions		-	64.81	83.25	57.50	65.25	17.50	3.00	-	291.31
Less reductions		(2.00)	-	-	-	-	-	-	(1.00)	(3.00)
Less exemptions		(127.00)	(142.00)	(64.00)	(41.00)	(20.00)	(12.00)	(7.00)	(1.00)	(414.00)
Less orig. band for disabled		(29.00)	(38.00)	(49.00)	(46.00)	(28.00)	(17.00)	(9.00)	(4.00)	(220.00)
Plus new band for disabled	29.00	38.00	49.00	46.00	28.00	17.00	9.00	4.00	-	220.00
(a) Chargeable dwellings	29.00	6,548.00	7,296.81	6,213.25	3,913.50	2,459.25	1,291.50	726.00	74.00	28,551.31
25% discounts	5.00	3,229.00	2,688.00	1,830.00	928.00	442.00	213.00	108.00	13.00	9,456.00
50% discounts	1.00	8.00	6.00	6.00	3.00	6.00	5.00	7.00	7.00	49.00
Total discounts	7.00	2,398.00	2,210.00	1,660.00	777.00	431.00	211.00	120.00	25.00	7,837.00
(b) Discount deduction	(1.75)	(811.25)	(675.00)	(460.50)	(233.50)	(113.50)	(55.75)	(30.50)	(6.75)	(2,388.50)
Former A exemptions (25%)		2.00	3.00	3.00	-	3.00	2.00	-	-	13.00
Former C exemptions (2 weeks)		9.00	8.00	6.00	2.00	4.00	2.00	-	-	31.00
Total former exemptions (single equivalent)		0.85	1.06	0.98	0.08	0.90	0.58	-	-	4.44
Long Term Empty Premium		14.00	11.00	12.00	2.00	4.00	6.00	4.00	-	53.00
Council Tax Support	11.25	1,310.34	943.92	394.99	151.30	51.17	33.73	13.42	1.44	2,911.56
Band D equivalent	6.25	873.56	734.16	351.10	151.30	62.54	48.72	22.37	2.88	2,252.88
(c) Adjustments	-	-	-	-	-	-	-	-	-	-
(a)-(b)+(c) Net dwellings	15.01	4,438.81	5,682.33	5,362.78	3,529.62	2,295.68	1,204.44	684.08	65.81	23,278.56
Band D equivalents	8.34	2,959.21	4,419.59	4,766.91	3,529.62	2,805.83	1,739.75	1,140.13	131.62	21,501.00
Total Band D		21,501.00								
Collection rate		98.00%								
Taxbase		21,071.07								

SAVINGS INCLUDED WITHIN 2021/2022

Board	Description	2021/2022 £
C & E	Reduction in business rates	2,120
C & E	Reduction in car lump sum allowances	1,240
Resources Recharged	Reduction in lease car lump sum allowances	7,010
Resources Recharged	Reduction in subsistence	50
Resources Recharged	Reduction in Disclosure and Barring Service checks	1,750
Resources Recharged	Reduction in journals and newspapers	1,050
Resources Recharged	Reduction in books	540
Resources Recharged	Reduction in business rates	4,940
Resources Recharged	Increase in Rent Income from Council House	7,200
Resources Recharged	Reduction in car lump sum allowances	1,240
Resources Recharged	Reduction in essential travel allowances	1,240
Resources Recharged	Reduction in Housing Assessment Officer hours	7,040
Resources Recharged	Rationalisation of two part time Accountancy Assistant posts	2,560
Resources Recharged	Reduction in provisions	200
Resources Remaining	Cost of Democratic Services - Reduction in hire of premises	530
Resources Remaining	Cost of Democratic Services - Reduction in telephone costs	2,340
Resources Remaining	Reduction in corporate subscriptions	180
Resources Remaining	Reduction in electricity costs	410
Resources Remaining	Reduction in business rates	8,740
Resources Remaining	Reduction in water and sewerage costs	800
Resources Remaining	Increase in Rent Income from Industrial Units	26,670
P&D	Reduction in Advertising, promotions and publicity	4,850
	Sub Total Included in Service Boards	82,700
Vacancy factor	Senior Management Changes	93,500
Vacancy factor	Central Administration Unit	90,000
	Sub Total - Budget Reductions Included in Forecast	266,200
	Borough Care Service	355,210
	Changes to Reception Service	84,230
	Proposed Budget Reductions	705,640

EARMARKED RESERVES

Purpose of Reserve	Balance March 2021 £000
Revenue Reserves	
Business Rates – a volatility reserve to cover fluctuations in the level of appeals and rating income	2,229
External Grants Received – Resources received towards specific projects, such as homelessness, welfare reform, neighbourhood plans, delivery of housing sites (local plan), community development and environmental sustainability, which will be spent in future years	1,199
HRA Reimbursement to General Fund – to compensate the General Fund for the loss of investment income	140
Planned Work - the Council has set priorities and initiatives where work is planned and may have been started, but has not yet been completed. Provision has been made from existing budgets to fund this work in future periods. This includes work on conservation, amenity cleaning, recycling promotion and Broadband UK.	272
Approved growth not yet spent – to cover Environmental Issues, HS2 and Health and Wellbeing.	101
Invest to Save – This reserve is to provide ‘pump priming’ for the initial costs that arise from new initiatives, which will ultimately reduce existing costs. Savings achieved will be used to repay the contribution from the Reserve, so that other services will have similar opportunities to implement new schemes.	128
Other – A number of other reserves are held to cover areas such as corporate communications and Sickness fund	60
Contingencies – to cover possible costs arising from non-recovery of VAT.	90
Maintenance of Assets – To cover future maintenance requirements on some council owned assets	223
Training – These funds have been set aside to provide resources for one off training requirements in the future, for both staff and members.	106
Consultation – for consultation with residents of the Borough and service users. The requirement to consult varies from year to year and the reserve allows fluctuations between years to be managed, without affecting other revenue expenditure.	43
Insurance – to cover costs arising from changes to excess levels	66
Capital Reserves	
Equipment Replacement – These funds are earmarked for the future replacement of leisure equipment, CCTV equipment, Play Area equipment, Refuse Freighters and the replacement of PC's.	552
General Fund Capital - Some funding has been set aside for capital spending.	322

COUNCIL WIDE - RISK ANALYSIS

	Likelihood	Provision
Income Generation – decrease in fees and charges of 10% (10% = approx £302,980)	High	302,980
Reduction in planning income	Medium	50,000
Lower vacancies than expected (provision for vacancies = £210k)	Medium	105,000
Investment Income – loss of cash flow (£20m @ 0.2% = £40k)	Medium	20,000
Further Public Inquiries (potential £100k)	High	100,000
Housing Benefit – reduction in reimbursement (approx £10m @ 5%= £500k)	Low	50,000
Possibility of overspending the agreed budget by 1% (Gross Expend = £25.2m)	Medium	126,000
Increasing cost of Refuse and Recycling	Medium	71,000
Housing Benefit – Local Authority error & overpayments (£278k)	Medium	139,000
Increased cost of maintaining mechanical equipment	Low	20,000
Additional costs on fuel and utilities	Medium	20,000
Impact of continuing / increasing NDR appeals	Medium	250,000
General Contingency		150,000
Total		1,403,980

Likelihood of Risk

High	100%
Medium	50%
Low	0 –10%

ALTERNATIVE SCENARIOS – GENERAL BALANCES

Best Case

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Estimated use of balances	569	183	19	(27)
Increased tax base (new homes)	-	(47)	(97)	(152)
Sustained improvement in planning income	(100)	(100)	(100)	(100)
Improvement in leisure income	(283)	(68)	-	-
Additional surplus in the Collection Fund	-	(20)	(20)	(20)
0.25% increase in investment rates	(70)	(70)	(70)	(70)
Additional business rates	-	-	(200)	(200)
Alternative to New Homes Bonus	-	(100)	(100)	(100)
Potential Use of/ (Cont to) Balances	116	(222)	(568)	(669)
Potential Balances at Year End	2,066	2,288	2,856	3,525

Worst Case

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Estimated use of balances	569	183	19	(27)
Additional 0.5% on the pay award in 2021/22	57	57	57	57
Increase in planning appeals	100	100	100	100
Planning Income is not sustained	100	100	100	100
Additional recycling costs	71	71	71	71
Reduction in expected income	300	300	300	300
Reduction in New Homes Bonus scheme	-	208	-	-
Poor result from fair funding review	-	96	98	100
Potential Use of/ (Cont to) Balances	1,197	1,115	745	701
Potential Balances at Year End	985	(130)	(875)	(1,576)

MANPOWER BUDGET

The Board estimates contain the effect of the following changes in employee numbers.

	2020/21 Estimate (original) FTE	2021/22 Estimate FTE
Monthly Paid	343	345
Total	<hr/> 343 <hr/>	<hr/> 345 <hr/>

APPENDIX M

REVISED MEDIUM TERM FINANCIAL FORECAST

	2020/21 Revised £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
Net Service Expenditure	9,878	10,172	10,271	10,669	10,841
Covid-19 Grants	-	(441)	-	-	-
Use of Earmarked Reserves	(441)	(300)	-	-	-
Investment Income	(200)	(80)	(110)	(150)	(250)
Financing Adjustment	(792)	(714)	(607)	(514)	(438)
e/m res - contribution from HRA	(50)	(50)	(50)	(40)	-
Proposed Reductions in Expenditure - Borough Care / Reception – 21/22	-	(439)	(439)	(439)	(439)
Requirement to reduce expenditure – 22/23	-	-	(1,500)	(1,500)	(1,500)
Requirement to reduce expenditure – 23/24	-	-	-	(600)	(600)
Net Expenditure	8,395	8,148	7,565	7,425	7,613
Council Tax	(4,466)	(4,579)	(4,731)	(4,910)	(5,093)
New Homes Bonus	(738)	(578)	(208)	-	-
NDR – Baseline	(1,922)	(1,931)	(1,950)	(1,980)	(2,010)
NDR – Additional rates	(500)	(500)	(500)	(500)	(500)
Collection Fund (Surplus) / Deficit	(98)	9	7	(17)	(37)
Use of / (Contribution to) Balances	671	569	183	19	(27)
Balances at the Year End	2,182	1,613	1,430	1,411	1,437

Use of Earmarked Reserves

Earmarked Reserve		Use in 2020/21	Use in 2021/22
8295	Assets of Community Value Grant	4,873.00	
8337	Economic Development	2,675.90	
8347	Brownfield Site Register	14,645.00	
8434	Social Inclusion and Sport Fund	4,156.31	
8459	Families for Health Funding	8,114.62	
8461	Narrowing the Gap	5,678.38	
8463	Risk Management Fund	42,407.51	
8389	Benefits		57,890.17
8301	North Talk 3rd Edition	13,690.14	
8455	Neighbourhood Plans	121,677.32	
8410	IT Transparency	21,440.88	
8411	IT Digital Experts	12,758.02	
8360	Council Tax Reform		164,092.96
8468	INSPIRE Annexe 3 (EU initiative)	7,131.00	
8485	Regional Improvement and Efficiency Partnership (RIEP) - Unused Grant	7,030.00	
	Total External Funding	266,278.08	221,983.13
8425	Environmental Issues		15,140.84
	Total Approved Growth	0.00	15,140.84
8405	Land Charge Refunds	48,448.79	
8308	Contaminated Land	50,618.99	
8412	Emergency Planning	32,492.28	
	Total Contingencies	131,560.06	0.00
8399	Community Development Schemes	810.42	
8446	Allotment Improvements	3,318.38	
8408	CCTV Camera	1,000.00	
8320	Transport Management	505.76	
8354	Consultation Fund		21,581.00
8358	Amenity Cleaning Fund		24,885.00
8428	HR Reserve	9,716.00	
8419	Civic Awards	1,909.29	
8394	Street Naming & Numbering	12,218.60	
8398	Unadopted Roads	11,275.00	
8407	Customer Contact	3,380.00	620.00
8466	Legal Advice		15,445.98
8487	Narrowing the Gap - Dig In		345.00
	Total Other	44,133.45	62,876.98
	Grand Total	441,971.59	300,000.95

CHANGES IN 2020/21 EXPENDITURE

- 1 The major changes in the Council's net expenditure for 2020/21 are set out below.
 - 1.1 There is a one-off reduction in Planning income of £200,000 due to a delay in larger applications as a result of the Covid-19 pandemic. Covid-19 grants of £125,630 for the loss of income have been included, but the amount that the Council has been able to claim from the Government doesn't cover all of the lost income. There are also savings of £7,760 in advertising, promotions and publicity costs.

£66,610
 - 1.2 There is a reduction in the North Warwickshire Local Development Framework professional fees, as work which was originally scheduled for 2020/21 has been deferred to 2021/22 or later, due to the Covid-19 pandemic.

(£35,000)
 - 1.3 There is a one-off saving in the printing and delivery costs of North Talk, partly offset by loss of advertising income, as the North Talk publication is not going to be produced in 2020/21.

(£13,940)
 - 1.4 Within the leisure centres there is an increase of £292,620. This is because overall income has reduced by £315,820 due to the closure of leisure facilities for a major part of the year and limited service provision relating to Covid-19 regulations when able to open. Although Covid-19 grants for the loss of sales, fees and charges have been included, the amount that the Council has been able to claim from the Government doesn't cover all of the lost income. This has been partly offset by one-off savings in utilities and Supplies and Services costs.

£292,620
 - 1.5 Within the Refuse and Recycling services employee costs have increased by £315,230 due to the use of more agency staff to cover additional rounds and staff absences as a result of Covid-19. Supplies and Services costs have increased by £243,150, due to an increase in the recycling disposal costs which have been charged by external waste processing organisations, and also due to increased volumes of recycling collected as a result of people working from home. Transport costs have reduced by £11,440 due to lower fuel costs, partially offset by increases in repairs and maintenance costs. Expected income of £383,890 was foregone due to the decision to defer charging for green waste by a year. Although income from recycling credits, bin sales and additional clinical and bulky waste collections increased by £63,860, there has been a net loss of income of £320,030. The increase in costs and loss of income have been covered by the allocation of one off Covid-19 grant funding of £867,830 to the refuse and recycling services.

(£3,290)

- 1.6 Cesspool waste disposal costs have increased by £11,590 because Severn Trent Water changed its charging bands and pricing structure from April 2020. In addition, income from cesspool collections has reduced by £22,090 as a result of a reduction in emptying's and cancellations due to Covid-19. This has been partly offset by Covid-19 grant of £11,260 for the loss of the income.
£23,070
- 1.7 There is a one-off reduction in income from food export health certificates as a result of Covid-19 and lower exports. Income from pest control services has also reduced due to the loss of the Severn Trent Sewer Baiting contract and the Pest Control Officer vacancy. This has been partly offset by one-off savings in transport, equipment, poisons and traps and clothing budgets.
£16,240
- 1.8 Employee and transport costs within Amenity Cleaning have reduced due to one-off savings from vacancies, an operative working in Recycling to cover a shortfall caused by the pandemic and lower fuel costs.
(£23,180)
- 1.9 Within the Green Space budget, premise costs have reduced because the Council received a one-off refund of non-domestic rates for the Piccadilly Pavilion and one-off savings in electricity costs due to the lower use of the pavilions as a result of Covid-19 restrictions. The reduction in costs was partly offset by lower income from pitch bookings, due to pitch closures throughout the year as a result of the Covid-19 pandemic.
(£19,710)
- 1.10 Debt recovery action was put on hold by the Authority due to Covid-19. Summons or liability orders have not been issued, which reduced the income from the recovery of legal costs. Recovery action has recommenced, but the Council is continuing to work with customers where they are struggling with current payments due to Covid-19. The income loss has been slightly offset by one-off savings due to lower spend on Bailiff's and legal costs as a result of the pandemic.
£87,560
- 1.11 The 2020/21 original budget included the expected reduction in costs from paying pension contributions in advance. The prepayment was due in April 2020 but given the uncertainty around finances and cash flow at that time, the decision was taken not to proceed. The increase of £80,000 reflects the loss of the expected reduction for the year. This has been partly offset by a reduction of £1,930 in pension compensation payments, relating to employees who no longer work for the Council.
£78,070
- 1.12 There is a one-off reduction in income from the recovery of housing benefit overpayments because debt recovery action had been put on hold by the Authority due to Covid-19 and therefore liability orders or attachment of benefit orders had not been issued. The benefits team have also been dealing with a significant increase in Council Tax Support claims and change in circumstances forms due to Covid-19. This has been partially offset by savings in Housing Rent Allowances and Rent Rebates due to a reduction in the net cost of benefits paid out and an improvement in the subsidy rate, and benefits administration grant.

£58,560

- 1.13 A one-off reduction in Private Sector Housing Income as no income is expected in 2020/21 from the HEART partnership. The surplus income from fees has been used during the year to support the staff establishment to meet an increase in demand for the service.

£25,000

- 1.14 Savings from vacancies, as vacancies have exceeded the vacancy factor included in the original budget.

(£81,000)

- 1.15 The use of earmarked reserves has been budgeted to fund some of the increase in board expenditure.

(£441,970)

- 1.16 An improvement in the financing adjustment as prudential borrowing repayments on vehicle replacements was delayed, and the borrowing included for 2019/20 capital spend was reduced to match the funding decisions taken when the accounts were closed.

(£53,960)

- 1.17 A lower level of investment income is expected to be generated due to decreases in interest rates. Part of this relates to balances held by the HRA, so the General fund only retains a proportion of the decrease.

£88,460

Agenda Item No 11

Executive Board

15 February 2021

Report of the Corporate Director - Resources

Financial Statements 2019/20

1 Summary

- 1.1 The Financial Statements for 2019/20 have been completed. This report highlights the position on the General Fund and Housing Revenue Account, compared with the estimated position previously reported.
- 1.2 The accounts are currently being audited and may need some adjustment following the completion of the audit.

Recommendation to the Board

That the 2019/20 financial statements be approved, subject to audit.

2 Introduction

- 2.1 The publication of the Financial Statements is a statutory requirement, with a statutory timetable. For the 2019/20 financial year, the timetable was amended through the Accounts and Audit (Coronavirus)(Amendment) regulations 2020. The Authority was required to prepare and publish its unaudited accounts by 30 September and to publish the audited version by 30 November.
- 2.2 Delays in the audit of the 2018/19 Financial Statements impacted on the completion of the 2019/20 accounts. Consequently it was not possible to achieve the 30 September timetable and the 2019/20 accounts were completed and published in November.
- 2.3 The Council's external auditors, Ernst & Young started to audit the 2019/20 Financial Statements during January and plan to complete their audit in March with the aim of presenting their conclusions in the annual audit letter which will come to the March meeting of the Board.
- 2.4 The accounts are closed on the best information available at the end of March, which in some instances requires the use of estimates. As the auditors are required to look at transactions that have taken place since the end of the year, and in some instances agree adjustments to the Statements, the Statements are expected to change following the audit.

3 **Changes in the 2019/20 Financial Statements**

- 3.1 Local authorities are required to prepare their financial statements in line with the latest Accounting Code of Practice. There are only some minor presentational changes required for the 2019/20 accounts.

4 **2019/20 Activity**

- 4.1 The financial statements for 2019/20 have been prepared and published. They are attached as Appendix A.

4.2 **General Fund Revenue Account**

- 4.2.1 The original budget for the General Fund set in February 2019 anticipated a use of balances of £565,650. A revised budget was approved in February 2020, which anticipated an increased use of balances of £1,069,980. The main reasons for the increased use of balances were detailed in the 'General Fund Revenue Estimates 2020/21 and Setting the Council Tax 2020/21' report to Executive Board. They included: increased Refuse and Recycling costs, reductions in Leisure Centre income, increased costs of administering housing benefits and a reduction in Borough Care income. These costs were only partly offset by increases in new burdens grants and additional investment income.

- 4.2.2 The actual position on the General Fund at the end of the financial year was better than expected in the revised estimate, with £896,653 being used from balances. This was due to some improvement in housing benefit administration costs and a higher level of vacancies than expected.

- 4.2.3 In addition to the movements highlighted above, there have been a number of movements into and out of earmarked reserves. These movements allow timing issues to be dealt with, for example, if grant income is received late in the year, the expenditure will not take place until the following year. It also allows some services, such as Building Maintenance, to operate as a fund where this is more practical.

4.3 **Housing Revenue Account (HRA)**

- 4.3.1 The original budget for the HRA set in February 2019 anticipated a deficit in the year of £13,880. This was revised in the budget approved in January 2019, which anticipated a surplus of £49,980. The reasons for this change were detailed in the HRA estimate report taken to Resources Board, with the main changes being a reduction in the bad debt provision and higher levels of balances creating higher investment income. This was partially offset by lower rental income from a higher level of void properties and properties empty ready for redevelopment in Long Street and Coleshill Road Atherstone.

- 4.3.2 The actual position on the HRA was not quite as good as expected in the revised budget, with a reduced surplus of £42,321 added to balances, instead of the £49,980 in the revised budget.

- 4.3.3 The HRA holds a separate Housing Repairs Fund. This is used to cover the costs of day-to-day repairs and maintenance, including works undertaken by

Housing Direct Works (HDW) and private companies. The balance on the Fund at the end of the year amounted to £867,205, which is available for the coming year.

5 Report Implications

5.1 Finance and Value for Money Implications

5.1.1 The actual position reported for both the General Fund and Housing Revenue Account for 2019/20 impacts upon future years. The General Fund is better than predicted when setting the 2020/21 budget and this will assist with the significant cost pressures in the current year.

5.1.2 The starting position on the Housing Revenue Account is slightly worse than predicted when setting the 2020/21 budget, but balances are still at an appropriate level.

5.2 Environment and Sustainability Implications

5.2.1 The Council has remained within its overall budgets for the 2019/20 year. This will assist in allowing the Council to manage its expected shortfall in resources and minimise disruption to essential services.

5.3 Risk Management Implications

5.3.1 The risks of unanticipated changes affecting the financial position of the Council are minimised by the use of the budget strategy, as well as continual assessment, monitoring and reporting of any new financial impact affecting the Council

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date
Executive Board	Sue Garner	General Fund Budget and Setting the Council Tax 2019/20	Feb 2019
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2019/20	January 2019
Executive Board	Sue Garner	General Fund Budget and Setting the Council Tax 2020/21	Feb 2020
Resources Board	Nigel Lane	Housing Revenue Account Estimates 2020/21	January 2020

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS 2019/20

	Page
Corporate Director – Resources’ Narrative Report to the Financial Statements	2
Statement of Responsibilities, Issue and Approval Date	11
<i>The Statement of Accounts: -</i>	
Movement in Reserves Statement	12
Comprehensive Income and Expenditure Statement	13
Balance Sheet	14
Cash Flow Statement	15
Notes to the Financial Statements	16
<i>Supplementary Financial Statements: -</i>	
Housing Revenue Account Income and Expenditure Statement	62
Movement on the Housing Revenue Account Statement	63
Notes to the Housing Revenue Account Statements	64
The Collection Fund Income and Expenditure Statement	68
Notes to the Collection Fund	70
Statement of Accounting Policies	71
Independent Auditors’ Report	86
Glossary of Terms	87
Annual Governance Statement	90

We would welcome any comments or suggestions you have about this publication. Please contact Sue Garner, Corporate Director - Resources.

- Phone: 01827 719374
- E-mail address: suegarner@northwarks.gov.uk

Corporate Director – Resources’ Narrative Report

1. An Introduction to North Warwickshire

The Borough of North Warwickshire is a predominantly rural area, with over half of the area within the Green Belt. Towns and villages range in size from Atherstone parish with 8,000 residents to Seckington with just 51. However its location gives North Warwickshire a strategic position on the transport network, including easy access to the M6, M42 and M6 Toll, West Coast Mainline and Birmingham and East Midlands airports. As a result there are major logistics sites within the area.

Economic connections go in a number of directions: towards greater Birmingham, South Staffordshire, Leicestershire and Coventry, as well as within the county of Warwickshire. There isn't major unemployment within the Borough, although skills shortages in some areas have been identified.

Despite the strategic location, we have significant issues with communication and access within the Borough itself - there is an underlying issue with Broadband access and rural transport. An ageing population and financial constraints also impact on this.

Statistics Relating to North Warwickshire

- The Borough covers **110 square miles**
- A resident population of around **65,264**, with White British the major ethnic group
- **£53 million** of business rates are collected annually - only £3 million of this is kept by the Council
- Council tax of **£40.7 million** is collected annually - only £4.4 million of this is kept by the Council
- We have **27** play areas and **10** sports pitches
- A current recycling rate of **45%**
- We dealt with **903** planning applications in 2019/20
- We manage and maintain **2,631** council houses
- We issued **667** licences
- There are **71** industrial units available for small businesses
- We run **2** leisure centres and **1** swimming pool
- Refuse is collected from **28,574** domestic properties and **374** trade properties

2. Council Performance

North Warwickshire has 17 wards, with the Council consisting of 35 Councillors who represent those wards. Since May 2019, a Conservative administration has been in political control of the Council. The Council's agreed Vision Statement is:

'Protecting the rurality of North Warwickshire, supporting its communities and promoting the wellbeing of residents and businesses.'

Six priorities for achieving that vision were agreed, with a corporate plan for 2019/20 to take those priorities forward. Some actions taken during the year are set out below:

Responsible Financial & Resources Management

- Savings of £789,900 were taken out of the budget prepared for 2020/21, in line with the financial strategy
- The Council has been independently tested and verified by a certified cyber security company and achieved the Cyber Essentials PLUS level, for the 4th year running, in July 2019.
- The Local Council Tax Reduction Scheme was updated for technical changes and approved.

- Carried out improvements to the Council's housing stock in line with the Asset Management Plan

Creating Safer Communities

- Promoted the safeguarding of children, young people and adults
- Worked with the Police on drug related issues within the Borough
- Used mobile CCTV cameras to help gather evidence of reported incidents
- Achieved the TSA accredited status for the Borough Care service for a further year

Protecting Our Countryside and Heritage

- Work is progressing with the Local Plan Inspector to progress the Local Plan towards adoption. Funding has been agreed with the MHCLG for housing investment along the A5 corridor to deliver new homes.
- Worked with North Warwickshire Heritage Forum to protect, promote and develop the area

Improving Leisure and Wellbeing Opportunities

- Worked with WCC and other partners, to ensure the success of North Warwickshire's involvement in the Tour of Britain, the Velo Birmingham and Midlands event held in May 2019.
- Continued to work in partnership with other agencies to tackle health inequalities and co-ordinate the sustainable implementation of the corporate Health and Wellbeing Action Plan, including the Borough Council's active engagement in, and promotion of, the 'Year of Wellbeing' throughout 2019.

Promoting Sustainable and Vibrant Communities

- Worked in partnership with health colleagues to deliver more housing adaptations to allow residents to remain in their own homes
- Worked with partners to deliver ongoing food related projects
- Explored ways in which the waste management service can operate more efficiently and cost-effectively through a more strategic and co-ordinated approach across the sub-region, especially through the development of sub-regional infrastructure to manage waste.

Supporting Employment and Business

- Provided grants to rural businesses from the LEADER programme
- Improved broadband access for both residents and businesses through the roll out of the Broadband UK Project

Governance Arrangements

These are detailed in the Annual Governance Statement, which is set out at the end of the Financial Statements.

What's next?

- The identification of savings of £700,000 for inclusion within the 2021/22 budget
- To work with public, voluntary and business partners to deliver on-going food related projects to support individuals and community organisations
- Work with partner organisations across the West Midlands for the benefit of North Warwickshire – the Council is part of the West Midlands Combined Authority as a non-constituent member.
- To tackle fly tipping through joint working and increased promotion, monitoring and enforcement
- To complete the new build schemes for affordable housing in Atherstone and Warton.
- To contribute as a full member of the Multi Recycling Facility project in order to have a fully operational facility in place by 2023.

Resident / Satisfaction Surveys

The Council operates a complaints and compliments process. During 2019/20, 61 complaints and 47 compliments were received. This compared to 53 complaints and 52 compliments the previous year.

3. Financial Performance

North Warwickshire has faced significant financial challenges for a number of years due to reductions in funding from central government, together with cost pressures within services and greater volatility in financing.

We operate a Medium Term Financial Strategy for General Fund services, which covers the current year and the following three years. This strategy includes a requirement to find efficiencies and savings in our base budget position year on year. This ensures that we maintain enough general reserves in case we are faced with unexpected expenditure.

Since the Council moved to a self financing system for its council housing stock in 2013, we have used a 30 year Business Plan to manage the Housing Revenue Account. As a minimum the Plan is updated on an annual basis, with further revisions carried out if needed.

Revenue Spending in 2019/20

General Fund Services

These are all the services we provide except for our own council housing stock, which is funded and accounted for separately. We originally planned to spend £9.095 million after allowing for expected income generated by services. We continued to include some funding towards the introduction of faster broadband within North Warwickshire in the budget. The table below shows the actual spending against our plans.

	Planned Spending £000	Actual Spending £000
Community & Environment	5,637	5,979
Executive Services	776	734
Planning & Development	259	372
Licensing	1	2
Resources	2,299	2,272
Contingencies	4	-
Revenue spending on Capital Projects	119	119
Contribution to Balances	-	-
Total Spending	9,095	9,478

We planned to fund this spending mainly through council tax, government grant and business rates.

	Expected Funding £000	Actual Funding £000
Council Tax	4,409	4,409
New Homes Bonus	921	921
Business Rates	2,920	2,897
Interest on Balances	280	354
Use of Balances	565	897
Total Funding	9,095	9,478

The main changes from the planned budget relate to:

- There has been an increase in Refuse and Recycling costs, primarily due to increased disposal costs;
- There has been an increase in Leisure costs and reductions in fees and charges;
- There has been a significant decrease in Planning Fee income;
- Reduced staffing costs. In addition to savings arising from the normal turnover of staff, recruitment of staff has taken longer than expected in some areas. We review all vacancies as they arise and have kept some posts vacant whilst we carry out service reviews;
- There has been a significant decrease in Local Development Framework in year costs;
- There has been no requirement to use the contingency sum set aside; and
- Investment income has increased due to a higher than expected rate of return on investments.

Housing Revenue Account (HRA)

We are required to account separately for our own council housing stock, so this account shows the income and expenditure during the year on our Council housing.

Spending on services includes the day to day costs of managing and maintaining the stock. The Revenue Account also contributes to capital spending on planned refurbishment works and covers the borrowing costs of loans taken out to acquire the stock.

	Planned Spending £000	Actual Spending £000
Management Services	1,979	1,922
Repair Services	3,208	3,201
Cost of Borrowing	3,289	3,289
Capital spending on properties	3,139	3,417
Provision for Bad Debts	288	27
Income set aside in general balances for future spending	-	42
Total Spending	11,903	11,898

Spending on the Council's own housing stock is **not** paid for from Council Tax. It is mainly funded from the rents paid by tenants.

	Expected Funding £000	Actual Funding £000
Rents from housing, garages and shops	11,701	11,679
Service charges	108	114
Interest on Balances	80	105
Income from general balance set aside in previous years	14	-
Total Funding	11,903	11,898

The main changes from the planned budget relate to:

- A general underspend on utility costs and supplies budgets on the flats and communal centres budgets.
- An increase in the contributions to capital expenditure needed due to lower than expected receipts retained from the sale of council houses;
- Good rent collection levels have meant a lower contribution is needed to the bad debt provision;

- There has been a decrease in rental income due to a higher level of void properties and an increase in vacant garages due to the condition of some of the garage stock; and
- Higher interest earned on higher balances held by the Housing Revenue Account.

Revenue Reserves

At the end of the year our total revenue reserves amounted to £20.196 million. These are shown below:

	General Fund £000	HRA £000
General balances – held for unexpected future events	2,853	4,733
Capital reserves – held for spending on assets with a lasting value	1,175	4,080
Earmarked reserves –held for specific purposes or activities	5,819	1,536
Total	9,847	10,349

Capital Spending

Alongside our day to day costs we spend money on assets such as buildings, vehicles, equipment and computer systems. We assess capital requirements in outline terms over a ten year period each February, to ensure that we manage capital resources appropriately. As we have a shortfall of capital resources compared to assessed needs, this allows us to target resources towards the highest priorities. At the same time we produce a detailed three year programme, although the emphasis is on year one of the programme.

The 2019/20 capital programme shown below includes schemes from 2018/19 which were rolled forward due to timing issues. Actual spend in the year is also shown, together with commitments made which will be settled in 2020/21.

	Capital Programme £000	Spending in 2019/20 £000	2019/20 Commitments to Be Paid in 2020/21 £000
Council Housing – existing stock	7,102	5,234	1,835
Council Housing – new build	1,277	671	639
General Fund buildings	547	156	17
General Fund play areas and recreation grounds	149	29	0
General Fund vehicles	291	188	0
General Fund - IT and equipment	307	207	95
Private sector housing	140	1	0
Total Spending	9,813	6,486	2,586

Funding for capital spending that we received in the year included receipts from the sale of 'Right to Buy' council housing, sale of surplus land and contributions from some partners for specific schemes.

We used some of this to fund the spending in 2019/20. The remaining funding used in 2019/20 came from reserves earmarked for capital and revenue funding.

Collection Fund

We collect business rates of £53 million from businesses within our area, which is kept in a separate account called the Collection Fund. Following business rate localisation introduced

in 2013, the Council has to set aside a provision for future successful ratepayer appeals against rateable valuations. This is our most significant provision, amounting to £3.95 million. At the 31 March 2020 we had 35 appeals (46 appeals 2019) outstanding from the 2010 valuation, and 217 appeals (214 appeals 2019) relating to the 2017 valuation.

As we collect business rates on behalf of the Government and Warwickshire County Council, as well as ourselves, only 40% of this provision is shown on our balance sheet.

Balance Sheet

The Balance Sheet includes pension costs to meet International Financing Reporting Requirements. We show the assets and liabilities relating to retirement benefits we are responsible for as an employer, so that we show the true cost of our responsibilities. A net pension asset indicates that contributions have effectively been overpaid relative to the future benefits earned to date by our employees. A net liability shows an effective underpayment. Our fund liability has increased by £8.468 million in the year.

The pension fund is valued fully every three years. The last full valuation took place as at March 2019 and showed that the pension fund was 95% funded. Our contribution rate is staying constant for the following three years, with the long term aim of achieving a 100% funding level. A further full valuation will take place as at March 2022 and will indicate whether the current level of increases is still suitable.

Despite the challenges faced by the Council, we are continuing to maintain a strong balance sheet:

	31 March 2019 £000	31 March 2020 £000
Non current assets	172,193	177,145
Net current assets – debtors, stock and cash less short term liabilities	16,103	15,835
Long term liabilities and provisions	(84,384)	(73,866)
Net assets	103,912	119,114
Represented by: Useable reserves	26,519	25,963
Represented by: Unusable reserves	77,393	93,151

Although we sold 26 properties under the Right to Buy legislation and a parcel of surplus land, there was an increase in non-current assets due to changes in the value of council dwellings.

Financial Challenges in 2020/21

The Medium Term Financial Strategy was updated during the year. 2019/20 is the last year of the four year Funding Settlement announced in December 2015. The government previously stated its intention to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, with the political turbulence around Brexit, it was decided that a one-year Spending Round would be provided, covering the 2020/21 financial year; and that this would be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets. The Spending Review has not progressed as expected due to the Coronavirus pandemic. Indicative figures are not yet available for 2021/22, so the 2020/21 level of SFA has been assumed for 2021/22 onwards.

Savings targets within the Strategy were also updated to reflect the expected funding and spending pressures including the Coronavirus pandemic. The reductions needed for 2019/20 were found before the year started and included within the approved budget. The latest version of the Strategy requires further savings of £2.3 million over the following three years,

with a target of £0.7 million to be found in 2020/21 ready for inclusion within the 2021/22 budget.

The latest revision of the HRA Business Plan anticipates a surplus of £78.8 million at the end of the 30 years, after capital spending on existing properties and new build of £190 million.

The projected capital resources over the next ten years will require the Council to continue with its policy of including only currently essential General Fund schemes in its expected programme. If we are to carry out other work, we will need to continue to find additional sources of funding. It may be necessary to rationalise existing properties held.

4. People

We currently employ 395 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 46%, Female 54%

Age: 24 and under 7%, 25-34 14%, 35-49 29%, 50-64 45%, 65 and over 5%

In addition we use casual staff to cover activities such as leisure coaching sessions.

5. Principal Risks and Uncertainties

A risk management strategy is in place to identify and evaluate risks. There are clearly defined steps to support better decision making through the understanding of risks, whether a positive opportunity or a threat, and the likely impact.

The Council identifies both strategic and operational risks. Strategic risks are reviewed by the Senior Management Team, whilst operational risks are identified within services. The risk management process was audited in January 2016 and identified no major concerns in relation to the Council's approach. A further review will take place in 2020.

The top risks from our 2019/20 risk register are shown below:

Strategic

Risk	Impact	Mitigation
Impact on the Borough of the HS2 project	Loss of open spaces and community assets, transport and property valuation issues, air and noise pollution	Member of a Local Authority group lobbying the government and seeking mitigation, as well as becoming a qualifying authority
The Council is unable to recruit, motivate and retain appropriately qualified staff	Service delivery would be affected	Continued good terms and conditions for staff. Use of shared working arrangements and partnerships
Insufficient corporate capacity to deal with all the issues facing the Council	Potential impact on resources and service delivery Seen as a failing authority, with a poor public image.	Identification of priorities, with regular review of tasks and capacity
Expected efficiency savings and service improvements are not delivered whilst maintaining resilience	Adverse impact on service delivery	Use of a medium term financial strategy, with savings identified in advance and healthy balances maintained
Inadequate resources to maintain the Council's capital assets	Poorly maintained and potentially dangerous buildings	Long term capital programme with spending needs identified. Review of assets, with disposal where appropriate.

The instability of the Business Rates system	Impact on the Council's resources, leading to reduced services	Contingency held which can be used to offset short term losses. Regular monitoring / forecasting
Unplanned development happening across the Borough	Development in unsustainable locations	Inspection of the draft local plan progressing towards adoption. Active monitoring of the 5 year housing supply.

Operational

Risk	Impact	Mitigation
Reduced or no market for recyclable materials	A significant increase in the costs of the recycling service could lead to an inability to maintain the service at current levels and may impact on the provision of other services.	Ongoing discussions with local waste management companies. Latest material contracts have maximum gate fees and profit share element. Use of partnerships and joint procurement of contracts, which are regularly reviewed.
Virus' introduced into Council systems	Loss of systems, with resulting loss / reduction in the provision of services	Security / detection measures undertaken, with regular training for staff.
Inadequate Capital Strategy & monitoring of capital schemes	Inability to carry out essential capital schemes and assets kept beyond useful economic life	Prioritisation process – capital bids assessed regularly against corporate priorities/ resources. Annual review of capital strategy. Monthly monitoring of capital programme and spend with service managers.
Failure to maintain the Council's tree stock to an appropriate safety standard	Injury to members of the public and staff. Damage to property.	System to manage customer contacts and address urgent works. Proactive monitoring of the Council's tree stock commenced.
A major out of hours environmental incident not responded to	An unsafe, illegal and ongoing situation not dealt with.	Agreed procedure for contacting relevant staff. Some contractual obligation but loosely drawn.
North Warwickshire considered a low priority for the use of policing resources	Levels of crime and disorder increase and the public lose confidence in the Police. Fear of crime increases within local communities. No grant is received and the opportunity to enhance community safety is lost.	NWBC member representation on the Police and Crime Panel. Use of a North Warwickshire Safer Communities Programme.
Pressure on HRA budgets due to ongoing rent reductions until 2020 and from the roll out of Universal Credit from September 2018	Ability to fund new build is curtailed, and the potential impact on planned capital works in the future	An increase in staffing resources to deal with the roll out of Universal Credit. Regular monitoring of the Business Plan.
Failure to maintain assets	Buildings not fit for purpose, impacting on the provision of services	Regular inspection of buildings and a rolling programme of repairs. Review of portfolio to assess future need for buildings.

Explanation of Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31 March 2020. It is made up of core and supplementary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards.

A Glossary of key terms can be found at the end of the statements.

The **Core Statements** are:

The **Comprehensive Income and Expenditure Statement** – this records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by Board, reflecting the way the Council's budgets are built up. 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 registration; and
- Discretionary expenditure focused on local priorities and needs such as the Borough Care service or leisure activity.

The bottom half of the statements deals with corporate transactions and funding.

The **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 'usable', which can be invested in capital projects or service improvements, and 'unusable' which must be set aside for specific purposes.

The **Balance Sheet** shows the value of our assets, liabilities, cash balances and reserves at the year end date. Our net assets (assets less liabilities) are matched by the reserves we hold.

The **Cash Flow Statement** shows the reasons 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).

The **Supplementary Financial Statements** are:

The **Notes** to these financial statements provide more detail about the Council's accounting policies and individual transactions.

The **Housing Revenue Account** which separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The **Collection Fund** summarises the collection of council tax and business rates, and the redistribution of the majority of that money to Warwickshire County Council, Warwickshire Police Authority and central government.

The **Annual Governance Statement** which sets out the controls we have in place to ensure we run our business effectively and legally, and can properly account for our use of public money .

Sue Garner BA CPFA

Corporate Director - Resources, North Warwickshire Borough Council

STATEMENT OF RESPONSIBILITIES, ISSUE AND APPROVAL DATE

The Council's Responsibilities

The Council is required to:

- 1) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In North Warwickshire Borough Council that officer is the Corporate Director - Resources.
- 2) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 3) Approve the Statement of Accounts.

The Corporate Director - Resources Responsibilities

The Corporate Director - Resources is responsible for the preparation of North Warwickshire Borough Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statements of Accounts the Corporate Director - Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Corporate Director - Resources has also:

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

Issue Date

I certify that the Statement of Accounts 2019/20 give a true and fair view of the financial position of the Council at the reporting date and of its income and expenditure for the year ended 31 March 2020.

All known material events that have occurred up to and including this date, which relate to 2019/20 or before have been reflected in the accounts.

Signed: *S. J. Garner*.....

Date: *18/11/20*.....

Sue Garner BA CPFA, Corporate Director - Resources

North Warwickshire Borough Council Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves" (unrealised gains and losses and accounting adjustments). The statement shows the true economic costs of providing services and the statutory adjustments required to return to the amounts chargeable to council tax or rents for the year. The Increase/Decrease line shows the statutory movements in the year following those adjustments. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants / Conts Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2018	3,546	5,177	4,459	2,754	6,502	1,536	-	23,974	63,975	87,949
<u>Movement in reserves during 2018/19</u>										
Total Comprehensive Income and Expenditure	(4,643)	-	12,907	-	-	-	-	8,264	7,699	15,963
Adjustments between accounting basis and funding basis under regulations (note 5)	7,227	-	(11,509)	-	(1,948)	-	-	(6,230)	6,230	-
Net Increase/Decrease before Transfers to Earmarked Reserves	2,584	-	1,398	-	(1,948)	-	-	2,034	13,929	15,963
Transfers to/from Earmarked Reserves (note 6)	(2,380)	562	(1,166)	2,661	40	-	794	511	(511)	-
Increase/(Decrease) in 2018/19	204	562	232	2,661	(1,908)	-	794	2,545	13,418	15,963
Balance at 31 March 2019 carried forward	3,750	5,739	4,691	5,415	4,594	1,536	794	26,519	77,393	103,912

Balance at 1 April 2019	3,750	5,739	4,691	5,415	4,594	1,536	794	26,519	77,393	103,912
<u>Movement in reserves during 2019/20</u>										
Total Comprehensive Income and Expenditure	8,679	-	2,338	-	-	-	-	11,017	4,185	15,202
Adjustments between accounting basis and funding basis under regulations (note 5)	(7,463)	-	(1,671)	-	580	-	-	(8,554)	8,554	-
Net Increase/Decrease before Transfers to Earmarked Reserves	1,216	-	667	-	580	-	-	2,463	12,739	15,202
Transfers to/from Earmarked Reserves (note 6)	(2,113)	1,256	(625)	(1,335)	-	-	(202)	(3,019)	3,019	-
(Decrease)/ Increase in Year	(897)	1,256	42	(1,335)	580	-	(202)	(556)	15,758	15,202
Balance at 31 March 2020 carried forward	2,853	6,995	4,733	4,080	5,174	1,536	592	25,963	93,151	119,114

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2020

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 and rents. Councils raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement and the Expenditure and Funding Analysis (note 27).

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
1,036	(155)	881	Executive Board	831	(47)	784
9,765	(3,517)	6,248	Community and Environment Board	9,965	(3,582)	6,383
1,330	(1,260)	70	Planning and Development Board	1,339	(982)	357
129	(114)	15	Licensing Committee	123	(114)	9
19,070	(17,343)	1,727	Resources Board – Services	17,346	(14,543)	2,803
417	(559)	(142)	Resources Board – Recharged Services	589	(670)	(81)
12,358	(13,276)	(918)	Resources Board – Housing Revenue Account	12,214	(12,610)	(396)
44,105	(36,224)	7,881	COST OF SERVICES	42,407	(32,548)	9,859
1,782	(277)	1,505	Other Operating expenditure (Note 7)	1,341	(430)	911
3,209	(2,266)	943	Financing and investment income and expenditure (Note 8)	2,806	(3,126)	(320)
2,777	(14,825)	(12,048)	Taxation and non-specific grant income (Note 9)	2,610	(12,823)	(10,213)
51,873	(53,592)	(1,719)	Deficit /(Surplus) on Provision of Services	49,164	(48,927)	237
-	(12,114)	(12,114)	Surplus or Deficit on revaluation of Property, Plant and Equipment (note 10)	13	(1,090)	(1,077)
-	-	-	Surplus or Deficit on revaluation of Available for Sale Financial Assets (Note 14 and 23)	-	-	-
-	(47)	(47)	Surplus or Deficit on financial assets measured at fair value through other comprehensive income (Note 14 and 23)	14	-	14
5,616	-	5,616	Remeasurement of the net defined benefit pension liabilities/ (assets) (Note 39)	-	(10,191)	(10,191)
5,616	(12,161)	(6,545)	Other Comprehensive Income and Expenditure	27	(11,281)	(11,254)
57,489	(65,753)	(8,264)	Total Comprehensive Income and Expenditure	49,191	(60,208)	(11,017)

North Warwickshire Borough Council

Balance Sheet as at 31 March 2020

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 of reserves are usable reserves, i.e. those reserves that the council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £000		Note	31 March 2020 £000
164,203	Property, Plant and Equipment	10	168,526
664	Heritage Assets	11	851
7,050	Investment Property	12	7,510
276	Intangible Assets	13	258
-	Long Term Debtors	14	-
172,193	LONG TERM ASSETS		177,145
26,599	Short Term Investments	14/40	27,093
-	Assets held for Sale	19	-
56	Inventories	15	56
1,992	Short Term Debtors	14/17	2,475
6,633	Cash and Cash Equivalents	18	7,046
35,280	CURRENT ASSETS		36,670
(1,538)	Provisions	21	(1,580)
(1,750)	Short term PWLB Loans	40	(2,000)
(15,939)	Short Term Creditors	14/20	(17,255)
(19,227)	CURRENT LIABILITIES		(20,835)
(48,489)	Long Term PWLB Loans	40	(46,489)
(35,845)	Pension Fund Liabilities	39	(27,377)
(84,334)	LONG TERM LIABILITIES		(73,866)
103,912	NET ASSETS		119,114
26,519	Usable Reserves	22	25,963
77,393	Unusable Reserves	23	93,151
103,912	TOTAL RESERVES		119,114

Signed *S.J. Garner*

Date 18/11/20

Sue Garner BA CPFA, Corporate Director - Resources

North Warwickshire Borough Council

Cash Flow Statement for the Year Ended 31 March 2020

The cash flow statement shows the changes in cash and cash equivalents of the council during the reporting year. 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 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.

2018/19 £000		2019/20 £000
(1,719)	Net deficit or (surplus) on the provision of services	237
(3,943)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)	(2,114)
(523)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	108
(6,185)	Net cash flows from Operating Activities	(1,769)
1,559	Investing Activities (Note 25)	2,612
1,862	Financing Activities (Note 26)	(1,256)
(2,764)	Net Increase or decrease in cash and cash equivalents	(413)
(3,869)	Cash and Cash Equivalents at the beginning of the reporting year	(6,633)
(6,633)	Cash and Cash Equivalents at the end of the reporting year (Note 18)	(7,046)

NOTES TO THE FINANCIAL STATEMENTS

1. 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 or amended standard that has been issued but not yet adopted. The following new or amended accounting standards, which are relevant for 2019/20, are as follows:

- Amendments to **IAS 19 Employee Benefits**: Plan Amendment, Curtailment or Settlement. This will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.
- In addition, **IFRS 16 Leases** – will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The council has a number of operational leases in place which will be assessed in preparation of this new accounting treatment but it is not anticipated these changes will have a material impact. CIPFA/LASAAC have now deferred implementation of IFRS 16 for local government to 1st April 2021.

Other changes:-

The following accounting standards will be implemented in 2020/21 but are either not relevant to the Council or the changes are expected to be minor and are not expected to make any change to the reported information in the accounts and will therefore not have a material effect:

- Amendments to **IAS 28 Investment in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures**. The implementation date is 1 April 2020. These changes will not have an impact on the Council's financial statements.
- Annual Improvements to **IFRS Standards 2015–2017 Cycle**:- makes minor amendments, principally providing clarification, to a number of accounting standards: (i) IFRS 3, Business Combinations and IFRS 11 Joint Arrangements. (ii) IAS 12 Income Taxes (iii) IAS 23 Borrowing Costs.

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 71 - 85, we have had to make certain judgements about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future levels of funding for local government. However, we have a medium term financial strategy in place which should allow us to manage any future reductions in service that may be needed. As a result, we have determined that this uncertainty is not yet 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.

3. Assumptions made about the future and other major sources of estimation uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of capital spending that will be incurred in relation to individual assets. Any unanticipated spending on assets will put a strain on the remaining capital resources available which may bring into doubt the useful lives assigned to other assets.	<p>If the useful life of assets is reduced depreciation increases and the carrying amount of the asset falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by around £651,190 for every year that useful lives had to be reduced.</p>
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 projected to increase, changes in retirement age, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	<p>The effect on the net pension liability of changes in individual assumptions can be measured. For instance, a 1% decrease in the discount rate assumption would result in an increase in the pension liability of £17.232 million. A 1% increase in the salary increase would result in an increase in the pension liability of £1.712 million and a 1% increase in the Pension (CPI) increase would result in an increase in the pension liability of £15.368 million.</p> <p>However, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension's liability had decreased by £11.599 million attributable to updating the assumptions.</p>

Provisions – NDR Appeals	Local Authorities are liable for successful appeals against business rates charged to businesses in 2019/20 and earlier financial years in their proportionate share. Therefore, a provision has been made of the amount that businesses could have been overcharged up to 31 March 2020. The estimate for both 2010 and 2017 valuation appeals has been calculated using the latest Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals up to and including 31 March 2020. The Council's share of the balance of business rate appeals provisions at this date amounted to £1.580m this has decreased by £0.042m from the previous year.	If successful appeals increased by 10%, this would require an additional £394,988. This Council's share would be £157,955 to be set aside as a provision.
--------------------------	---	---

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	<p>At 31 March 2020, we had a balance of sundry debtors of £263,366, whilst our share of council tax and NDR arrears amounted to £559,044.</p> <p>A review of significant balances, using a sliding scale based on age, suggested that the following impairments of doubtful debts were appropriate:</p> <ul style="list-style-type: none"> - sundry debtors 11.43% (£30,093) - council tax 25.93% (£72,052) - NDR 24.94% (£67,709). <p>However in the current economic climate it is not certain that such an allowance would be sufficient.</p>	If collection rates were to deteriorate, a doubling of the doubtful debts would require an additional £169,854 to be set aside as an allowance.

4. Material Items of Income and Expense

In overall terms the Council's housing stock increased in value during the year. Revaluation gains of £1.077 million went to the Housing Revenue Account. There were also some small gains on other properties across the Borough, of £0.674 million.

x. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Corporate Director - Resources on 18th November 2020. Where events took place before this date and provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in the financial statements or notes.

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2020, as they do not relate to conditions at that date. However, they provide information that is relevant to an understanding of the Authority's financial position:

The first key event is Coronavirus, with the pandemic impacting at the very end of the financial year, and the Government's imposing a national lockdown from 23 March 2020. This has not had a significant impact on the financial outturn for 2019/20, with PPE valuations remaining unchanged, following confirmation with our valuer Richard Lewis. While the true scale of its impact will be felt during 2020/21, it is difficult to quantify the impact of COVID-19 at this stage, and while emergency Government funding has been received to mitigate some of the impact, the Council will face significant financial pressures in the immediate future.

The second event is Brexit, with the United Kingdom having left the EU in January 2020, with the transition period due to end in December 2020. This may impact events during the closure of accounts period, or even during the audit process and may need to be reflected in the accounts but due to the large amount of uncertainty and political turmoil currently surrounding the issue we are unable to reliably quantify any financial impact to the Council.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that we have made to the total comprehensive income and expenditure which are recognised in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to us 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 resources 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 year. However, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

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) that is required to be recovered from tenants in future years.

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.

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 MRA that has yet to be applied at the year end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve 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 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.

2019/20	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
• Pension costs (transferred to (or from) the Pensions Reserve)	8,667	(199)	-	-	-	(8,468)
• Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)	312	-	-	-	-	(312)
• Holiday pay (transferred to the Accumulated Absences Account)	(50)	(8)	-	-	-	58
• Financial Instruments (transferred to the Financial Instruments Revaluation Reserve)	(14)	-	-	-	-	14
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,653)	(163)	-	-	-	1,816
Total Adjustments to Revenue Resources	7,262	(370)	-	-	-	(6,892)
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	2,051	(2,051)	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(10)	10	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(322)	-	322	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(2,853)	-	2,853
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	404	-	-	-	-	(404)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	119	-	-	-	-	(119)
Total Adjustments between Revenue and Capital Resources	201	2,041	(1,719)	(2,853)	-	2,330
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,139	-	-	(1,139)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,853	-	(2,853)
Application of capital grants to finance capital expenditure	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	1,139	2,853	-	(3,992)
Total Adjustments	7,463	1,671	(580)	-	-	(8,554)

2018/19	Usable Reserves						Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
• Pension costs (transferred to (or from) the Pensions Reserve)	(7,843)	(434)	-	-	-	-	8,277
• Council tax and NDR (transfers to or from the collection Fund)	3,042	-	-	-	-	-	(3,042)
• Holiday pay (transferred to the Accumulated Absences Account)	(11)	-	-	-	-	-	11
• Financial Instruments (transferred to the Available for sale Financial Instruments)	47	-	-	-	-	-	(47)
• Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,660)	10,151	-	-	-	-	(7,491)
Total Adjustments to Revenue Resources	(7,425)	9,717	-	-	-	-	(2,292)
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve	-	1,800	(1,800)	-	-	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(8)	8	-	-	-	-
Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)	(321)	-	321	-	-	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	-	-	(2,778)	-	-	2,778
Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)	400	-	-	-	-	-	(400)
Capital expenditure financed from revenue balances (transfer to the -Capital Adjustment Account)	119	-	-	-	-	-	(119)
Total Adjustments between Revenue and Capital Resources	198	1,792	(1,471)	(2,778)	-	-	2,259
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	3,419	-	-	-	(3,419)
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	2,778	-	-	(2,778)
Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	3,419	2,778	-	-	(6,197)
Total Adjustments	(7,227)	11,509	1,948	-	-	-	(6,230)

6. Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

	Balance at 1 April 2018	Transfers Out 2018/19	Transfers in 2018/19	Balance at 31 March 2019	Transfers Out 2019/20	Transfers in 2019/20	Balance at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000
General Fund							
External funding received towards the provision of council services	1,245	(126)	168	1,287	191	254	1,350
One off funding set aside to progress specific council priorities	111	(18)	41	134	32	3	105
Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates	621	-	891	1,512	620	2,075	2,967
Other reserves held for revenue purposes to cover timing issues on spending	1,844	(511)	136	1,469	288	217	1,398
Reserves Held for Capital Spending	1,356	(861)	842	1,337	959	797	1,175
Total General Fund Reserves	5,177	(1,517)	2,078	5,739	2,090	3,346	6,995
HRA							
Housing Repairs Reserve	543	(2,856)	3,153	840	3,174	3,201	867
Reserves held for Capital spending	2,211	(5,198)	7,562	4,575	6,251	4,889	3,213
Total HRA Reserves	2,754	(8,054)	10,715	5,415	9,425	8,090	4,080
Total Earmarked Reserves	7,931	(9,570)	12,793	11,154	11,515	11,436	11,075

7. Other Operating Expenditure

2018/19		2019/20
£000		£000
982	Parish council precepts	1,019
321	Payments to the Government Housing Capital Receipts Pool	322
202	(Gains)/Losses on the disposal of non-current assets	(430)
1,505	Total	911

8. Financing and Investment Income and Expenditure

2018/19		2019/20
£000		£000
104	Interest payable and similar charges	115
759	Pensions interest and expected return on pension assets	863
(268)	Interest receivable and similar income	(354)
348	Income and expenditure in relation to investment properties and changes in their fair value	(944)
943	Total	(320)

9. Taxation and Non-specific Grant Income and Expenditure

2018/19		2019/20
£000		£000
(5,331)	Council tax income **	(5,424)
(4,680)	Non-Domestic rates – Collection Fund adjustments ***	(2,898)
(1,846)	Non-Domestic rates	(1,891)
(191)	Non-ring fenced government grants *	-
(12,048)	Total	(10,213)

* Non-ring fenced government grants are shown individually in note 33.

** Council Tax income includes £93,200 contribution from the collection fund in 2019/20 (a contribution of £134,390 was included in 2018/19). The Council's share of the residual balance of £4,099 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2020/21 (£46,908 adjustment in 2019/20).

*** This covers all of the movements on NDR transactions required to leave North Warwickshire Borough Council's share of business rates.

10. Property, Plant and Equipment

Movements in balances in 2019/20:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2019	144,670	17,618	6,141	88	137	14	66	168,734
Additions	5,333	57	340	-	-	641	-	6,371
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	86	135	-	-	-	-	-	221
Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services	(552)	(18)	-	-	-	-	(3)	(573)
De-recognition – disposals	(1,503)	-	-	-	-	-	-	(1,503)
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-
As at 31 March 2020	148,034	17,792	6,481	88	137	655	63	173,250
Accumulated Depreciation and Impairment								
As at 1 April 2019	(736)	(137)	(3,633)	(25)	-	-	-	(4,532)
Depreciation charge	(2,756)	(913)	(731)	(3)	-	(16)	-	(4,418)
Depreciation written out on revaluations recognised in the Revaluation Reserve	3,220	986	-	-	-	-	-	4,206
Impairment loss /(reversal) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment loss/ (reversal) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition – disposals	20	-	-	-	-	-	-	20
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2020	(252)	(64)	(4,364)	(28)	-	(16)	-	(4,724)
Net Book Value								
At 31 March 2020	147,782	17,728	2,117	60	137	639	63	168,526
At 31 March 2019	143,934	17,481	2,508	63	137	14	66	164,203

Comparative movements in balances in 2018/19:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
As at 1 April 2018	129,291	17,606	5,971	88	137	-	66	153,159
Additions	4,346	90	461	-	-	14	-	4,911
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	2,884	309	-	-	-	-	-	3,193
Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services	9,495	103	-	-	-	-	-	9,598
De-recognition – disposals	(1,346)	(490)	(291)	-	-	-	-	(2,127)
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-
As at 31 March 2019	144,670	17,618	6,141	88	137	14	66	168,734
Accumulated Depreciation and Impairment								
As at 1 April 2018	(2,333)	(706)	(3,190)	(22)	-	-	-	(6,251)
Depreciation charge	(2,693)	(786)	(720)	(3)	-	-	-	(4,202)
Depreciation written out on revaluations recognised in the Revaluation Reserve	4,278	1,330	-	-	-	-	-	5,608
Impairment loss / (reversal) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment loss/ (reversal) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	-
De-recognition – disposals	12	25	277	-	-	-	-	314
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2019	(736)	(137)	(3,633)	(25)	-	-	-	(4,531)
Net Book Value								
At 31 March 2019	143,934	17,481	2,508	63	137	14	66	164,203
At 31 March 2018	126,958	16,900	2,781	66	137	-	66	146,908

Depreciation

The following useful lives have been used in the calculation of depreciation:

	Building	Assumed Life (Years)
	Council Dwellings	40 - 50
Other Land and Other Buildings :-		
	Leisure Centres	5 – 50
	Other arts/leisure venues	2
	Community Centres	1 - 50
	Pavilions	10 – 43
	Hostels	50
	Shops	3 – 50
	Public Conveniences	20
	Offices and Depot	20 – 50
	Garages	3 - 20
Vehicles, Plant, Furniture and Equipment :-		
	Vehicles	3 - 20
Infrastructure Assets :-		
	Infrastructure	50

Capital Commitments

At 31 March 2020 the capital commitments outstanding totalled approximately £2.586m. The major commitments were:

- £0.639m for the new build housing programme,
- £0.522m for an energy saving programme,
- £0.378m for a remedial works to flats programme
- £0.234m for an electrics programme,
- £0.206m for a vehicles replacement programme and
- £0.200m for a heating programme.

Effect of changes in Estimates

We have not changed any of the depreciation methods used in valuing our assets. However, the estimated useful lives of a number of assets have been reassessed and amended in 2019/20. The financial effect of any changes is detailed in the table below.

Asset Description	Original End Date	Revised End Date	Financial effect on Depreciation Charges £000
Council House Dwellings	31/03/2068	31/03/2069	(42)
Garages	31/03/2038	31/03/2039	(5)
Total			(47)

Revaluations

We carry out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out by the Council's valuer (employed through an agency), Mr Richard Lewis (FRICS), who is a Chartered Valuation Surveyor. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The valuation methods used for each type of asset category are detailed in note 16 of the Accounting Policies section (Property, Plant and Equipment).

The significant assumptions applied in estimating the current values are:

- An adjustment factor of 40% to discount the market valuation of council houses to reflect their use for social housing;
- Valuations on properties have been split between the element relating to the land as well as the building. The building is depreciated over the useful economic life of the asset whilst land is not depreciated.

The following table shows the revaluation of property, plant and equipment over the last 5 years.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	6,481	88	137	655	63	7,424
	Valued at current value as at:							
31 March 2020	148,034	17,792	-	-	-	-	-	165,826
31 March 2019	-	-	-	-	-	-	-	-
31 March 2018	-	-	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-	-	-
31 March 2016	-	-	-	-	-	-	-	-
Total Cost or Valuation	148,034	17,792	6,481	88	137	655	63	173,250

11. Heritage Assets

Our heritage assets are the civic regalia we hold, which consist of a number of items of gold used ceremonially by the Mayor and Consort, plus deputies. Two of these items relate to the chains of office for Atherstone Rural District Council, the predecessor of North Warwickshire Borough Council. The value of the assets is shown below.

2018/19 £000	Civic Regalia	2019/20 £000
	Cost or Valuation	
631	Balance as at 1 April	664
33	Revaluations	187
664	Balance as at 31 March	851

Five-Year Summary of Transactions

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Civic Regalia	574	666	631	664	851

12. Investment Property

If we hold assets for the purpose of providing public services, then the assets are classed as property assets. However, if we hold assets with the purpose of generating revenue income, which can be used to offset the costs of other services, then these are shown as Investment Property.

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2018/19 £000		2019/20 £000
(525)	Rental income from investment property	(542)
161	Direct operating expenses arising from investment property	178
712	Change in fair value of investment property	(580)
348	Net gain	(944)

There are no restrictions on our ability to realise the value inherent in our investment property or on our right to the remittance of income and the proceeds of disposal. We have no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2018/19 £000		2019/20 £000
7,942	Balance at start of the year	7,050
-	Expenditure during the year	8
(180)	Disposals	(128)
(712)	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	580
7,050	Balance at the end of the year	7,510

Fair Value Hierarchy

Inputs to the valuation techniques in respect of fair value measurement in the Council's Financial Statements 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 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.

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes.

Details of the authority's investment properties and information about the fair value hierarchy as at 31 March 2020 and 2019 are as follows:

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2020 £000
Residential properties	-	197	-	197
Commercial units	-	5,494	-	5,494
Shops and Restaurants	-	1,161	-	1,161
Land	-	658	-	658
Total	-	7,510	-	7,510

2019 Comparative Figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2019 £000
Residential properties	-	178	-	178
Commercial units	-	5,352	-	5,352
Shops and Restaurants	-	1,151	-	1,151
Land	-	369	-	369
Total	-	7,050	-	7,050

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 classified as level 2 on the fair value hierarchy.

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

Highest and Best Use

In estimating the fair value of the Council's investment properties, the highest and best use is their current use.

13. Intangible Assets

We account for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of property, plant and equipment. Our intangible assets relate to software licences. All software is given a finite, useful life, based on assessments of the period that the software is expected to be of use to the Council.

These assets have been amortised on a straight-line basis over their anticipated lives, the same method used for writing down our intangible assets in previous years. The amortisation of £78,110 charged to revenue in 2019/20 was charged to the Information Services cost centre and then absorbed as an overhead across the relevant service headings in the Net Expenditure of Services. The Housing Rents, Housing Direct Works and IBS systems which relate to housing were attributed directly to the Housing Revenue Account. The planning system was apportioned to the Planning and Development Service. Corporate systems such as the Total finance system and Microsoft Licences are recharged across all services.

We have not changed any of the depreciation methods or estimated useful lives used in valuing our assets. The movement on Intangible Asset balances during the year is as follows:

	2018/19	2019/20
	Software Licences £000	Software Licences £000
<i>Balance at start of year</i>		
Gross carrying amounts	1,700	1,878
Accumulated amortisation	(1,541)	(1,602)
Net carrying amount at start of year	159	276
<i>Additions:</i>		
Expenditure in the year	178	60
Amortisation for the year	(61)	(78)
Net Disposals in the year	-	-
Net carrying amount at end of year	276	258
<i>Comprising:</i>		
▪ Gross carrying amounts	1,878	1,938
▪ Accumulated amortisation	(1,602)	(1,680)
Net carrying amount at end of year	276	258

The software licences are held for a number of systems of varying sizes. Only the main ones are detailed below:-

- Payment Management System (PMS). This was purchased during 2012/13 costing £83,772 with an upgrade costing £17,491 in 2018/19 and is being amortised over a period of 10 years,
- Gladstone Leisure System. The software cost £40,838 in 2014/15 and 2015/16. The cost is being amortised over 7 years until 2021/22,
- Citrix System. The software cost £39,371 in 2015/16 and is being amortised over a 5 year life until 2020/21,
- Windows Client. The software cost £32,483 in 2015/16 and is being amortised over a 5 year life until 2020/21,
- Website. The software cost £42,821 in 2015/16 and is being amortised over a 5 year life until 2020/21.
- Windows Server Licences. The software licences cost £10,421 in 2017/18 and is being amortised over a 5 year life until 2022/23.
- Civica System. The software cost £140,284 in 2018/19 and is being amortised over a 10 year life until 2028/29.

14. Financial Instruments

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

- **Financial Assets**

As at 31 March 2020	Non-Current		Current			Total
	Investments	Debtors	Investments	Cash	Debtors	
	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	
Amortised Cost						
Loans and Receivables	-	-	7,548	-	-	7,548
Cash and Cash Equivalents	-	-	-	7,046	-	7,046
Debtors	-	-	-	-	2,072	2,072
Fair Value through Profit and Loss						
Certificates of Deposit	-	-	13,545	-	-	13,545
Ultra Short Dated Bond Funds	-	-	6,000	-	-	6,000
Total Financial Assets	-	-	27,093	7,046	2,072	36,211

As at 31 March 2019	Non-Current		Current			Total
	Investments	Debtors	Investments	Cash	Debtors	
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	
Amortised Cost						
Loans and Receivables	-	-	7,034	-	-	7,034
Cash and Cash Equivalents	-	-	-	6,633	-	6,633
Debtors	-	-	-	-	1,678	1,678
Fair Value through Profit and Loss						
Certificates of Deposit	-	-	13,565	-	-	13,565
Ultra Short Dated Bond Funds	-	-	6,000	-	-	6,000
Total Financial Assets	-	-	26,599	6,633	1,678	34,910

- **Financial Liabilities**

As at 31 March 2020	Non-Current		Current		Total
	Borrowing (PWLB)	Creditors	Borrowing (PWLB)	Creditors	
	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	
Amortised Cost	48,489	-	-	17,255	65,744
Total Financial Liabilities	48,489	-	-	17,255	65,744

As at 31 March 2019	Non-Current		Current		Total
	Borrowing (PWLB)	Creditors	Borrowing (PWLB)	Creditors	
	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	31 March 2019 £000	
Amortised Cost	50,239	-	-	15,939	66,178
Total Financial Liabilities	50,239	-	-	15,939	66,178

Gains and Losses

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

Financial Instruments	(Surplus) or Deficit on the Provision of Services 2018/19 £000	Other Comprehensive Income 2018/19 £000	(Surplus) or Deficit on the Provision of Services 2019/20 £000	Other Comprehensive Income 2019/20 £000
Financial Assets Measured at Fair Value Through Profit or Loss	-	(47)	-	14
Total net gains/losses	-	(47)	-	14
Financial Assets Measured at Amortised Cost	268	-	354	-
Total interest revenue	268	-	354	-
PWLB Loan interest expense	1,569	-	1,539	-
Total fee expense	1,569	-	1,539	-

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

Financial liabilities and financial assets, represented by borrowing and investments, 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, using the following assumptions:

- Early redemption rates for loans from the PWLB as at 31 March 2020,
- No early repayment or impairment is recognised in the accounts.

The fair values are calculated as follows:

31 March 2019	31 March 2019		31 March 2020	31 March 2020
Carrying Amount on Balance Sheet £000	Fair Value Calculation £000		Carrying Amount on Balance Sheet £000	Fair Value Calculation £000
50,239	56,040	PWLB Debt	48,489	52,641
50,239	56,040	Total Borrowings	48,489	52,641
7,034	7,034	Money Market Funds < 1 year	7,548	7,548
7,034	7,034	Total Investments	7,548	7,548

Borrowings: the fair value is more than the carrying amount because the Council's loans are fixed at a higher rate than was available at 31 March 2020. This shows a notional loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to the PWLB above current market rates.

Investments: The fair value is the carrying amount, as the authority's investments are all less than one year to maturity.

➤ Loans below Market Rates

During 2019/20 the Council granted Decent Homes Standard loans to 5 private owner occupiers totalling £24,661.85 and did not grant any Disabled Facilities loans to private owner occupiers. The Council is due to have the loans repaid when the properties are sold in the future. Given the uncertainty of future timescales, these loans have been fully funded through the Council's capital programme. Any funds recovered in the future will therefore be a windfall to the Council.

15. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	31	34	18	22	1	-	50	56
Purchases	352	337	332	318	-	-	684	655
Recognised as an expense in the year	(349)	(345)	(328)	(310)	(1)	-	(678)	(655)
Balance at year end	34	26	22	30	-	-	56	56

16. Construction Contracts

At 31 March 2020 we had one contract with Taylor French Developments Ltd for the redevelopment of flats in Long Street and Coleshill Road Atherstone physically under construction. In addition there are some contractual retentions still outstanding to be settled during 2020/21.

17. Short Term Debtors

31 March 2019 £000		31 March 2020 £000
481	Trade Receivables	753
315	Prepayments	403
451	Local Taxation	762
199	Council Rents	283
842	Other Receivables	639
(296)	Bad debt provision	(365)
1,992	TOTAL	2,475

18. Cash and Cash Equivalents

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

31 March 2019 £000		31 March 2020 £000
2	Cash held by the Council	2
620	Bank current accounts	1,714
6,011	Short term deposits	5,330
6,633	Total Cash and Cash Equivalents	7,046

19. Assets Held for Sale

There were no assets held for sale at 31 March 2020.

20. Short Term Creditors

31 March 2019 £000		31 March 2020 £000
1,973	Trade Payables	2,244
1,243	Receipts in advance	2,650
148	Other Payables	228
12,390	Local Taxation	11,900
185	Council Rents	233
15,939	TOTAL	17,255

21. Provisions

Business Rate Payers can appeal against the rateable value of their properties to the Valuation Office. If they are successful, we will have to refund a proportion of the rates which they have paid. A decrease in provision of £0.001 million has been made in the Collection Fund at 31 March 2020 (£1,391 million at 31 March 2019), to cover possible refunds. Of the £5.236 million set aside at 31 March 2019 we have settled claims of £1.604 million from that sum. Our share of the decrease in provision is £0.0004 million (40%) (£0.556 million at 31 March 2019), with the remaining 60% falling to central government and Warwickshire County Council.

31 March 2019 £000		31 March 2020 £000
3,149	Opening Balance set aside as at 31 st March	1,538
4,724	Add back - share to Central Government and Warwickshire County Council (60%)	2,307
-	Adjustment to Appeals provision re HS2	1,710
(2,637)	Settled claims in year	(1,604)
5,236	Sub Total	3,951
(1,391)	Additional provision made in year	(1)
3,845	Sub Total	3,950
(2,307)	Less - share to Central Government and Warwickshire County Council (60%)	(2,370)
1,538	TOTAL	1,580

22. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MIRS) on page 12. The Earmarked Reserves (General Fund and HRA) columns on the MIRS are further detailed in Note 6.

23. Unusable Reserves

31 March 2019 £000		31 March 2020 £000
(13,585)	Revaluation Reserve	(15,613)
(95,157)	Capital Adjustment Account	(100,180)
35,845	Pensions Reserve	27,377
(91)	Collection Fund Adjustment Account - CT	(87)
(4,503)	Collection Fund Adjustment Account - NDR	(4,819)
148	Accumulated Absences Account	207
-	Available for Sale Financial Instruments Reserve	-
(50)	Financial Instruments Revaluation Reserve	(36)
(77,393)	Total Unusable Reserves	(93,151)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £000		2019/20 £000
(8,425)	Balance at 1 April	(13,585)
(5,590)	(Upward)/Downward revaluation of assets	(2,435)
125	Accumulated gains on assets sold	82
-	Difference between fair value depreciation and historical cost depreciation	-
305	Amount written off to the Capital Adjustment Account	325
(13,585)	Balance at 31 March	(15,613)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluations gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the sources of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018/19 £000			2019/20 £000	
	(81,700)	Balance at 1 April		(95,157)
		<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
4,255		▪ Charges for depreciation and impairment of non-current assets	4,419	
(12,739)		▪ Revaluation (gains) / losses on Property, Plant and Equipment	(1,606)	
61		▪ Amortisation of intangible assets	78	
-		▪ Revenue expenditure funded from capital under statute	47	
1,869		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,529	
	(6,659)	Sub Total		4,467
(305)		Adjusting amounts written out of the Revaluation Reserve	(325)	
712	407	Movements in the market value of Investment Property	(580)	(905)
		<i>Capital financing applied in the year:</i>		
(3,432)		▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(1,164)	
-		▪ Use of the Major Repairs Reserve to finance new capital expenditure	-	
(117)		▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-	
-		▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-	
(2,100)		▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,154)	
(1,556)	(7,205)	▪ Capital expenditure charged against the General Fund and HRA balances	(5,267)	(8,585)
	(95,157)	Balance at 31 March		(100,180)

The 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 the pension fund 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 come to be paid.

2018/19 £000		2019/20 £000
27,568	Balance at 1 April	35,845
5,616	Re measurement of the net defined benefit liability/(asset)	(10,191)
4,462	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,633
(1,801)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,910)
35,845	Balance at 31 March	27,377

Collection Fund Adjustment Account

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

Council Tax 2018/19 £000	Non Domestic Rates 2018/19 £000		Council Tax 2019/20 £000	Non Domestic Rates 2019/20 £000
(138)	(1,415)	Balance at 1 April	(91)	(4,503)
47	(3,088)	Amount by which council tax and non domestic rate income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non domestic rate income calculated for the year in accordance with statutory requirements	4	(316)
(91)	(4,503)	Balance at 31 March	(87)	(4,819)

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund and Housing Revenue Account balances from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund and Housing Revenue Account Balance are neutralised by transfers to or from the Account.

2018/19 £000		2019/20 £000
138	Balance at 1 April	148
(138)	Reversal of accrual made at the end of the preceding year	(148)
148	Amounts accrued at the end of the current year	207
148	Balance at 31 March	207

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its 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 or disposed of and the gains are realised.

2018/19 £000		2019/20 £000
(3)	Balance at 1 April	(50)
(47)	(Upward)/Downward revaluation of investments	14
-	Downward/ Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
(50)	Balance at 31 March	(36)

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018/19 £000		2019/20 £000
(268)	Interest Received	(354)
-	Interest Paid	10
(268)	Net interest included within the surplus on the provision of services	(344)

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

2018/19 £000		2019/20 £000
4,823	Depreciation and Amortisation of Asset	3,551
2,661	Movement in pension liability	1,723
(297)	(Contribution to) / Use of Housing Repairs Reserve	(28)
(995)	Contributions to reserves	(4,035)
(3,042)	Reversal of Collection Fund Adjustments – CT and NDR	(312)
10	Accumulated Absences	59
(927)	Increase / (Decrease) in Provisions	42
2,347	Increase / (Decrease) in Creditors	1,417
(643)	(Increase) / Decrease in Debtors	(306)
6	(Increase) / Decrease in Stocks and WIP	1
3,943	Adjustments for non cash movements	2,114

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

2018/19 £000		2019/20 £000
202	(Surplus) / Loss on sale of Assets	(430)
321	Payment of housing receipts to Housing Pool	322
523	Adjustment for investing and financing activities	(108)

25. Cash Flow Statement – Investing Activities

2018/19 £000		2019/20 £000
5,548	Purchase of property, plant and equipment, investment property and intangible assets	6,900
729	Other payments for investing activities	672
(1,800)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,051)
(2,918)	Other receipts from investing activities	(2,909)
1,559	Net cash flows from investing activities	2,612

26. Cash Flow Statement – Financing Activities

2018/19 £000		2019/20 £000
(1,700)	Cash receipts of short and long term borrowing	(1,750)
3,562	Other receipts from financing activities	494
1,862	Net cash flows from financing activities	(1,256)

27. Expenditure and Funding Analysis

(a) The Expenditure and Funding Analysis shows how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Boards. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The Expenditure and Funding Analysis brings together the authority's performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and HRA.

The Expenditure and Funding Analysis:-

- shows for each of the authority's boards a comparison of the net resources applied and the net charge against council tax, and
- provides the opportunity to explain significant differences between the two within the authority's framework for accountability.

2018/19	2018/19	2018/19	Expenditure and Funding Analysis			
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
777	104	881	Executive Board	747	37	784
4,422	1,826	6,248	Community and Environment Board	5,148	1,235	6,383
(98)	168	70	Planning and Development Board	305	52	357
(1)	16	15	Licensing Committee	2	7	9
(861)	2,588	1,727	Resources Board – Services	1,774	1,029	2,803
(241)	99	(142)	Resources Board – Recharged Services	(229)	148	(81)
(1,400)	482	(918)	Resources Board – Housing Revenue Account	(667)	271	(396)
2,598	5,283	7,881	NET COST OF SERVICES	7,080	2,779	9,859
(6,604)	(9,541)	(16,145)	Other Comprehensive Income and Expenditure	(8,963)	(11,913)	(20,876)
(4,006)	(4,258)	(8,264)	Total Comprehensive Income and Expenditure	(1,883)	(9,134)	(11,017)
(15,936)			Opening General Fund and HRA Balances	(19,595)		
301			Use of Reserves to fund Capital Expenditure	3,203		
(3,960)			(Surplus) / Deficit on Provision of Services	(2,269)		
(19,595)			Closing General Fund and HRA Balances	(18,661)		

The table below further analyses the Adjustments between the Funding and Accounting Basis.

Expenditure and Funding Analysis - adjustments between the funding and accounting basis				2019/20
	Adjustment for Capital Purposes	Net charge for Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Executive Board	-	37	-	37
Community and Environment Board	886	349	-	1,235
Planning and Development Board	4	48	-	52
Licensing Committee	-	7	-	7
Resources Board – Services	74	204	751	1,029
Resources Board – Recharged Services	132	16	-	148
Resources Board – Housing Revenue Account	64	199	8	271
COST OF SERVICES	1,160	860	759	2,779
Other Comprehensive Income and Expenditure	(2,287)	(9,328)	(298)	(11,913)
Total Comprehensive Income and Expenditure	(1,127)	(8,468)	461	(9,134)

Expenditure and Funding Analysis – adjustments between the funding and accounting basis				2018/19
	Adjustment for Capital Purposes	Net charge for Pensions Adjustments	Other Differences	Total Adjustments
	£000	£000	£000	£000
Executive Board	-	104	-	104
Community and Environment Board	1,079	747	-	1,826
Planning and Development Board	4	94	70	168
Licensing Committee	-	16	-	16
Resources Board – Services	725	473	1,390	2,588
Resources Board – Recharged Services	65	34	-	99
Resources Board – Housing Revenue Account	48	434	-	482
COST OF SERVICES	1,921	1,902	1,460	5,283
Other Comprehensive Income and Expenditure	(11,132)	6,375	(4,784)	(9,541)
Total Comprehensive Income and Expenditure	(9,211)	8,277	(3,324)	(4,258)

Adjustment for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service 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. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or which conditions were satisfied in the year.

Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

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

Other Statutory Adjustments

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

- For *Financing and investment income and expenditure* the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- 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 NDR 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 future surpluses or deficits on the Collection Fund.

Other Non-statutory Adjustments

Other non-statutory adjustments represent amounts debited / credited to service segments which need to be adjusted against the 'Other income and expenditure from the Expenditure and Funding Analysis' line to comply with the presentational requirements in the Comprehensive Income and Expenditure Statement:

- For *financing and investment income and expenditure* the other non-statutory adjustments column recognises adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For *taxation and non-specific grant income and expenditure* the other non-statutory adjustments column recognises adjustments to service segments e.g. for unringfenced government grants.
- The Council's governance arrangements are based on a committee model, which uses Service Boards / Committees. Reporting is undertaken on this basis.

Income received on a segmental basis is analysed below:-

	2018/19	2019/20
	Income from Services	Income from Services
Board	£000	£000
Executive Board	155	48
Community and Environment Board	3,362	3,138
Planning and Development Board	1,260	982
Licensing Committee	114	113
Resources Board – Services	16,620	14,134
Resources Board – Recharged Services	559	569
Resources Board – Housing Revenue Account	12,234	11,940
Other (*)	12,316	10,558
	46,620	41,482

(*) This line covers other operating expenditure, financing and investment income and expenditure and taxation and non-specific grant income which are detailed in earlier notes 7, 8 and 9.

(b) Expenditure and Income analysed by Nature

The authority's expenditure and income is analysed as follows:-

2018/19 £000	Expenditure and Income	2019/20 £000
	Expenditure	
11,318	Employee Expenses	11,216
8,868	Other Service Expenses	9,706
12,309	Rent Allowances and Housing Benefit Payments	10,503
4,273	Depreciation, Amortisation and Impairment	2,887
2,661	Retirement Benefits	1,723
699	Revenue Expenditure Funded from Capital Under Statute	1,484
3,269	HRA – Debt Repayment and interest	3,289
321	Payment to Housing Capital Receipts Pool	322
982	Parish Precepts	1,019
201	Loss on Disposal of Assets	-
44,901	Total Expenditure	42,149
	Income	
(20,302)	Fees, Charges and Other Service Income	(18,818)
(268)	Interest and Investment Income	(344)
(8,591)	Income from Council Tax and NDR	(6,611)
(17,459)	Government Grants and Contributions	(15,709)
-	Gain on Disposal of Assets	(430)
(46,620)	Total Income	(41,912)
(1,719)	(Surplus)/Deficit on Provision of Services	237

28. Agency Services

Coventry City Council provided a payroll service to the Council in 2019/20, for which we paid a charge of £12,240.

29. Pooled Budgets

Building Control Partnership

We were part of a pooled budget arrangement with Nuneaton and Bedworth Borough Council for the provision of building control services in 2018/19. The Building Control Partnership was hosted by Nuneaton and Bedworth Borough Council and provided services to both Councils. It reported to a Steering Group which was made up of elected Members from both Councils.

This Council contributed 34.3% of the budget, with Nuneaton and Bedworth contributing the remaining 65.7%. The same proportions were used to meet any deficit or surplus arising on the pooled budget at the end of each financial year.

		2018/19 £
Funding provided to the pooled budget:		
• North Warwickshire	(40,050)	
• Nuneaton and Bedworth	(76,710)	
		(116,760)
Expenditure met from the pooled budget:		
• North Warwickshire	20,854	
• Nuneaton and Bedworth	39,940	
		60,794
Net (surplus)/deficit arising on the pooled budget during the year		(55,966)
Council share of 34.3% of the net (Surplus)/deficit arising from the pooled budget		(19,196)

From April 2019, both Councils joined a larger partnership of local authorities, to improve the resilience of the service. The Central Building Control Partnership covers six councils - Lichfield District Council, Tamworth Borough Council, South Staffordshire Council, South Derbyshire District Council, Nuneaton and Bedworth Borough Council and North Warwickshire Borough Council. In 2019/20 the authority made a payment to the larger partnership of £35,200.

Heart Partnership

We are part of a shared service for the delivery of an integrated Home Environment Assessment & Response Team (HEART) service. The overall aims and objectives of the shared service is to bring together housing and occupational therapy services in an integrated team which delivers Home Improvement Agency Services and housing adaptations for disabled and older people in Warwickshire. Participants in the shared service arrangement are North Warwickshire Borough Council, Warwickshire County Council, Rugby Borough Council and Nuneaton and Bedworth Borough Council.

The partnership has operated for a number of years, but during 2016/17 the arrangement was formalised and the relevant finances of the authorities involved were brought together

in a pooled budget arrangement. The Heart Partnership is hosted by Nuneaton and Bedworth Borough Council and provides services to each of the Councils involved. The partnership reports to a Steering Group which is made up of elected members and officers from all partner authorities. The table below shows the budget and actual spend position during 2019/20.

2018/19 £		2019/20 £
465,411	Balance of funding retained by the Heart Shared Service to be carried forward to 2019/20 to spend in the North Warwickshire area	765,048
677,001	Budget – Disabled Facilities Grant	700,267
(377,364)	Spend by the Heart Shared Service on behalf of NWBC	(888,873)
765,048	Balance of funding retained by the Heart Shared Service to be carried forward to 2020/21 to spend in the North Warwickshire area(*)	576,442

(*) The above unspent balance is being carry forward in the Financial Statements within reserve debtors and capital grants unapplied until it is spent by the Heart shared service on behalf of North Warwickshire Borough.

30. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

	2018/19 £000	2019/20 £000
Allowances	218	227
Expenses	3	6
Total	221	233

31. Officers' Remuneration

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

2019/20 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive	98,756	3,456	19,751	121,963
Corporate Director – Community (April - October 2019)	38,416	1,728	7,569	47,712
Corporate Director - Resources	70,920	3,456	14,184	88,560

2018/19 Job Title	Salaries, Fees and Allowances (£)	Expenses Allowances (£)	Pensions (£)	Total (£)
Chief Executive*	92,902	5,360	18,019	116,281
Corporate Director - Environment	75,990	3,456	15,198	94,644
Corporate Director – Community	72,928	3,456	14,586	90,970
Corporate Director - Resources	67,830	3,456	13,566	84,852

*(32 hours per week)

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

Employee Pay Bands	2018/19 staff numbers	2019/20 staff numbers
£50,000-£54,999	1	1
£60,000-£64,999	-	-
£65,000-£69,999	4	-
£70,000-£74,999	-	4

The number of exit packages with total costs per band and total cost of the compulsory and other redundancies are set out in the table below and note 38.

Exit packages cost band	Number of compulsory redundancies		Total cost of exit packages for compulsory redundancies by cost band	
	2018/19	2019/20	2018/19	2019/20
			£	£
£0 – £20,000	2	2	14,465	19,462.50
£20,001 - £40,000	1	-	23,959	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £120,000	-	-	-	-
£120,001 - £140,000	-	1	-	123,871.99
Total	3	3	38,424	143,334.49

The total cost of £143,334.49 in the table above has been charged to the Council's Comprehensive Income and Expenditure Statement in the current year.

32. External Audit Costs

We pay audit fees for work undertaken on the audit of the Statement of Accounts, the certification of grant claims and returns and statutory inspections. Our appointed auditors for 2019/20 are Ernst Young LLP.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2019/20 accounts.

Type of Audit Work	2018/19 £000	2019/20 £000
Fees payable to Ernst Young LLP with regard to external audit services carried out for the year	33	33
Fees payable to Ernst Young LLP for the certification of grant claims and returns for the year – Housing Benefits and Pooling of Capital Receipts	15	16
Fees payable to Ernst Young LLP for the certification of grant claim – Housing Benefits 18-19	-	58
Total	48	107

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	2018/19 £000	2019/20 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	191	-
Non Domestic Rates	1,846	1,891
Total	2,037	1,891

Credited to Services		
New Burdens - Other	5	-
New Burdens - Single Fraud Initiative Grant	1	1
New Burdens - Property Searches	14	-
New Burdens - Brownfield Register Grant	5	2
New Burdens - RTI Grant	1	-
New Burdens - Verify Earnings & Pensions Alert Service	22	18
New Burdens - EU Exit Preparation	17	35
New Burdens - Management Support	9	-
New Burdens - Self Employed Review	3	-
New Burdens - Mixed Aged Couples	2	-
New Burdens - Council Tax Discount for Family	2	4
New Burdens - Local Authority Support grant Covid 19	-	34
New Burdens - Private Rent Sector Innovation & Enforcement grant	-	25
New Burdens - Business Rate Relief	-	9
Planning Enforcement Grant	-	50
Local Government Association – Administration Review Grant	-	7
National Lottery Grant – Safer Communities	-	8
Heritage Lottery and Leader Funding for Meadow Street Gardens	-	56
Electoral Reform Services Grant	20	26
Small Business and Empty Property Rate Relief	1,118	1,467
Neighbourhood Planning Grant	-	20
Cyber Security Grant	5	-
DWP - Local Authority Data Share (LADS-atlas)	10	-
DWP - Removal of Spare Room Subsidy	2	-
DWP - Civica Software updates	-	13
DWP - implementing Welfare Reform changes	17	29
DWP - Universal Credit Support Grant	13	-
National Community Clean Up Grant	11	-
Local Authority Parks Improvement Funding	10	-
Armed Forces Mancetter Day Out Grant	9	-
Armed Forces Covenant Veterans Hub Grant	12	16
Leader Project Grant	133	61
Stronger and Safer Communities Funding	31	32
New Burdens - Transparency Code Set Up	8	8
Benefits Grant (DHP)	94	76
Benefits Administration Grant	222	209
New Homes Bonus Scheme	902	921
Rent Allowances Subsidy	6,760	5,516
National Non Domestic Rates Administration Grant	109	110
Housing Rent Rebates	5,380	4,626
Custom Build Grant	30	15
Homelessness Reduction and Support Grant	143	112
Total	15,120	13,506

34. Related Parties

We are required to disclose material transactions with related parties – these are 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 significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which we operate and provides a significant proportion of our funding in the form of grants and prescribes the terms of many of the transactions that we have with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are shown in Note 33.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 30.

During the year, works and services to the value of £0 were commissioned from Cubic Apple (£555 in 2018/19) in which 1 member had an interest. Contracts were entered into in full compliance with the council's standing orders.

Other Public Bodies (subject to common control by central government)

We have a pooled budget arrangement with 5 other Councils (Lichfield, Tamworth, South Derbyshire, South Staffordshire and Nuneaton and Bedworth) for the provision of building control services and with other Warwickshire Authorities for the delivery of the Heart Shared Service. Transactions and balances outstanding are detailed in Note 29.

Seven Borough Councillors were also Warwickshire County Councillors in 2019/20. During the year, we paid £2,760,336 (£2,683,711 in 2018/19) to Warwickshire County Council for services including: pensions, land charges, broadband, arboriculture services, trade refuse disposal, contribution to the costs of Lower House Farm recycling facility and leisure facilities. Income of £523,117 (£501,211 in 2018/19) was received from the County Council for school swimming lessons, grass cutting, schools trade refuse, one public estate project management, funding for a hospital liaison officer post, Health improvement grant, part occupation of Council Offices and recycling activities.

Eight Borough Councillors were also on Atherstone Town Council in 2019/20. Income of £48,321 (£44,168 in 2018/19) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, Town Council elections and for some grounds maintenance work.

Three Borough Councillors were also on Coleshill Town Council in 2019/20. Income of £8,105 (£1,764 in 2018/19) was received from Coleshill Town Council, for the provision of a trade refuse service and two town council by-elections. Payments of £5,898 were made to Coleshill Town Council for a grant towards Coleshill Hall project and hire of premises for elections.

During the year a payment of £34,808 (£34,808 in 2018/19) was made to North Warwickshire Citizens Advice Bureau. The Borough Council was represented on the North Warwickshire Citizens Advice Bureau by 1 Borough Councillor. The transaction represents

a contribution to the running expenses of the organisation. The Member recorded an interest in the Register of Members Interests, which is open to public inspection at the Council Offices during office hours.

The Council is a non-constituent member of the West Midlands Combined Authority (WCMA). 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. Now the WMCA is established, constituent members could be given 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 2019/20 North Warwickshire Borough Council paid the WMCA a £25,000 contribution to help fund its programmes and initiatives (£25,000 in 2018/19).

35. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with previous year's unfunded capital creditors. The resources that have been used to finance this expenditure are also shown.

Capital Expenditure and Financing		
	2018/19 £000	2019/20 £000
<i>Capital Investment</i>		
Property, Plant and Equipment	5,236	6,637
Investment properties	-	
Intangible Assets	178	57
Revenue Expenditure Funded from Capital Under Statute	699	731
Total Expenditure	6,113	7,425
<i>Sources of Finance</i>		
Capital receipts	(3,419)	(1,139)
Government grants and other contributions	(716)	(725)
Revenue Contribution to Capital	(119)	(119)
Section 106 contributions	(155)	-
Earmarked Capital Reserve	(189)	(359)
Major Repairs Reserve/HRA RCCO	(1,277)	(4,790)
Capital Creditors	(238)	(293)
Prudential Borrowing	-	-
Total Financing	(6,113)	(7,425)

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 shown below.

	2018/19 £000	2019/20 £000
Long Term Assets	172,193	177,145
Revaluation Reserve	(13,585)	(15,613)
Capital Adjustment Account	(95,157)	(100,180)
Capital Financing Requirement	63,451	61,352

36. Leases

Council as Lessee

Finance Leases

The Council has no finance leases where the council is the lessee.

Operating Leases

We have a Land and Building lease. This relates to some industrial units known as Units 18-39 Innage Park, Atherstone, which we sub-let.

The future minimum sublease payments expected to be received by the Council are shown in the table below, along with the expenditure in relation to these leases during the year. Both the income and expenditure are included within the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

31 March 2019 £000		31 March 2020 £000
121	Minimum lease payments	121
(121)	Contingent rents	(124)
-	Total	(3)

Council as Lessor

Finance Leases

The Council hasn't leased out any assets under finance leases.

Operating Leases

The Council leases out property under operating leases for economic development purposes to provide suitable affordable accommodation for local businesses.

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

31 March 2019 £000		31 March 2020 £000
393	Not later than one year	398
53	Later than one year and not later than five years	205
4,377	Later than five years	4,229
4,823	Total	4,832

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 2019/20, £70,865.05 contingent rents were receivable by the Council (£65,085.72 in 2018/19).

37. Impairment Losses

We are required to disclose by class of assets the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 10 and 13 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.

There were no material impairment losses recognised during 2019/20 (none 2018/19).

38. Termination Benefits

The Council terminated the contracts of 3 employees in 2019/20, incurring liabilities of £143,334.49 (£38,424 in 2018/19) – see Note 31 for the number of exit packages and total cost per band. Payments were made to a Leisure Centre Duty Officer, a Leisure Centre Fitness Coordinator and Leisure Business Support Officer.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

We participate in the Local Government Pension scheme administered locally by Warwickshire County Council. This is a funded defined benefit salary scheme meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets. The scheme was a final salary scheme until 31 March 2014 and then changed to a career average scheme from 1 April 2014.

The principal risks to the council of the scheme are the longevity assumptions, statutory changes to the scheme, and structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund and Housing Revenue Account the amounts required by statute as described in the accounting policies note.

In addition there are arrangements for the award of 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 will be no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. These costs are included in the following figures.

Transactions Relating to Post-employment Benefits

We recognise 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 we are required to make against council tax 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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund balance via the Movement in Reserves Statement during the year:

	2018/19 £000	2019/20 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• Current service cost	(2,968)	(3,498)
• Past Service Cost and Curtailments	(735)	728
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	(2,685)	(2,668)
• Expected return on scheme assets	1,926	1,805
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(4,462)	(3,633)
<i>Re measurement of the net defined benefit liability comprising</i>		
• Return on plan assets	2,338	(7,074)
• Actuarial (losses)/gains arising on changes in demographic assumptions	-	3,275
• Actuarial (losses)/gains arising on changes in financial assumptions	(7,917)	8,324
• Other	(37)	5,666
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>	(5,616)	10,191
<i>Movement in Reserves Statement</i>		
• Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	4,462	4,361
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers contributions payable to scheme	1,801	1,910
Retirement benefits payable to pensioners	(2,659)	(3,269)

The cumulative amount of actuarial gains and losses recognised in other Comprehensive Income and Expenditure in the actuarial gains and losses on pension assets and liabilities line was a gain of £10,191,000 at 31 March 2020 (a loss of £4,755,000 at 31 March 2019).

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities	
	2018/19 £000	2019/20 £000
Opening balance at 1 April – Funded liabilities	97,235	109,411
Opening balance at 1 April – Unfunded liabilities	1,889	1,875
Current service cost	2,968	3,498
Past Service Cost	735	(728)
Interest Cost	2,685	2,668
Contributions by scheme participants	479	556
Actuarial losses arising from changes in demographic assumptions	-	(3,275)
Actuarial losses arising from changes in financial assumptions	7,917	(8,324)
Other	37	(5,666)
Benefits paid - funded	(2,531)	(3,143)
Benefits paid - unfunded	(128)	(126)
Closing balance at 31 March – Funded liabilities	109,411	95,160
Closing balance at 31 March – Unfunded liabilities	1,875	1,586

Reconciliation of the fair value of the scheme (plan) assets:

	Funded Assets	
	2018/19 £000	2019/20 £000
Opening fair value of scheme assets at 1 April	71,556	75,441
Expected rate of return - Interest	1,926	1,805
Actuarial gains – Return on plan assets	2,338	(7,074)
Contributions by scheme participants	479	556
Employer contributions	1,673	1,784
Contributions in respect of unfunded benefits	128	126
Benefits/transfers paid	(2,531)	(3,143)
Unfunded Benefits/transfers paid	(128)	(126)
Closing fair value of scheme assets at 31 March	75,441	69,369

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was (£5.269) million (£4.264 million in 2018/19).

Scheme History - Pensions Assets and Liabilities recognised in the Balance Sheet

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000	31 March 2020 £000
Present value of the defined benefit obligation	(86,053)	(97,386)	(99,124)	(111,286)	(96,746)
Fair value of Plan assets	60,727	70,094	71,556	75,441	69,369
Net liability arising from defined benefit obligation	(25,326)	(27,292)	(27,568)	(35,845)	(27,377)

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £27.377 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. This deficit would impact upon our reserves only if it all fell due at the same time. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy – the deficit on the scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

In 2020/21 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,772,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so on. The liabilities of the Warwickshire County Council Fund have been assessed by Hymans Robertson LLP, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest valuation of the scheme as at 31 March 2020. These figures do not include any limits imposed by IFRIC interpretation IAS 19.

The main assumptions used by the actuary for estimating assets and liabilities are:

	2018/19	2018/19	2019/20	2019/20
	Beginning of year	End of Year	Beginning of year	End of Year
Allowance for Admin Expenses				
Expenses Deducted (p.a.)	0.6%	0.6%	0.6%	0.6%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.5	22.5	21.6	21.6
Women	24.7	24.7	23.8	23.8
Longevity at 65 for future pensioners:				
Men	24.3	24.3	22.5	22.5
Women	26.7	26.7	25.4	25.4
Rate of Inflation (CPI)	2.4%	2.5%	2.5%	1.9%
Rate of Increase in salaries	3.0%	3.1%	3.1%	2.7%
Rate of increase in pensions	2.4%	2.5%	2.5%	1.9%
Rate of discounting scheme liabilities	2.7%	2.4%	2.4%	2.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men or women. In practice, this is unlikely to occur, and changes in some of the assumptions 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.

	2018/19	2018/19	2019/20	2019/20
	Beginning of year	End of Year	Beginning of year	End of Year
Take up option to convert annual pension into retirement lump sum – pre April 2008	50%	50%	50%	50%
Take up option to convert annual pension into retirement lump sum – post April 2008	75%	75%	75%	75%

The table below details the pension scheme's assets consisting of the following categories, by value and proportion of the total assets held.

	2018/19	2018/19	2019/20	2019/20
	£ 000	%	£ 000	%
Equity Securities:-				
• Consumer	3,630.7	4.8%	-	0.0%
• Manufacturing	1,498.7	2.0%	-	0.0%
• Energy and Utilities	90.4	0.1%	-	0.0%
• Financial Institutions	1,650.4	2.2%	-	0.0%
• Health and Care	1,789.9	2.4%	-	0.0%
• Information Technology	1,860.8	2.5%	-	0.0%
• Other	2,348.4	3.1%	-	0.0%
Debt Securities:-				
• Other	2,148.7	2.8%	2,206.1	3.2%
Private Equity:-				
• All	3,839.9	5.1%	3,319.6	4.8%
Real Estate:-				
• UK Property	8,234.8	10.9%	6,779.1	9.8%
• Overseas Property	12.7	0.0%	6.0	0.0%
Investment Funds and Unit Trusts:-				
• Equities	28,422.0	37.7%	39,763.6	57.3%
• Bonds	12,420.3	16.5%	10,658.4	15.4%
• Hedge Funds	-	0.0%	-	0.0%
• Infrastructure	1,741.9	2.3%	1,825.0	2.6%
• Other	4,685.1	6.2%	3,843.6	5.5%
Cash and Cash Equivalents:-				
• All	1,066.3	1.4%	967.6	1.4%
Total	75,441.0	100.0%	69,369.0	100.0%

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the schemes actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

40. Nature and Extent of Risks arising from Financial Instruments

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the Financial Services team, under policies approved by the Council in the annual treasury management strategy. The Council provides written principles for the overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

➤ *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 requires that deposits are not made with financial institutions unless they meet minimum credit criteria in accordance with the Fitch, Moody's and Standard and Poor's Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

This Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to investments in banks and building societies of £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the historical principal will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise.

The Council's exposure to credit risk on other financial assets relates to trade/sundry debtors. We do not allow credit for trade/sundry debtors so £263,645 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019 £000	31 March 2020 £000
Less than three months	126	152
Between three and six months	13	60
Between six months and one year	7	13
More than one year	71	39
TOTAL	217	264

The Council initiates a legal charge on property where clients cannot pay their debts and recovery action has been unsuccessful. The total collateral at 31 March 2020 was £2,305.

➤ *Liquidity Risk*

The Council uses cash flow analysis and risk management procedures to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the authority will need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The maturity analysis of financial liabilities is as follows:

	31 March 2019 £000	31 March 2020 £000
Less than one year	1,750	2,000
Between one years and two years	2,000	2,250
Between two and five years	6,860	6,960
Between five and ten years	13,400	14,300
Between ten and fifteen years	16,229	12,979
Between fifteen and twenty years	-	-
More than twenty years	10,000	10,000
Total	50,239	48,489

All trade and other creditors are due to be paid in less than one year.

Liquid resources held by the Council are short-term investments. These continue to be managed internally, with a limit on the amount that can be invested with any one institution in accordance with the authorised lending list. All investments at 31 March 2020 were held with banks and building societies. At 31 March 2019 the Council had short-term investments of £27,093 million.

	31 March 2019 £000	31 March 2020 £000	Change in year £000
Short Term Investments	26,599	27,093	494
Total	26,599	27,093	494

➤ *Market Risk*

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in 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 borrowings will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would 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. 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. Policy is to assess the likelihood of movements in interest rates, when taking decisions on variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	-
<i>Increase in interest receivable on variable rate investments</i>	
- Money market Funds	53
- Ultra Short term dated bonds	60
Net impact on the (Surplus) / Deficit on the provision of services	113

The approximate impact of a 1% fall in interest rates would be as above but with the movement being reversed.

We borrowed from the Public Works Loans Board to make the Housing Self Financing Settlement payment. We currently have no other long term external borrowing, as we have chosen to make use of the reserves we hold, and finance borrowing internally. We continue to monitor market rates at the moment, ready for when the Council needs to borrow in the future.

41. Going Concern

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

The Council has carried out a detailed assessment of the likely impact of COVID-19 on its financial position and performance during 2019/20, 2020/21 and beyond. This included consideration of the following:-

- ◆ Loss of income on a service by service basis, due to temporary closures, reduction in demand, and increased collection losses.
- ◆ Additional expenditure on a service by service basis, e.g. provision of new and expanded services in response to the crisis (such as additional costs incurred on supporting those shielding), and additional costs associated with changes to working practices (such as remote working).
- ◆ Changes to government policy, e.g. changes to business rate reliefs, guidance on supplier relief, additional funding for local authorities, and additional responsibilities which sit alongside this.
- ◆ The impact on the Council's capital programme, e.g. delays caused by government restrictions, and whether there is a need to rephase work for other reasons.
- ◆ The impact on the Council's joint ventures.
- ◆ The impact of all of the above on the Council's cash flow and treasury management, including availability of liquid cash (as at October 2020 the Council has around £32 million short term investments), impact on investment returns, and availability of external borrowing if required.
- ◆ The estimated overall impact on the Council's General Fund and Housing Revenue Account reserves.

This review has highlighted that COVID-19 poses a significant financial challenge for the Council, as it will for all local authorities. To reflect this, the Council published an update to its Medium Term Financial Strategy in September 2020.

Based on the Council's assessment in September 2020, the net total impact of COVID-19 on the General Fund was estimated to be a reduction of £0.4 million, the vast majority of which is expected to crystallise within 2020/21. This was assuming no extra funding not already announced from central Government, no re-prioritisation of services or alternative service provision and is in addition to the planned use of balances of £0.6 million. By way of context, the General Fund balance as at 31 March 2020 is £2.8 million (subject to year-end adjustments and audit).

General reserves or balances are held to provide a general contingency for unavoidable or unforeseen expenditure and also give stability for longer term planning. The level of general reserves held is based on an assessment of the financial risks attached to the budget. The Council's prudent minimum balance on the General Fund is £1.4 million. Whilst use of General Fund balances of £1 million could be accommodated within 2020/21, the Council took the decision in September to fund the net cost of Coronavirus from earmarked reserves.

The Council will review services / other costs during 2020/21 with a view to reducing the use of earmarked reserves. However should the costs of Coronavirus be higher than expected in 2020/21, the Council has earmarked reserves in excess of £1 million that can be used to cover some or all of the additional Covid related costs.

It is therefore noted that whilst there are significant financial challenges for the Council, there is headroom within the General Fund to absorb the estimated financial impact of COVID-19 in the short to medium-term. Furthermore, the Code requires that local authorities prepare their accounts on a going concern basis, as they can only be discontinued under statutory prescription. For these reasons, the Council does not consider that there is material uncertainty in respect of its ability to continue as a going concern for the foreseeable future.

42 Events after the Balance Sheet date.

The Statement of Accounts was authorised for issue by the Corporate Director Resources on 18th November 2020. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the notes in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Covid-19

The Council set its 2020/21 Budget in February 2020, prior to the World Health Organisation declaring COVID-19 a world Pandemic on the 12 March 2020 and the subsequent UK lockdown which started on the 23 March 2020.

As a Category 1 responder, North Warwickshire Borough Council has been providing a wide range of support to vulnerable residents, businesses and partner organisations. This has required the Council to incur additional costs outside of our approved budget and take decisions in line with new government direction and guidance to ensure that essential services are able to continue in what is an extremely challenging situation.

The full financial impact of COVID-19 is still emerging and will not be known for some time, given the uncertainty over the timescale of government measures to control the outbreak, impact on the UK economy and locally for our residents and businesses.

We have modelled 3 different scenarios to illustrate the scale of the financial impact that the Council could face in 2020/21 and over the medium term: an optimistic scenario which limited the length of the impact of the outbreak, an expected scenario which assessed the impact given current knowledge and a pessimistic scenario which assumed a longer term impact of the outbreak.

For 2020/21 based on the level of financial support provided by government at September these scenarios provide an estimated financial gap of between £0.250m and £0.770m. Whilst this assumed no extra funding from central Government, re-prioritisation of services or alternative service provision, further grant funding from the Government was announced in October.

The Executive Board has considered the outcome of these scenarios and is satisfied that the Council remains a going concern as its combined cash and short-term investment holdings as at August 2020 are £35m which exceed the liquidity shortfall that would be required within the worst case scenario model.

It is still likely that further work will be needed to review the level and scope of Council services in 2021/22 to ensure that the Council remains financially sustainable and can support the economic recovery and our most vulnerable residents.

The Financial Statements and notes have not been adjusted for this event which took place after 31 March 2019 as it provides information that is relevant to an understanding of the Authority's financial position but does not relate to conditions at that date.

North Warwickshire Borough Council

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (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 grants. Councils charge rents to cover expenditure in accordance with the legislative framework; 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.

Actual 2018/19 £000	Actual 2018/19 £000		Actual 2019/20 £000	Actual 2019/20 £000	Note
3,004		EXPENDITURE			
		Repairs and Maintenance	3,286		5
1,457		Supervision and Management			
478		- General	1,516		
2,826		- Special Services	405		
		Depreciation, Impairment and revaluation	2,918		9
		losses of non-current assets			
3,269		Debt Management Costs	3,289		14
26		Movement in the allowance for bad debts	27		13
	11,060	TOTAL EXPENDITURE		11,441	
		INCOME			
(11,617)		Dwelling rent	(11,299)		12
(385)		Non-dwelling rent	(380)		
(107)		Charges for Services and Facilities	(114)		
-		Grant for New Build			
	(12,109)	TOTAL INCOME		(11,793)	
	(1,049)	Net Expenditure/ (Income) of HRA Service as included in the Comprehensive Income and Expenditure Statement		(352)	
	77	HRA service share of Corporate and Democratic Core		78	
	(972)	Net Income/cost for HRA Services		(274)	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	(277)	Gain on sale of HRA non-current assets		(430)	
	401	Interest payable and similar charges		(435)	10/15
	(105)	Interest and Investment Income		(105)	15
	(12,114)	Deficit or (Surplus) on Revaluation of Property, Plant and Equipment		(1,077)	10
	(13,067)	(Surplus) or Deficit for the year on HRA Services		(2,321)	

North Warwickshire Borough Council

Movement on the Housing Revenue Account Statement

This shows how the surplus/deficit on the HRA Income and Expenditure statement reconciles to the movement on the Housing Revenue Account Balance for the year.

2018/19 £000		2019/20 £000
(4,459)	Balance on the HRA at the end of the previous year	(4,691)
(13,067)	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	(2,321)
11,722	Adjustments between accounting basis and funding basis under statute	1,751
(1,345)	Net (Increase) or decrease before transfers to or from reserves	(570)
1,113	Transfers to or (from) reserves	528
(232)	(Increase) or decrease in year on the HRA	(42)
(4,691)	Balance on the HRA at the end of the current year	(4,733)

Adjustments between accounting basis and funding basis under statute:

2018/19 £000		2019/20 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
12,114	Reversal of Impairment losses and revaluations	1,077	10
277	Gain on sale of HRA Property, Plant and Equipment	430	
(268)	Net charges made for retirement benefits in accordance with IAS 26	(199)	11
-	(Increase)/Reduction in accrual for employee benefits	8	
12,123	Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year	1,316	
(401)	Transfer to Capital Adjustment Account	435	15
11,722	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	1,751	

Transfers to or from reserves

2018/19 £000		2019/20 £000	Note
297	Transfer to/(from) the Housing Repairs Reserve	27	5

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2020

1. Legal Obligation

We are obliged by law to avoid a deficit on this Account and achieve this by keeping a working balance on the Account. This Account reflects the statutory obligation to account separately for the housing provision, in particular Schedule 4 of the Local Government and Housing Act 1989.

2. Housing Stock

We were responsible for managing an average of 2,644.5 dwellings during 2019/20, consisting of the following:

2018/19		2019/20
1,390	Houses	1,367
651	Flats	647
617	Bungalows	617
2,658	Total at 31 March	2,631
	The change in stock was as follows:	
2,682	Stock at 1st April	2,658
(24)	less Sales	(26)
-	Demolitions	(1)
-	New Build	-
2,658	Stock at 31 March	2,631

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £154.523 million as at 31 March 2020. The value of each type of asset and the split between operational and non-operational assets are set out below.

Balance as at 31 March 2019 £000	Asset Type	Balance as at 31 March 2020 £000
487	Land	1,332
143,934	Council Dwellings	147,781
155	Plant and Vehicles	108
4,765	Other Property	5,302
149,341	Total	154,523
143,920	Operational Assets – Dwellings	105,872
14	- Land	41,909
4,765	- Other Buildings	5,302
155	- Plant and Vehicles	108
487	Non-operational Assets	1,332
149,341	Total	154,523

The value of land within our housing stock is estimated to be approximately 30% of the total net book value held within the Council's Asset Register.

The vacant possession value of our housing stock, including the land element, is £362.639 million. This is different to the gross book value of the assets included within the balance sheet of £145.056 million which is based upon the continuing use of housing for social use. The difference between the two amounts is the economic cost of providing council housing at less than open market value.

4. Major Repairs Reserve

Whilst in the National Housing Pool, we received a Major Repairs Allowance from the Government to be used for capital spending on HRA assets. This allowance was held within the Major Repairs Reserve. From April 2013 a contribution has been made from the HRA into the Major Repairs Reserve and the movement in the year is detailed below.

2018/19 £000		2019/20 £000
(1,536)	Balance as at 1 April	(1,536)
(2,778)	Transfer into Reserve – Depreciation	(2,853)
2,778	Transfer into Reserve – Appropriation	2,853
-	To finance Capital Expenditure – Houses	-
(1,536)	Balance as at 31 March	(1,536)

5. Housing Repairs Reserve

The Housing Repairs Reserve exists to provide for repairs and maintenance to council dwellings. The movement on the fund in the year is £27,534 and is detailed below:

2018/19 £000		2019/20 £000
543	Balance as at 1 April	840
3,153	Contributions from HRA	3,201
(2,856)	Use of Fund	(3,174)
840	Balance as at 31 March	867

The contribution from the Housing Revenue Account is different to the repairs and maintenance figure in the HRA Income and Expenditure Statement due to the reversal of a pensions adjustment and the use of the repairs reserve balance.

6. Earmarked Capital Reserve

The Earmarked Capital Reserve exists to be used for capital spending on HRA assets. The movement in the year is detailed below:

2018/19 £000		2019/20 £000
(1,890)	Balance as at 1 April	(3,653)
(3,001)	Contributions from HRA	(2,924)
(6)	Other Receipts	(33)
1,244	Use of Reserve	4,145
(3,653)	Balance as at 31 March	(2,465)

7. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2019/20, spent £5,939,703 (£4,641,334 in 2018/19). This expenditure was used to fund work on council houses, garages and community centres of £5,269,092 (£4,415,944 in 2018/19) and new housing of £670,611 (£225,390 in 2018/19). Capital spending during the year has been paid for from a number of sources and these are shown on the next page:

2018/19 £000	Source of Funding	2019/20 £000
(2,778)	Major Repairs Reserve	(2,853)
(358)	Capital Receipts	(903)
(32)	Capital Receipts – New Build	-
(1,277)	Earmarked Reserves	(1,937)
(155)	Section 106 Funding	-
(6)	Grants and Contributions	(23)
(35)	Capital Creditors	(224)
(4,641)	Total	(5,940)

8. Disposal of Assets

We dispose of HRA property through the Right to Buy scheme. We also dispose of other assets as opportunity sales. During 2019/20 capital income of £1,927,400 was received from the sale of 26 council houses and £123,500 from the sale of surplus land (£1,619,700 for 24 houses and £180,000 from the sale of surplus land in 2018/19).

9. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2019/20 the amount of depreciation charged is as follows.

2018/19 Operational assets £000		2019/20 Operational assets £000
2,694	Council Dwellings	2,768
85	Other Property	85
35	Vehicles	34
12	Plant & Equipment	12
2,826	Total	2,899

10. Revaluations / Impairment charges

There were no impairment charges during the year. Some land and properties held as investment assets increased in value by £435,340 (see note 12, page 28), however there were revaluation gains of £1.077 million on the Council's housing stock. In overall terms revaluation gains of £1.512 million were credited to the Surplus or Deficit on the Provision of Services in the Housing Revenue Account.

11. Pensions

The 2004 Code of Practice requires that retirement benefits within the HRA be accounted for in a similar way to that shown within the Consolidated Income and Expenditure Statement. Due to a lack of consensus, the latest guidance (provided in 2003/04) gave several alternative accounting treatments and left it to each Council to decide how to account for IAS 26 within the HRA.

It is our view, pending the receipt of any new guidance, that as the entries on the HRA are defined by statute, there should be no effect on the overall financial position of the HRA. However, as IAS 26 requires that all services show the Current Service Cost of the benefits earned by its employees in the year, the Housing Revenue Account has been charged with an amount of £198,900 to reflect the additional costs of those benefits. This has then been reversed out elsewhere within the account.

12. Gross Rent Income

This is the total rent income due for the year after allowances are made for voids etc. During the year 1.57% of lettable properties were vacant (0.80% in 2018/19). Average rents were £90.50 a week in 2019/20 (excluding service charges) on a 48 week basis, a decrease of £0.93 or 1.02% over the previous year.

13. Rent Arrears

At 31 March 2020 the total rent in arrears was £237,584, which represents 2.1% of collectable rent income (1.70% in 2018/19). The rent arrears figures are detailed below: -

2018/19 £000		2019/20 £000
105	Arrears at 31st March: - Present Tenants	132
92	Former Tenants	106
197	TOTAL ARREARS	238

The allowance for bad debts at 31 March 2020 was £162,409 (£143,518 at 31 March 2019). Debts totalling £9,655 were written off during the year (£31,118 written off in 2018/19) and an additional provision was made of £34,593 (£29,718 in 2018/19). In addition the Council has decreased the provision for the non collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £7,471 (£3,570 decrease in 2018/19). The movement on the bad debt provision in 2019/20 is £27,122 (£26,148 in 2018/19)

14. Charges for Borrowing

The Housing Revenue Account repaid £1,750,000 of the long term borrowing it took out as part of the move to the Housing Self Financing system and £1,538,849 in interest payments on the borrowing still outstanding. Any short term borrowing needed to manage HRA cash flows during the year would be managed on a council basis, with a charge being made to the HRA for its share of the borrowing. The HRA did not require any short term borrowing in 2019/20.

15. Investment Income

We receive income from investments we hold during the year. The HRA contributes funds to these investments and receives a share of the income based upon the level of reserves held that relate to the HRA. For 2019/20 this amounted to £105,200 (£104,649 in 2018/19).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 3 parcels of land during the year showed an increase in the asset valuations of £417,400 (£426,150 increase in 2018/19 (2 parcels of land). In addition we hold 10 shared ownership properties in Thorncliffe Way, Cornish Close & Digby Road as investment properties. During the year there was an increase in their valuations of £17,940 (£25,080 increase in 2018/19). The revaluations are included in the Interest and Investment income. This will not be realised unless the properties are sold, so it is reversed out in the adjustments between accounting basis and funding basis under statute in order to arrive at the Housing Revenue Account balance at the end of the year.

North Warwickshire Borough Council

The Collection Fund - Income and Expenditure Statement for the Year Ended 31 March 2020

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

2018/19 Council Tax £000	2018/19 NDR £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 NDR £000	2019/20 Total £000
38,188	-	38,188	INCOME	40,699	-	40,699
-	52,348	52,348	Income from Council Tax (net of benefits and transitional relief)	-	53,174	53,174
-	-	-	Income Collectable from Business Ratepayers	-	-	-
-	-	-	Cont's to previous years NDR deficits:	-	-	-
-	-	-	- Government	-	-	-
-	-	-	- North Warwickshire BC	-	-	-
-	-	-	- Warwickshire County Council	-	-	-
38,188	52,348	90,536		40,699	53,174	93,873
			EXPENDITURE			
28,032	-	28,032	Precepts and Demands-Council Tax :	29,808	-	29,808
4,193	-	4,193	- Warwickshire County Council	4,746	-	4,746
5,243	-	5,243	- Warwickshire Police Authority	5,335	-	5,335
37,468	-	37,468	- North Warwickshire BC	39,889	-	39,889
687	-	687	Distribution of Surpluses-Council Tax :	498	-	498
102	-	102	- Warwickshire County Council	75	-	75
134	-	134	- Warwickshire Police Authority	93	-	93
923	-	923	- North Warwickshire BC	666	-	666
-	24,237	24,237	Business Rate Payments:	,	26,057	26,057
-	19,389	19,389	- Government	,	20,846	20,846
-	4,847	4,847	- North Warwickshire BC	,	5,211	5,211
-	9	9	- Warwickshire County Council	,	(62)	(62)
-	108	108	Transition Protection payment to/(from) Government	,	109	109
-	48,590	48,590	Cost of collection	-	52,161	52,161
77	30	107	Bad and doubtful debts/appeals :	3	29	32
18	34	52	- Arrears Written Off	142	89	231
-	(4,028)	(4,028)	- Provision for uncollectable amounts	-	105	105
-	-	-	- Provision for Appeals	-	-	-
(298)	7,722	7,424	- Less Spread of Appeals provision	(1)	790	789
38,188	52,348	90,536	Increase/(Decrease) in Fund Balance	40,699	53,174	93,873
MOVEMENTS ON THE COLLECTION FUND						
951	3,536	4,487	Balance at 1 April	653	11,258	11,911
(298)	7,722	7,424	Surplus/(Deficit) for the Year	(1)	790	789
653	11,258	11,911	Balance at 31 March 2020	652	12,048	12,700

**Precepts and Demands on the Collection Fund
(Council Tax)**

Precept /Demand	Share of 31 March 2019 Surplus	2018/19 Total	Authority	Precept /Demand	Share of 31 March 2020 Surplus	2019/20 Total
£000	£000	£000		£000	£000	£000
28,032	489	28,521	Warwickshire County Council	29,808	487	30,295
4,193	73	4,266	Warwickshire Police Authority	4,746	78	4,824
5,243	91	5,334	North Warwickshire Borough Council	5,335	87	5,422
37,468	653	38,121	Total	39,889	652	40,541

NDR (Business Rates) on the Collection Fund

Business Rates 2017/18	Share of 31 March 2019 Deficit	2018/19 Total	Authority	Business Rates 2018/19	Share of 31 March 2020 Deficit	2019/20 Total
£000	£000	£000		£000	£000	£000
19,389	4,503	23,892	North Warwickshire Borough Council	20,846	4,819	25,665
4,847	1,126	5,973	Warwickshire County Council	5,211	1,205	6,416
24,237	5,629	29,866	Government	26,057	6,024	32,081
48,473	11,258	59,731	Total	52,114	12,048	64,162

Notes to the Collection Fund for the year ended 31 March 2020

1. Council Tax

Council Tax is calculated by estimating the amount of income required from the Collection Fund by the Borough Council, Warwickshire County Council and Warwickshire Police Authority for the forthcoming year and dividing this by the council tax base.

The council tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings. For 2019/20 the base was calculated as follows:

Band	Estimated number of taxable properties after effect of discounts	Ratio	Band D equivalent Dwellings
A	4,487.13	6/9	2,989.95
B	5,742.68	7/9	4,466.53
C	5,297.32	8/9	4,708.73
D	3,475.44	9/9	3,475.44
E	2,180.46	11/9	2,665.00
F	1,164.27	13/9	1,681.72
G	673.80	15/9	1,123.00
H	66.33	18/9	132.66
			21,243.03
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			98.00%
COUNCIL TAX BASE 2019/20			20,818.16

On the basis of an average £1,916.05 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £39.889 million (£1,916.05 x 20,818.16). The actual income received, was higher than the estimated due to changes in individual circumstances.

2. Income from Business Rates

We collect business rates for the North Warwickshire area, which are based on local rateable values multiplied by a national non-domestic rate specified by the Government. From April 2013 we divide the rates collected between the government (50%), this council (40%) and Warwickshire County Council (10%). As our assessed need is lower than our share of the business rates, we pay the difference to the government as a tariff. If additional rates are collected in year they are allocated in the proportions shown above. This Council then pays a levy on our share of the additional rates. If we collect less, we stand the shortfall, up to a specified amount.

The rates to be collected can change during the year as the circumstances of individual businesses alter. Unless significant, all changes which occurred after 4th March 2020 are accounted for in the following year to allow the system to be rolled forward and future bills prepared. We were notified of increases of £7,600 after the 4th March 2020, due to changes to the valuations of properties, which will be included within the 2020/21 accounts.

The total non-domestic rateable value at the year-end was £118,646,417 (£117,378,152 in 2018/19). The national non-domestic rate for small businesses was 49.1 pence (48.0 pence in 2018/19) and the rate for other businesses was 50.4 pence (49.3 pence in 2018/19).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations England 2015, which require those statements to be prepared in accordance with proper accounting practices. These practices under section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Council's Financial Statements have been prepared on a going concern basis, that is, the accounts are prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The recent impact of the coronavirus pandemic on this assumption has been assessed and this is set out in Note 41 to the Statements.

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

2. Accruals of Income and Expenditure

We record all revenue and capital transactions over £250 on an accruals basis. This means that the activity is accounted for in the year that it takes place, not when cash payments are actually made or income is actually received. Where there is no cash transaction a debtor or creditor for the relevant amount is included in the balance sheet. These are shown within the current assets and current liabilities sections of the Balance Sheet respectively. 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.

Amounts less than £250 are included in the accounts when cash payment is made or income is received. In addition, electricity and other similar quarterly payments are charged at the date of meter reading rather than apportioned between financial years. This policy is consistently applied each year so it does not have a material effect upon the year's accounts.

Business Rate and Council Tax Prepayments, together with grants received in advance for schemes where we are acting as the Accountable Body are shown within creditors.

Supplies are included as expenditure when they are used. Where they have been received but not used, they are carried as inventories on the balance sheet. Similarly works are charged as expenditure when they are completed. Any work that is incomplete at the year end is also included on the balance sheet as inventories.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3. 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 three months or less 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.

4. Charges to Revenue for Non-Current Assets

We charge services for all the assets they use to provide their services. The charges cover:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off
- Amortisation of intangible assets used by services.

We are not required to raise council tax to cover depreciation, revaluation and impairment losses and amortisation. However, we are required to make an annual provision from revenue towards reducing our borrowing requirement equal to an amount calculated on a prudent basis in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are replaced by the contribution in the General Fund balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two, so that Council Tax is unaffected.

5. Employee Benefits

Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the year in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or, an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, service segment or where applicable to a corporate service segment, at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Warwickshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. 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 etc. and projections of projected earnings for current employees.
- Scheme liabilities are discounted to their value at current prices using a discount rate of 3.5% which is based on market yields at the balance sheet date on high quality corporate bonds.

The assets of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value.
- The change in the net pension liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of a year's service earned this year, which is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked.
 - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, which is debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
 - interest cost - the expected change in the present value of liabilities during the year as they move one year closer to being paid, which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Re-measurements comprising:

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return, which is credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- actuarial gains and losses – changes in the net pension’s liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, which are debited to the Actuarial gains and losses on pension assets and liabilities line in the Comprehensive Income and Expenditure Statement.
- contributions paid to the Warwickshire Pension Fund – cash paid as employer’s contributions to the pension fund in settlements of liabilities; not accounted for as an expense.

The surplus/deficit of the scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities.

For retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pensions fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises 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 earned by employees.

Since 2007, the Council has had a policy of not awarding any discretionary benefits to employees taking early retirement.

6. Events after the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

7. Exceptional items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the statement, depending on how significant the items are to an understanding of the Council’s financial performance.

8. Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior year 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 year 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 effects 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 year as if the new policy had always been applied.

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

9. Financial Instruments

Financial Liabilities

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

For all of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. The Authority holds financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI) [separate accounting policy is required where an authority holds financial instruments at fair value through other comprehensive income].

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

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

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

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

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

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

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

10. Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council 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.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset received in the form of the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance sheet as creditors (in Capital Grants / Contributions Received in Advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are included on the balance sheet initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost.

We gradually reduce the value of intangible assets, such as software licences over their useful life (up to 10 years). However, rather than being called depreciation, we refer to this as amortisation. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or

abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted 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 Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

12. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value and are simply valued at cost based on a first in, first out basis. Work in progress on incomplete jobs is valued at cost, including an allocation of overheads.

13. Investment Property

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 being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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 and 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 Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

14. 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 and 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 buildings element 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.

The Council as a Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation, revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant and equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent free period at the commencement of the lease).

The Council as a Lessor

Operating Leases

Where the Council grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation
- Non Distributed Costs – the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets for Sale.

16. 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 reliably measured. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. We only include individual pieces of land and buildings that exceed £10,000, and plant and equipment that exceed £5,000 in our asset register.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any cost 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 initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located (if this is appropriate).

The cost of assets acquired other than by purchase is deemed to be at fair value unless the acquisition does not have 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- **Infrastructure assets, community assets and assets under construction** - depreciated historical cost. Where this is not known for community assets, a nominal value of £1 has been included.
- **Council dwellings** – current value, determined using the basis of existing use value for social housing (EUV – SH). The ‘Beacon’ method has been used whereby “typical” properties are valued and the remaining similar houses in the area are assessed based on this beacon.
- **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 – EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimated of current value.

Where there are non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

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

- 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 line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

Assets are assessed at each year end to see if 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 by:

- 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(s) in the Comprehensive Income and Expenditure Statement.

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

Depreciation

Depreciation is provided for on 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 finite useful life (i.e. freehold land and community land assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset, as advised by a suitably qualified officer
- Infrastructure – straight line allocation over the useful life of the asset, as advised by a suitably qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This has only been applied to enhancement and acquisition expenditure incurred from 1 April 2010 and to revaluations carried out from that date, in line with the requirements of the Code of Practice.

Revaluation gains on assets are also depreciated with an amount equal to the difference between the current value depreciation and the historical value depreciation transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current 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 and 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 not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant or Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also 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 accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Income above £10,000 received from the sale of assets is treated as a capital receipt. In general terms we have to pay 75% of Council House sales and 50% of other housing receipts over to the Government. We have entered an agreement with the Government, which will allow us to use some of the receipts received from additional council house sales as a result of the relaxation of Right to Buy regulations, to fund new build properties. With some disposals we are allowed to retain all of the income if we plan to spend it on regeneration or affordable housing. The balance of the receipt remains within the Usable Capital Receipts Reserve and can then only be used for new capital spending or can be set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are transferred to the Reserve from the General Fund Balance in the Movement in Reserves Statement. We do not need to pay over any income from the sale of General Fund assets and this can be fully used for capital spending.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment 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.

17. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the

relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

18. Reserves

We set aside specific amounts as earmarked reserves, for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back to the General Fund Balance in the Movement in Reserves Statement on page 12 and note 6 to the financial statements so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the Movement in Reserves Statement on page 12 and note 23 to the financial statements.

19. Revenue Expenditure Funded from Capital under Statute

Statutory provisions allow us to spend capital funds on assets that are not owned by this Council, such as grants for private sector housing. The expenditure is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year it is incurred. Where the Council has determined to meet the cost of this expenditure from existing capital resources, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account reverses out the amounts charged, so there is no impact on the level of council tax.

20. Value added tax (VAT)

Generally all VAT collected is excluded from income, as it is payable to Her Majesty's Revenues and Customs. All VAT paid is recoverable from them, so VAT is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure.

21. Heritage Assets

The Council's Heritage Assets relate to the office of the Mayor. Civic regalia are reported in the balance sheet based on the insurance valuation of the items and also the market price of gold. These insurance valuations are updated annually. Any impairment recognised would be measured using the cost incurred in repairing the asset(s).

22. Council Tax and Non-Domestic Rates

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

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

The balance sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired, due to a likelihood that payments will not be made, the asset is written down and a charge made to the Financing and Investment line in the Consolidated Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH WARWICKSHIRE
BOROUGH COUNCIL**

Glossary of Terms

ACCRUALS	Income and expenditure that is recognised as it is earned or incurred rather than as the money is actually received or paid.
ACTUARIAL GAIN / LOSS	For assets, actuarial gains or losses happen when the actual return on investments in the pension fund is different from the expected return. For liabilities, actuarial gains and losses happen when the actual liability is different from the expected liability. For assumptions, actuarial gains and losses happen as a result of changes to the population or financial assumptions the actuary uses to work out the liability. Liabilities are valued in terms of 'today's money'.
AMORTISATION	The drop in value of intangible assets as they become out of date.
ASSET	An item, which is intended to be used for several years such as a building or a vehicle.
BUDGET	A statement of a Council's plans for expenditure over a specified period of time.
BUSINESS RATES (Non-domestic rates – NDR)	Businesses pay these rates instead of council tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing authority in that area. The rates are then distributed to Central Government, Warwickshire County Council and this Authority.
CAPITAL CHARGES	A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.
CAPITAL EXPENDITURE	Expenditure on property, plant and equipment (operational, non-operational, community and infrastructure), which give a benefit over a longer period than a financial year. It includes expenditure on land, buildings, vehicles, etc.
CAPITAL RECEIPTS	Income from the sale of Council assets, e.g. land and buildings.
CENTRAL SUPPORT SERVICES	The cost of central departments, which are apportioned over the various services.
CIPFA (CPFA)	The Chartered Institute of Public Finance and Accountancy
COMMUNITY ASSETS	Assets that the Council intends to hold in perpetuity, that do not have a finite life and may have restrictions over their disposal (e.g. Parks and Woods).
CONTINGENCY	A situation that exists at balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.
CORPORATE AND DEMOCRATIC CORE COSTS	Spending relating to the need to co-ordinate and account for the many services we provide to the public.
CREDITORS	Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the date of the balance sheet.

CURRENT ASSETS	Short-term assets, which constantly change in value such as stocks, debtors and bank balances.
CURRENT LIABILITIES	Short-term liabilities, which are due to be paid in less than one year, for example, creditors and bank overdrafts.
CLG	Department for Communities and Local Government.
DEBTORS	Sums of money due to the Council but unpaid at the date of the balance sheet.
REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE	Spending on assets that have a lasting value, such as buildings, which we do not own.
GOVERNMENT GRANTS	Payments made by the government towards the cost of local council services. These are either for particular services or purposes (specific grants) or to fund local services generally (revenue support and area based grant).
GROSS EXPENDITURE	The cost of providing the Council's services before allowing for Government grants or other income.
HERITAGE ASSETS	For us, these are assets that are used by the Office of the Mayor.
HOUSING BENEFITS	A system of financial assistance towards certain housing costs, e.g., Rent Rebates, which are administered by the local council.
HOUSING REVENUE ACCOUNT (HRA)	The account which shows all the income and expenditure incurred in the management and maintenance of the Council's housing stock.
IMPAIRMENT	This is a reduction in an asset value due to physical damage, obsolescence or a decline in its market value.
INFRASTRUCTURE ASSETS	These are inalienable assets, expenditure which is recoverable only by continued use of the asset created (e.g. street lighting, tidy bins, and footpaths).
INTANGIBLE ASSETS	Spending on assets that cannot be physically seen, such as computer software.
INVESTMENT PROPERTIES	These are properties 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.
MINIMUM REVENUE PROVISION (MRP)	The amount that we have to set aside each year to repay loans.
NET EXPENDITURE	This is the cost of providing a service after the deduction of specific government grants and other income, excluding Revenue Support Grant and Precept income.
NDR	Non Domestic Rates (see Business Rates).

NON-OPERATIONAL ASSETS	These are assets that are not directly occupied, used or consumed in the provision of service by the Council (e.g. Land awaiting development, industrial units, and shops).
OPERATIONAL ASSETS	These are assets held, occupied, used or consumed by the Council in the direct provision of the services for which it is responsible (e.g. Council Dwellings, Leisure Centres and Council Offices)
POOLED BUDGETS	This refers to services operated by the Council in conjunction with other local authorities, for example, the Building Control Service.
PRECEPT	The amount each Council in the area asks us to collect from council tax on their behalf each year.
REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE	The financing of capital expenditure directly from revenue.
REVENUE EXPENDITURE	Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice.
TEMPORARY LOANS	Money borrowed for an initial period of less than one year.
UK GAAP	UK Generally Accepted Accounting Practice

NORTH WARWICKSHIRE BOROUGH COUNCIL

2019/20 Annual Governance Statement

North Warwickshire Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. To do this, the Council is responsible for putting in place proper arrangements for the governance of its affairs and enabling the effective exercise of its functions, which includes arrangements for the management of risk.

The Council also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on our website.

This statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance Statement.

Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risks at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The governance statement has been in place at North Warwickshire Borough Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

Review of effectiveness

North Warwickshire Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of its effectiveness is informed by:

- the work of the Senior Management Team and other managers within the Authority who have responsibility for the development and maintenance of the governance environment;
- work carried out by Internal Audit;
- comments made by the external auditors, Ernst & Young plc, in their annual audit letter and other reports. The external auditors also comment on the value for money achieved by the Council, as part of their opinion on the financial statements;
- feedback from other review agencies and inspectorates;
- the results of user surveys and feedback from residents; and
- feedback from Service Boards and Member Groups.

To ensure that the governance framework remains effective, senior officers and Members have reviewed individual elements of the framework. Review work has been undertaken by the Council's statutory officers with, for example, amendments made to the Treasury Management Strategy and a refresh of the Code of Corporate Governance.

Policy Boards use Task and Finish groups or Working Groups to review and scrutinise individual areas. Working parties met to progress Health and Wellbeing, Community Safety and Financial Inclusion and to monitor Section 106 Agreements. The Community Partnership also oversees actions taken in a number of areas, such as addressing poverty and raising aspirations and employability.

Council Structure and Corporate Governance

The Council operates using a Committee system. This involves a number of Service Boards/Committees, responsible for specific areas of activity, which report back to the full Council. This meeting cycle of Board and Council meetings runs five times throughout the year. The remit and responsibilities of the Boards and Committee are set out in the Constitution of the Council, and include:

- Executive Board
- Resources Board
- Community and Environment Board
- Planning and Development Board
- Licensing Committee.

The Monitoring Officer effectively acts as the guardian of the Council's constitution and the decision making process. He/she is responsible for advising the Council on the legality of its decisions and providing guidance to elected Members on the Council constitution and its powers. He/she has the specific duty to ensure that the Council, its Officers and its elected Members maintain the highest standards of conduct in all that they do. This includes: reporting to the Council if a decision is unlawful or amounts to maladministration, maintaining Registers of Interests, and arranging for investigations into any matters or complaints referred to the Standards Committee.

We have a number of ways that concerns of any kind can be raised, by employees, Members of the Council or the public. These include Confidential Reporting arrangements and complaint procedures. Any concerns will be followed up by trained investigators and action will be taken in proven cases.

The Council has approved Anti-Fraud and Anti-Money Laundering Policies. We take fraud of any kind seriously, and our first aim is to prevent opportunities for fraud to occur, by building sufficient controls into systems and procedures. The Council also contributes to National and Regional Fraud Initiatives using data matching techniques.

Management Team

All local authorities are required by law to have officers who fulfil three specific roles. At North Warwickshire Borough Council, these roles are carried out by the following post-holders within the Council:

- The Head of Paid Service – Chief Executive
- The Chief Financial Officer (CFO) – Corporate Director Resources
- The Monitoring Officer – Corporate Director Community (April – September), with the Director of Streetscape taking this role for an interim period from 1 October 2019.

The Head of Paid Service leads and takes responsibility for the running of the local authority on a day to day basis. The role requires the Chief Executive to work closely with elected Members to ensure strong and visible leadership and direction, ensure staff adhere to the strategic aims of the Authority and follow the direction set by elected Members. The Chief Executive acts as the principal policy advisor to elected Members, delivers the political objectives set by elected Members, leads and develops strong partnerships across the local community to achieve improved outcomes and better public services for local people, and oversees service development and all aspects of management within the Council.

All of the statutory officers are members of the Senior Management Team of the Council, which meets on a weekly basis.

The Council also has Service Directors covering: Corporate Services, Housing Services and Leisure and Community Development. These Directors, together with the senior Management Team and the Head of Development Control, make up the Extended Management Team, who meet on a monthly basis.

Standards

The Council expects its Members and officers to maintain appropriate standards of conduct and behaviour. These are set down in codes of conduct, standing orders, financial regulations, policies and processes, which are regularly reviewed. Compliance is monitored on an ongoing basis and supplemented by information through the complaints and compliments procedure and confidential reporting policy.

Both Members and officers are required to declare gifts and hospitality received, for inclusion on the register of interests maintained by the Monitoring Officer. An Internal Audit on Gifts and Hospitality undertaken during the year provided a satisfactory audit opinion, with a few recommendations for improvements. These will be implemented during the coming year.

Performance Management

The Council assesses the needs of the area through the Sustainable Community Strategy process and work with the North Warwickshire Community Partnership. The Council's Corporate Plan provides clear links on how the achievement of Council priorities assists in the delivery of community objectives. The Corporate Plan is approved before the start of each year and identifies the headline targets for the coming year, which are supported by greater detail within individual service plans.

All members of the senior management team contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives. The CFO and monitoring officer provide financial and legal advice and support to elected representatives to inform their decision making.

During the year progress against Corporate Plan targets is reported to senior managers, Management Team and to service boards on a quarterly basis, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and is also published on the Council's website. This system has been operating for some time, so a review is planned to ensure that it is still fit for purpose.

As well as monitoring achievement of identified outcomes, the Council wants to ensure that an excellent quality of service is provided. It ensures this in a number of ways: obtaining user feedback, through independent inspection and audit and through system reviews. The Council takes part in Peer Challenge reviews periodically. Peer challenges are improvement-focussed and tailored to meet individual councils' needs, to complement and add value to a

council's own performance and improvement focus. One of these reviews highlighted communication as an area for improvement, and during 2019/20 we have continued to focus on how we communicate, to ensure revised arrangements are working as intended and we use all appropriate information channels.

Information Management

Information management is a key concern for the Council, with all Members and officers having responsibilities for its governance. To ensure compliance with the General Data Protection Regulations, the Council has a Data Protection Officer and a Senior Information Risk Owner.

The Council's Data Protection Officer provides policies, training and guidance to ensure compliance with legislation, and investigates any breaches or suspected breaches that may arise. It is mandatory for all employees to complete an e learning module on data protection issues. Employees are required and encouraged to report suspected breaches, so that processes can be improved.

The Senior Information Risk Owner is responsible for implementing a risk assessment programme and advising the Executive Board of the effectiveness of the Council's information risk management procedures. Requirements for information management are set out in the Council's Information Security Policy. The effectiveness of the Council's arrangements is tested annually through a cyber essentials assessment.

Financial Management

The Chief Financial Officer must be a member of a specified accountancy body. The CFO is responsible for the proper administration of the Council's financial affairs and has specific legislative responsibilities, as he/she has a fiduciary responsibility to the local taxpayer. In England, the CFO has a statutory duty to report to the authority at the time the budget is considered and the council tax set, on the robustness of the budget and the adequacy of financial reserves. With regard to capital spending, there is a statutory requirement to set and arrange the Council's affairs to remain within limits for borrowing and capital investment. The CFO must also be proactive in the management of change and risk, be focussed on outcomes and help to resource the authority's plans for change and development in the public services it provides. The CFO's duties include a requirement to report to all the local authority's members, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget.

The Council has comprehensive forecasting and budgeting procedures. A medium term business and financial planning process is used to deliver the authority's strategic objectives, including:

- A 30 year Business Plan for the Council's housing stock to ensure ongoing viability, which is reviewed annually;
- A Medium Term Financial Strategy to ensure sustainable finances for all other Council services, which is updated twice a year, in February and September;
- A Capital Strategy which is updated annually;
- A 3 year capital programme and a 10 year capital projection, which are updated annually;
- A Treasury Management and Investment strategy, which is updated annually; and
- A monitoring process that enables this to be delivered.

Financial information is provided on a monthly basis to the Management Team, and three times during the year to each Service Board. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all of the Council's spending. Summary information is also published.

Financial Regulations and Contract Standing Orders are in place, for use by all Members and Officers. These ensure there is effective use and control of resources, and robust and transparent decision making. The Financial Regulations were reviewed during the year, but the minor updates made to the regulations were not approved due to the cancellation of the Resources Board meeting in March 2020. These will be considered at its meeting in November.

The CFO ensures that the Council's financial management arrangements conform to the governance requirements of the CIPFA Standard. This includes ensuring that all members of the Senior Management Team have the financial capabilities necessary to perform their respective roles. The CFO also accesses expert advice on specific areas such as Treasury Management and VAT, as required.

Risk Management

There are risks involved with the provision of any services, so the Council uses a system of risk management to minimise and manage the risks it faces. It does this by identifying both strategic and operational risks, looking at existing controls in place to reduce these, and amending these or bringing in new controls where this is beneficial.

The system involves an annual review of strategic risks by the Senior Management Team and an annual review by senior managers of operational risks in their service areas. This enables all Senior Managers to complete Annual Statements of Assurance, and to identify actions that are needed to manage risk in the coming year, including the identification of any new risks.

Risks are reviewed corporately part way through the year, and specific checking is carried out during the year by the Internal Audit section, as part of their audit work. The Resources Board receive a mid year update on risk management activity, as well as an annual report. The annual report includes information on the strategic risks, as well as the more significant operational risks.

As part of our risk management, the Council has insurance in place to cover the risk of loss. The levels of cover and the excess amounts are kept under continual review.

Internal Audit

A key feature of regulations the Council needs to comply with is the requirement for internal audit. A local authority must maintain an adequate and effective system of internal audit of its accounting records and its system of internal control. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Internal Audit service has demonstrated compliance with the Public Sector Internal Audit standards.

Internal Audit has a risk based approach to formulate audit plans and determine the scope of audit reviews. The work undertaken by Internal Audit has enabled the Head of Internal Audit to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda.

The Council has a zero tolerance to all forms of fraud, error and corruption, and employs a counter fraud officer who works closely with the Revenues, Benefits and Housing teams to identify, deter and prevent all forms of fraud and error. We also have a joint working agreement with the Department for Works and Pensions.

Responsibilities of Officers and Members

The Council ensures that it is operating efficiently by specifying the different roles and responsibilities of both Councillors and Officers. The remit of each decision making Board is set down in the constitution, along with the roles of individual Councillors. The Council does not have an Audit Committee, but instead divides the core functions between the Executive Board and the Resources Board. The constitution also outlines the responsibilities of senior officers, and areas where they have been given delegated powers. Employee contracts include job descriptions, and these give the detail of individual roles, for all employees.

The Council uses workforce planning to identify future staffing requirements. This projects future service needs and the workforce that would be needed for their delivery. Recruitment difficulties in some service areas highlighted the need to review and update workforce plans. Although some areas were reviewed during the year, senior management changes prevented the completion of a full review, so this will be progressed in the coming year.

The Council uses an appraisal system to set specific targets for individual staff on an annual basis. These targets reflect their Division's targets in the Corporate Plan and the Divisional Service Plan and are subject to a six monthly review. The appraisal system is also used to assess the training and development needs of individual employees and ensure that they have the skills and abilities to carry out the tasks required.

Induction training is carried out whenever a new Member is elected. After that, Member training is generally identified by individuals, or in response to issues that arise. An exception to this is the area of planning, as increasing changes in planning laws and regulations have resulted in regular sessions being arranged.

Significant Governance Issues

Progress has been made with the implementation of the Corporate Governance Action Plan approved last year, although some areas still require completion.

Action	Responsible Officer	Completion Date
Update the Workforce Plan	CDR / D's / SH -P	In progress
Review the Code of Governance, to ensure consistency with the latest CIPFA / SOLACE guidance	CDR	Sept 2020
Provide induction training for newly elected Members	CE	May / June 2019
Agree and deliver training plans for new Members	CE / CDR	In progress
Agree the priorities and key actions of the new Council	CE	Sept 2020
Revise the Capital Strategy to ensure compliance with new priorities	CDR	In progress
Deliver targets within the Financial Strategy	CDR	February 2020
Review Contract Standing Orders and procurement documentation to ensure they take account of the Modern Slavery Act	D – CS	In progress
Review reporting arrangements for corporate priorities	CE	In progress

Review compliance with GDPR compliance	CE	March 2020
A review of the process and procedures through which Community Grants are awarded to outside organisations	D – L&CD	March 2020
A review of the new Building Control Partnership arrangements	CDR / HoPI	June 2020
Finalise a Communications Strategy and develop a plan to ensure communication supports the council's priorities	D - CS	In progress

The review of the governance framework during 2019/20 has identified the following significant governance issues:

Action	Responsible Officer	Completion Date
Continue to update the Workforce Plan	CDR / D's / SH –P	
Review the Constitution and update where required	HoLS	
Identify training needs for Members and arrange delivery where appropriate	CE / CDR	
Review financial strategies, in light of increased financial pressures		
Review reporting arrangements for corporate priorities	CE	
Finalise a Communications Strategy and develop a plan to ensure communication supports the council's priorities	D - CS	
Set up and monitor procedures for virtual Board and Council meetings	CE	

Conclusion

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 propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Signed:.....
Leader of the Council



Signed:.....
Chief Executive

Agenda Item No 12

Executive Board

15 February 2021

Report of the Chief Executive

Progress Report on Achievement of Corporate Plan and Performance Indicator Targets April - December 2020

1 Summary

- 1.1 This report informs Members of the progress with the achievement of the Corporate Plan and Performance Indicator targets relevant to the Executive Board for April to December 2020.

Recommendation to Council

That Members consider the performance achieved and highlight any areas for further investigation.

2 Consultation

- 2.1 Consultation has taken place with the relevant Members and any comments received will be reported at the meeting.

3 Background

- 3.1 This report shows the third quarter position with the achievement of the Corporate Plan and Performance Indicator targets for 2020/21. This is the third report showing the progress achieved so far during 2020/21.

4 Progress achieved during 2020/21

- 4.1 Attached at Appendices A and B are reports outlining the progress achieved for all the Corporate Plan targets and the performance with the national and local performance indicators during April to December 2020/21 for the Executive Board.

- 4.2 Members will recall the use of a traffic light indicator for the monitoring of the performance achieved.

Red – target not achieved (shown as a red triangle)

Amber – target currently behind schedule and requires remedial action to be achieved (shown as an amber circle)

Green – target currently on schedule to be achieved (shown as a green star)

5 Performance Indicators

- 5.1 The current performance indicators have been reviewed by each division and Management Team for monitoring for the 2020/21 year.
- 5.2 Members are asked to note that work is underway to review and improve the performance reports following discussions at Executive Board.

6 Overall Performance

- 6.1 The Corporate Plan performance report shows that 55% of the Corporate Plan targets and 67% of the State of Borough Indicators performance indicator targets and 33% of the Council Indicators are currently on schedule to be achieved. The report shows that individual targets that have been classified as red, amber or green. Individual comments from the relevant division have been included where appropriate. The table below shows the following status in terms of the traffic light indicator status:

Corporate Plan

Status	Number	Percentage
Green	6	55%
Amber	5	45%
Red	0	0%
Total	11	100%

Performance Indicators

State of the Borough Indicators

Status	Number	Percentage
Green	4	67%
Amber	2	33%
Red	0	0%
Total	6	100%

Council Performance Indicators

Status	Number	Percentage
Green	1	33%
Amber	1	33%
Red	1	33%
Total	3	100%

7 **Summary**

- 7.1 Members may wish to identify any areas that require further consideration where targets are not currently being achieved.

8 **Report Implications**

8.1 **Safer Communities Implications**

- 8.1.1 The community safety performance indicators are included in the report.

8.2 **Legal, Data Protection and Human Rights Implications**

- 8.2.1 The national indicators were specified by the Secretary of State for Communities and Local Government. They have now been ended and replaced by a single list of data returns to Central Government from April 2011.

8.3 **Environment and Sustainability Implications**

- 8.3.1 Improvements in the performance and quality of services will contribute to improving the quality of life within the community. There are a number of targets and indicators included which contribute towards the priorities of the sustainable community strategy including financial inclusion, core strategy, community safety and affordable housing.

8.4 **Risk Management Implications**

- 8.4.1 Effective performance monitoring will enable the Council to minimise associated risks with the failure to achieve targets and deliver services at the required performance level.

8.5 **Equality Implications**

- 8.5.1 There are a number of contributions towards equality related targets and indicators including, informing customers about opportunities to influence decision making, customer access, consultation, domestic abuse and financial inclusion highlighted in the report.

8.6 **Links to Council's Priorities**

- 8.6.1 There are a number of targets and performance indicators contributing towards the priorities of protecting our countryside and heritage, creating safer communities, responsible financial and resource management, supporting employment and businesses and promoting sustainable and vibrant communities.

The Contact Officer for this report is Robert Beggs (719238)

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Executive Board 20/21								
	Action	Priority		Reporting Officer	Quarter 2	Quarter 3	Status	Direction
1	To achieve the savings required by the Medium Term Financial Strategy including a £5 annual rise in Council Tax	Responsible Financial & Resource Management	Executive Board/Special Sub	Sue Garner	Work on finding the savings is ongoing.	Work on savings continued and is still ongoing.	Green	↔
2	To update the Medium Term Financial Strategy in September 2020 and February 2021, to take account of external funding changes relating to Business Rates and the Fair Funding Review	Responsible Financial & Resource Management	Executive Board	Sue Garner	An update of the MTFs was taken to the Executive Board in September. Work on the February update has started.	An update of the MTFs was taken to the Executive Board in September. Work on the February update is progressing.	Green	↔
3	To carry out a full review of the Council's Capital and Investment Strategy by February 2021	Responsible Financial & Resource Management	Executive Board	Sue Garner/Richard Dobbs	Preparatory work is underway.	An updated position will be reported to Executive Board in February. Work is ongoing.	Green	↔
8	To progress the review of the Administrative Services as part of a transformation programme for the Council's operations and, once completed, consider further areas for review, including vehicle maintenance	Responsible Financial & Resource Management	Executive Board/Resources Board/Community and Environment/Safer Communities Sub-Committee/Special Sub	Steve Maxey/Linda Bird/EMT	A review, funded by a successful bid to the LGA's Efficiency Expert Programme, was completed immediately prior to lock down. A recent reconsideration of the consultant's report identified an number of areas where things had changed due to work practices put in place during the pandemic. The LGA has provided additional funding for an update and to help with implementation. The revised report is being worked on and is expected this month	The revised report, to take into account changes brought on by COVID 19, has now been received, and plan for implementation are being worked up. These will be reported to Members shortly.	Green	↑
14	To ensure that the Council is prepared for emergencies and has suitable emergency and business continuity plans, as required by the Civil Contingencies Act, and to review both the emergency and business continuity plans, reporting quarterly to Board	Creating Safer Communities	Executive Board	Robert Beggs	Work continued in this period to sustain responses and support during the coronavirus pandemic. The Warwickshire / West Midlands LRF arrangements are still in place. A very recent development is the preparation of a Warwickshire Stand up Plan for shielding. Our business continuity responses are in a good position with the enhanced capacity to work from home across most departments.	Work in response to the coronavirus pandemic is on going. The joint Warwickshire & West Midlands LRF Strategic and Tactical Groups are now meeting twice per week. Warwickshire District and Borough Councils share representation at both groups. The key contacts for the Council's Emergency and Business Continuity cascade were updated in December. An EU Exit working group has been meeting on a joint Warwickshire & West Midlands LRF basis. No significant issues are apparent during this period for our business continuity due to the coronavirus or from the EU Exit to date.	Green	↔
15	To establish a North Warwickshire Flooding Forum and continue to work with Warwickshire County Council, the Environment Agency and local communities to mitigate the effects of, and protect against, the impacts of localised flooding and to update as part of the quarterly performance reports	Creating Safer Communities	Executive Board	Richard Dobbs/Steve Maxey	Work on setting up a flood forum has been delayed due to COVID 19 restrictions. Some flood protection and mitigation measures are being prepared in conjunction with the County Council at Piccadilly.	Work on setting up a flood forum has been delayed due to COVID 19 restrictions. Progress with implementing measures at Piccadilly is being made. Works to line sections of the sewer are planned. The County Council are in discussions with a land owner about mitigation works on the Thistle Brook watercourse. Recent periods of severe weather warnings and high rainfall have not seen significant flooding events.	Amber	↑
30	To progress the Local Plan through Inquiry towards adoption and commence further work as agreed by the Local Development Framework Sub-Committee, including work to protect valued views, Member steering groups on major allocation sites (to include Section 106 requirements) and consideration of work for the next Local Plan period (2033-2045)	Protecting our Countryside & Heritage	Executive Board/Planning & Development Board/LDF Sub-Committee	Dorothy Barratt	Local Plan work is continuing with adoption expected early 2021. Virtual Hearings are in the process of being arranged with the Planning Inspectorate.	Local Plan work is continuing with adoption expected early 2021. Virtual Hearings are in the process of being arranged with the Planning Inspectorate.	Green	↔

	Action	Priority		Reporting Officer	Quarter 2	Quarter 3	Status	Direction
48	To ensure that, as part of the Council's corporate Communications Strategy, we effectively engage residents, businesses and all sections of our communities to inform them of the Council's services and priorities and made clear the opportunities for them to be involved in decision making via consultation and social media, including developing an Engagement Strategy by December 2020, reviewing the operating model of North Talk and an events calendar.	Promoting Sustainable & Vibrant Communities	Executive Board	Linda Bird/Steve Maxey	Engagement activities are principally focused on COVID activities.	Engagement activities are principally focused on COVID activities.	Amber	↔
49	To develop an Economic Development Strategy focusing in particular on reducing the reliance on logistic industries in favour of industries promoted by the UK and WM Industrial Strategies, working with Warwickshire County Council, including projects which could attract funding from the proposed UK Shared Prosperity Fund, by December 2020	Supporting Employment & Business	Executive Board	Steve Maxey	A draft Economic Strategy has been produced and will be considered by the COVID 19 Member working group.	A draft Economic Strategy has been produced and will be considered by the COVID 19 Member working group. This has been delayed slightly due to Officers needing to concentrate on the final Local Plan hearings in the latter part of 2020, and the need to consider the economic impacts of further phases of the COVID 19 outbreak.	Amber	↔
50	To continue to work with partner organisations in the Coventry, Warwickshire and Hinckley Joint Committee and West Midlands Combined Authority and to consider further options for joint work in the light of Central Government proposals for greater devolution, if this proves beneficial to the local economy	Supporting Employment & Business	Executive Board	Steve Maxey	A White Paper is expected either later this year or next setting out the next steps in devolution to local areas	A White Paper is expected at some point this year setting out the next steps with regard to devolution to local areas	Amber	↔
62	Examine the case for a sub-regional Planning Policy Framework for sustainable construction to ensure high levels of sustainability for new buildings in the Borough	Tackle Climate Change	Executive Board Planning & Development Board	Steve Maxey	This will be picked up as part of the joint work on spatial planning which has been delayed slightly due to the COVID outbreak. The work programme for the joint spatial planning work has now been drafted and progressed by the CSW group of planning officers	This will be picked up as part of the joint work on spatial planning which has been delayed slightly due to the COVID outbreak. The work programme for the joint spatial planning work has now been drafted and progressed by the CSW group of planning officers	Amber	↔

NWPI Executive Board 20/21									
Ref	Description	Section	Priority	Year End Target 202/21	Outturn 2019/20	April - Dec Performance	Traffic Light	Direction of Travel	Comments
	Council Performance Indicators								
NWLPI 158	To respond to all complaints and requests for service within three working days	Env Health (C, L & HP)	Public Services and Council Tax	99	98	77.00%	Amber	↑	Carrying out food safety inspections has been very limited this year due to the Corona virus. Many food premises have been closed completely for many months and the Food Safety Team have been dealing with service request as a result of the virus enforcement work.
New	The number of LG & Housing Ombudsman complaints determined as maladministration	Policy Support	Public Services & Council Tax	0	0	0	Green	↔	One Palnning related complaint case referred to the LGO Ombudsman not investigated due to being outside of their time period to investigate.
NWLPI 162	Percentage of Freedom of Information replies dealt with within 20 days	Policy Support	Public Services & Council Tax	100	94%	78%	Red	↓	473 Freedom of Information requests and 11 Environmental information requests received, 379 completed within 20 days, 38 over 20 days and 56 outstanding and overdue. In addition 13 data protection related requests received and 12 dealt within specified timescales and 1 outstanding.
	State of the Borough Indicators								
NWLPI 153	Number of burglary residential dwellings	Policy Support	Crime and Disorder	193	194	86	Green	↑	During quarter three there were 26 burglaries from residential dwellings. Overall there is currently a reduction of 46% compared to the 2019/20 year.
NWLPI 154a	Number of violent offences with injury in the local authority area	Policy Support	Crime and Disorder	540	541	394	Amber	↑	The levels of violence with injury have reduced in this quarter. Overall there is currently a 4% reduction compared to the 2019/20 year.
NWLPI 154b	Number of violent offences without injury in the local authority area	Policy Support	Crime and Disorder	969	970	841	Amber	↓	The levels of violence without injury have increased in this quarter. Overall the levels are 14% higher compared to the 2019/20 year.

Ref	Description	Section	Priority	Year End Target 202/21	Outturn 2019/20	April - Dec Performance	Traffic Light	Direction of Travel	Comments
NWLPI 155	The number of vehicle crimes in the local authority area	Policy Support	Crime and Disorder	581	582	314	Green	↑	The levels overall are lower than compared to the 20019/20 year. In quarter three there has been a slight increase in both theft of and theft from vehicles. Spikes in key less car thefts and thefts of catalytic converters are being seen. A Problem solving plan has been prepared and crime prevention advice is being promoted and circulated.
@NW:NI032	Violence Against the person with injury related to Domestic Violence Offences	Policy Support	Crime and Disorder	211	212	139	Green	↑	In quarter three the levels of violence with injury relating to domestic violence have reduced. 33 offences in this period. The Christmas period is seen as a higher risk period for domestic abuse offences.
@NW:NI047	People killed or seriously injured in road traffic accidents	Policy Support	Crime and Disorder	62	42	26	Green	↑	During April to November 2020 there has been 1 fatality and 25 serious injuries within the road traffic collisions.

Agenda Item No 13

Executive Board

15 February 2021

**Report of the Chief Executive
and Corporate Director Resources**

Trading Company

1 Summary

- 1.1 The report provides information in relation to the establishment and registration of a Local Authority Trading Company.

Recommendation to the Board

- a To approve the establishment and registration of a wholly owned subsidiary Trading Company;**
- b To endorse the proposed Executive directors and to appoint 3 Non-Executive Directors;**
- c To agree the proposed Articles of Association for the company; and**
- d To give delegated authority to the Chief Executive to finalise any further details needed to set up the trading company.**

2 Introduction

- 2.1 The Council started to consider the benefits of setting up a Trading Company some time ago. Progress has been limited for a variety of reasons, not least of which is the current pandemic. However, given the increasingly difficult financial position that the Council is facing, it is an option that needs to be progressed.

3 Previous Considerations

- 3.1 Local Authority Trading Companies are bodies that are free to operate as commercial companies but remain wholly owned by the parent local authority. As trading bodies, they can provide their services to a wider market than the Council and are not bound by the same restrictions as local authorities. If trading is to be done in the wider commercial market with a view to generating a profit, the Council must establish a company and also develop a viable business plan before trading commences.

- 3.2 External advice was sought and recommended that the Council starts with a single company. If expansion into other trading activity is required at a later date, then separate trading companies could be created. The advice received highlighted the importance of not running the company as a council department.
- 3.3 The reasons for setting up a company may include both a financial and social return objective. North Warwickshire has a relatively small private housing rented sector. The Council's current main focus is on social housing but there is an awareness that there is a gap between households eligible for social housing and those who have the resources to purchase their own homes. Consideration has been given to the provision of rented accommodation for those who fall into this middle ground.
- 3.4 A Council owned Trading company would be able to provide accommodation at commercial rates, with access to a reliable repairs service. Longer term tenancies could be given which are not always available in the private rented sector. Some initial modelling has indicated that provided appropriate properties were purchased in suitable areas, a Trading company would be viable. Detailed modelling would be needed before progressing with any specific properties.

4 Proposed Action

- 4.1 The purpose of this report is to seek authorisation to establish and legally register a Trading Company. The costs for registering a company are minimal, less than £100, and no financial liabilities arise from this. This would enable the Council to move quickly, should a suitable opportunity arise.
- 4.2 The Trading Company would be a wholly owned subsidiary of the Council, needing to make a profit. The profit would be paid to the Council as a dividend, increasing its revenue income. The company would be limited by shares and governed by a Board.
- 4.3 Advice received is that the Company should be at 'arms-length' to the Council. It is suggested that the Board of the Company should comprise of no more than 5 people: 2 Executive Directors running the Company and 3 Non-Executive Directors. It is proposed that the Corporate Director Resources and the Director of Housing be appointed as Executive Directors. The Board are asked to nominate the Non-Executive Directors.
- 4.4 In order to establish and therefore register the company, a company name must be agreed. As it is a separate company, which may pursue its own activities, its name should be unrelated to the Council. It is proposed that if approved, the Executive Directors should agree a name with the Non-Executive Directors.

- 4.5 In order to register the company, articles of association must be in place. These are rules about running the Company, the kinds of business to be undertaken and form of the Company's constitution. Proposed articles of association are attached as Appendix A. These are purposely very general so that a range of activities could be undertaken by the Company if appropriate and where a sound business case exists.

5 **Company Activity**

- 5.1 It is proposed that the first area of activity to be undertaken by the company should be in the private rented sector. There is significant demand within the Borough in this area, so it would provide much needed additional rental accommodation. It would also assist with addressing housing need.

6 **Report Implications**

6.1 **Finance and Value for Money Implications**

- 6.1.1 A Trading Company could provide support for the General Fund in a variety of ways:
- Distribution of profits, including dividends;
 - Paying for use of Council Support Services; and
 - Borrowing from the Authority at market rates.

6.2 **Legal, Data Protection and Human Rights Implications**

- 6.2.1 The legal powers for establishing a company are within the general power of competence in the Localism Act 2011 and trading powers in the Local Government Act 2003.

- 6.2.2 Limited companies are subject to extensive regulation in the Companies Act 2006 and regulations made under that Act. Additional requirements are also imposed on companies controlled by, or under the influence of, local authorities including the Local Government and Housing Act 1989 and the Local Authorities (Companies) Order 1995. A local authority has a duty to ensure, so far as practicable, that a company under its control complies with these requirements and, if that duty is not performed, payments made by the authority to the company of other expenditure incurred in contravention of those provisions, is deemed to be unlawful. It is therefore imperative that those requirements are carefully considered in relation to establishment and operation of any such company.

- 6.2.3 Specific requirements include:

- 6.2.3.1 identifying the council's interest in certain documentation;
- 6.2.3.2 limitations on payments which may be made to company officers;
- 6.2.3.3 provision of certain company information to the council's auditor;
- 6.2.3.4 provision of certain information to members of the council; and,
- 6.2.3.5 obtaining consent for the appointment of the company's auditor.

6.2.4 The Articles of the Company, once established, can be amended by special resolution of the Company, requiring 75% of the members of the company to vote in favour. Although the current set of Articles are widely drafted and should be suitable for most envisaged purposes, as sole shareholder and member of the Company, the Council may amend the Articles if required in the future.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

Company number:

Private company limited by shares

Articles of association

of

XXXX

1 **Model articles not to apply**

The model articles of association for private companies limited by shares contained in Schedule 1 to the Companies (Model Articles) Regulations 2008, as amended prior to the date of adoption of these Articles shall not apply to the company. References to **the articles** shall be to the following articles of association as amended from time.

2 **Defined terms**

In the articles, unless the context requires otherwise:

bankruptcy includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

chairman has the meaning given in article 14;

chairman of the meeting has the meaning given in article 49;

Companies Acts means the Companies Acts (as defined in section 2 of the Companies Act 2006), in so far as they apply to the company;

director means a director of the company, and includes any person occupying the position of director, by whatever name called;

distribution recipient has the meaning given in article 41;

document includes, unless otherwise specified, any document sent or supplied in electronic form;

electronic form has the meaning given in section 1168 of the Companies Act 2006;

fully paid in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;

hard copy form has the meaning given in section 1168 of the Companies Act 2006;

holder in relation to shares means the person whose name is entered in the register of members as the holder of the shares,

instrument means a document in hard copy form;

ordinary resolution has the meaning given in section 282 of the Companies Act 2006;

paid means paid or credited as paid;

participate, in relation to a directors' meeting, has the meaning given in article 12;

proxy notice has the meaning given in article 55;

shareholder means a person who is the holder of a share;

shares means shares in the company;

special resolution has the meaning given in section 283 of the Companies Act 2006;

subsidiary has the meaning given in section 1159 of the companies Act 2006;

transmittee means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Companies Act 2006 as in force on the date when these articles become binding on the company.

3 **Liability of members**

The liability of the members is limited to the amount, if any, unpaid on the shares held by them.

4 **Objects clause**

The company's objects are unrestricted.

5 **Directors' general authority**

Subject to the articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company.

6.1 **Shareholders' reserve power**

The shareholders may, by special resolution, direct the directors to take, or refrain from taking, specified action.

6.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.

7 **Directors may delegate**

7.1 Subject to the articles, the directors may delegate any of the powers which are conferred on them under the articles:

7.1.1 to such person or committee;

7.1.2 by such means (including by power of attorney);

7.1.3 to such an extent;

7.1.4 in relation to such matters or territories; and

7.1.5 on such terms and conditions;

as they think fit.

7.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

7.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 **Committees**

8.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the articles which govern the taking of decisions by directors.

8.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from the articles if they are not consistent with them.

9 **Directors to take decisions collectively**

9.1 The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a decision taken in accordance with article 10.

9.2 If:

9.2.1 the company only has one director; and

9.2.2 no provision of the articles requires it to have more than one director,

the general rule does not apply, and the director may take decisions without regard to any of the provisions of the articles relating to directors' decision-making.

10 **Unanimous decisions**

10.1 A decision of the directors is taken in accordance with this article when all eligible directors indicate to each other by any means that they share a common view on a matter.

10.2 Such a decision may take the form of a resolution in writing, which may consist of several copies each signed by one or more eligible directors or to which the eligible directors have otherwise indicated agreement in writing.

10.3 References in this article to eligible directors are to directors who would have been entitled to vote on the matter had it been proposed as a resolution at a directors' meeting.

10.4 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

11 **Calling a directors' meeting**

- 11.1 Any director may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.
- 11.2 Notice of any directors' meeting must indicate:
 - 11.2.1 its proposed date and time;
 - 11.2.2 where it is to take place; and
 - 11.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 11.3 Notice of a directors' meeting must be given to each director, but need not be in writing.
- 11.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting. A director may waive the requirement that notice of a meeting of the directors or of a committee of the directors be given to him at any time before or after the date on which the meeting is held by notifying the company to that effect. Where a director gives such notice after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 **Participation in directors' meetings**

- 12.1 Subject to the articles, directors participate in a directors' meeting, or part of a directors' meeting, when:
 - 12.1.1 the meeting has been called and takes place in accordance with the articles, and
 - 12.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 12.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 12.3 If all the directors participating in a meeting are not in the same place, the meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting is.

13 **Quorum for directors' meetings**

- 13.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 13.2 The quorum for the transaction of business of the directors shall be not less than 1 Executive Director and 2 Non-Executive Directors. A person who holds office only as an alternate director shall, if his appointor is not present, be counted in the quorum.
- 13.3 If the total number of directors for the time being is less than the quorum required, the directors must not take any decision other than a decision:
 - 13.3.1 to appoint such number of further directors as are required to make up the quorum required; or
 - 13.3.2 to call a general meeting so as to enable the shareholders to appoint further directors.

13.3.3 to appoint further directors; or

13.3.4 to call a general meeting so as to enable the shareholders to appoint further directors.

14 **Chairing of directors' meetings**

14.1 The directors may appoint a director to chair their meetings.

14.2 The person so appointed for the time being is known as the chairman.

14.3 The directors may terminate the chairman's appointment at any time.

14.4 If the chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, the participating directors must appoint one of themselves to chair it.

15 **Casting vote**

15.1 If the numbers of votes for and against a proposal are equal, the chairman or other director chairing the meeting has a casting vote.

15.2 But this does not apply if, in accordance with the articles, the chairman or other director is not to be counted as participating in the decision-making process for quorum or voting purposes.

16 **Conflicts of interest**

16.1 If a proposed decision of the directors is concerned with an actual or proposed transaction or arrangement with the company in which a director is interested, then provided that the director has disclosed his interest in such actual or proposed transaction or arrangement with the company in accordance with the Companies Acts or the provisions of these articles, he may nevertheless be counted as participating in the decision-making process for quorum and voting purposes in respect of any such matter in which the director is in any way interested, and shall not, save as otherwise agreed, be accountable to the company for any benefit which he derives under or in consequence of any such transaction or arrangement.

16.2 For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.

16.3 Subject to paragraph 16.4, if a question arises at a meeting of directors or of a committee of directors as to the right of a director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.

16.4 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 **Authorisation of directors' conflicts of interest**

17.1 For the purposes of section 175 of the Companies Act 2006, as amended, consolidated or re-enacted from time to time (the 2006 Act), the directors shall have the power to authorise any relationship, situation or other matter which would or might otherwise

constitute or give rise to a breach by a director of the duty to avoid conflicts of interest set out in that section of the 2006 Act (a Conflict Situation). Any reference in these articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

- 17.2 For the purposes of sections 175 and 180(4) of the 2006 Act and for all other purposes, it is acknowledged that a director may be or become subject to a Conflict Situation or Conflict Situations as a result of his also being or having been (or being party to an agreement or arrangement or understanding or circumstances under which he may become) an employee, director, trustee, member, partner, officer or representative of, or a consultant to, or a direct or indirect investor in and/or otherwise involved with or interested in, any of the company, its subsidiaries, any of its holding companies or any subsidiary of any of its holding companies (as such terms are defined in section 1159 of the 2006 Act) or any of its shareholders.
- 17.3 No director shall be in breach of the duty to avoid conflicts of interest in section 175 of the Act as a result of, and no authorisation is required in respect of, any Conflict Situation envisaged by article 17.2 having arisen or existing in relation to him.
- 17.4 Authorisation of a matter under this article 17 shall be effective only if:
- 17.4.1 the matter in question shall have been proposed in writing for consideration by the directors, or in such other manner as the directors may determine;
- 17.4.2 any requirement as to the quorum at the meeting of the directors at which the matter is considered is met without counting the director in question and any other interested director (together, the **interested directors**); and
- 17.4.3 the matter was agreed to without the interested directors voting or would have been agreed to if the votes of the interested directors had not been counted.
- 17.5 Unless otherwise determined by the directors (excluding the interested directors), any authorisation of a matter under this article 17 shall extend to any actual or potential conflict of interest which may reasonably be expected to arise out of the matter so authorised.
- 17.6 Any authorisation of a matter under this article 17 shall be on such terms and/or conditions as the directors (excluding the interested directors) may determine, whether at the time such authorisation is given or subsequently and may be varied or terminated by the directors (excluding the interested directors) at any time. Such terms or conditions may include (without limitation) terms and conditions as to the duration, renewal and/or revocation of the authorisation, and/or the exclusion of the interested directors from all information and discussion of the matter in question. A director shall comply with any obligations imposed on him by the directors (excluding the interested directors) pursuant to any such authorisation.
- 17.7 If a director receives or has received any information otherwise than by virtue of his position as a director of the company and in respect of which he owes a duty of confidentiality to another person, the director is under no obligation to:
- 17.7.1 disclose any such information to the company, the directors or any other director or employee of the company; or
- 17.7.2 use or apply any such information in connection with the performance of his duties as a director;

provided that to the extent that such duty of confidentiality arises out of a situation or relationship which would or might otherwise constitute or give rise to a breach by the director of the duty to avoid conflicts of interest set out in section 175 of the 2006 Act, this paragraph 17.7 shall apply only if such situation or relationship has been authorised by the directors under this article 17.

- 17.8 A director shall not, save as otherwise agreed by him, be accountable to the company for any benefit which he (or a person connected with him) derives from any matter authorised by the directors under this article and any contract, transaction or arrangement relating thereto shall not be liable to be avoided on the grounds of any such benefit.

18 **Records of decisions to be kept**

The directors must ensure that the company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors.

19 **Directors' discretion to make further rules**

Subject to the articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

20 **Appointment and removal of directors**

- 20.1 The number of Directors shall be 5, unless otherwise determined by ordinary resolution

- 20.2 Notwithstanding any other provision of these articles, the holder or holders of a majority in nominal value of the issued ordinary shares in the capital of the company may at any time and from time to time:

20.2.1 appoint any person to be a director (provided that any such appointment does not cause the number of directors to exceed a number fixed by or in accordance with these articles as the maximum number of directors); or

20.2.2 remove any director from office.

Every such appointment or removal shall be effected by notice in writing to the company and shall take effect immediately (or on such later date, if any, specified in the notice). Any such notice of appointment or removal may consist of several documents in similar form, each signed by or on behalf of one or more holders.

- 20.3 In any case where, as a result of bankruptcy, the company has no shareholders and no directors' the trustee in bankruptcy or other transmittee(s) of the last shareholder to have a bankruptcy order made against him has the right, by notice in writing, to appoint a natural person (including himself) who is willing to act and is permitted to do so to be a director.

21 **Methods of appointing directors**

Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director:

21.1.1 by ordinary resolution; or

21.1.2 by a decision of the directors; or

21.1.3 in any other way permitted by these articles.

21.2 In any case where, as a result of death, the company has no shareholders and no directors, the personal representatives of the last shareholder to have died have the right, by notice in writing, to appoint a person to be a director.

21.3 For the purposes of paragraph 21.2, where two or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder.

22 Termination of director's appointment

A person ceases to be a director as soon as:

22.1 that person ceases to be a director by virtue of any provision of the Companies Act 2006 or is prohibited from being a director by law;

22.2 that person has for more than six consecutive months been absent without permission of the directors from meetings of directors held during that period and the directors resolve that person's office be vacated;

22.3 a bankruptcy order is made against that person;

22.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;

22.5 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;

22.6 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;

22.7 notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms; or

22.8 is an employee of any shareholder in the company and ceases to be employed as such for any reason.

23 Appointment and removal of alternate directors

Any director (the appointor) may appoint as an alternate any other director, or any other natural person to:

23.1 exercise that director's powers; and

23.2 carry out that director's responsibilities

in relation to the taking of decisions by the directors in the absence of the alternate's appointor. Any appointment or removal of an alternate must be effected by notice in writing to the company signed by the appointor, or in any other manner approved by the directors. The notice must identify the proposed alternate and, in the case of a notice of appointment, contain a statement signed by the proposed alternate that the proposed alternate is willing to act as the alternate of the director giving the notice.

24 **Rights and responsibilities of alternate directors**

- 24.1 An alternate director has the same rights, in relation to any directors' meeting or directors' written resolution, as the alternate's appointor. Alternate directors are deemed for all purposes to be directors, are liable for their own acts and omissions, are subject to the same restrictions as their appointors, and are not deemed to be agents of or for their appointors. A person who is an alternate director but not a director may be counted as participating for the purposes of determining whether a quorum is participating (but only if that person's appointor is not participating), and may sign a written resolution (but only if it is not signed or to be signed by that person's appointor). No alternate may be counted as more than one director for such purposes.
- 24.2 An alternate director is not entitled to receive any remuneration from the company for serving as an alternate director except such part of the alternate's appointor's remuneration as the appointor may direct by notice in writing made to the company.

25 **Termination of alternate directorship**

An alternate director's appointment as an alternate terminates:

- 25.1 when the alternate's appointor revokes the appointment by notice to the company in writing specifying when it is to terminate;
- 25.2 on the occurrence in relation to the alternate of any event which, if it occurred in relation to the alternate's appointor, would result in the terminate of the appointor's appointment as a director;
- 25.3 on the death of the alternate's appointor; or
- 25.4 when the alternate's appointor's appointment as a director terminates.

26 **Directors' remuneration**

- 26.1 Directors may undertake any services for the company that the directors decide.
- 26.2 Directors are entitled to such remuneration as may be approved from time to time by ordinary resolution of the shareholders:
- 26.2.1 for their services to the company as directors; and
- 26.2.2 for any other service which they undertake for the company.
- 26.3 Subject to the articles, a director's remuneration may:
- 26.3.1 take any form, and
- 26.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.
- 26.4 Unless the directors decide otherwise, directors' remuneration accrues from day to day.
- 26.5 Unless the directors decide otherwise, directors are not accountable to the company for any remuneration which they receive as directors or other officers or employees of the company's subsidiaries or of any other body corporate in which the company is interested.

27 **Directors' expenses**

The company may pay any reasonable expenses which the directors properly incur in connection with their attendance at:

- 27.1 meetings of directors or committees of directors;
 - 27.2 general meetings; or
 - 27.3 separate meetings of the holders of any class of shares or of debentures of the company,
- or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

28 **Company secretary**

The directors may appoint a company secretary for such term, at such remuneration and upon such conditions as they think fit. Any company secretary may be removed or replaced by the directors.

29 **Nil - or partly-paid shares permitted**

If the company at any time has nil or partly-paid shares in issue, articles 52 to 62 (inclusive) of the model articles of association for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008, as amended prior to the date of adoption of these articles, shall apply to the company and form part of these articles as if the text of such provisions was set out in full in these articles.

30 **Allotment of shares**

- 30.1 Save as authorised from time to time by an ordinary resolution of the shareholders, the directors shall not exercise any power to allot shares or to grant rights to subscribe for, or to convert any security into, any shares in the company.
- 30.2 Sections 561 and 562 of the Companies Act 2006 shall not apply to any allotment of equity securities (as defined in section 560 of the Companies Act 2006) by the company.

31 **Powers to issue different classes of share**

- 31.1 Subject to the articles, but without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by ordinary resolution.
- 31.2 The company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

32 **Company not bound by less than absolute interests**

Except as required by law, no person is to be recognised by the company as holding any share upon any trust, and except as otherwise required by law or the articles, the company is not in any way to be bound by or recognise any interest in a share other than the holder's absolute ownership of it and all the rights attaching to it.

33 Share certificates

- 33.1 The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.
- 33.2 Every certificate must specify:
 - 33.2.1 in respect of how many shares, of what class, it is issued;
 - 33.2.2 the nominal value of those shares;
 - 33.2.3 the amount paid up on the shares to which it relates; and
 - 33.2.4 any distinguishing numbers assigned to them.
- 33.3 No certificate may be issued in respect of shares of more than one class.
- 33.4 If more than one person holds a share, only one certificate may be issued in respect of it.
- 33.5 Certificates must:
 - 33.5.1 have affixed to them the company's common seal, or
 - 33.5.2 be otherwise executed in accordance with the Companies Acts.

34 Replacement share certificates

- 34.1 If a certificate issued in respect of a shareholder's shares is:
 - 34.1.1 damaged or defaced; or
 - 34.1.2 said to be lost, stolen or destroyed,that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.
- 34.2 A shareholder exercising the right to be issued with such a replacement certificate:
 - 34.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates ;
 - 34.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and
 - 34.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

35 Share transfers

- 35.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.
- 35.2 The instrument of transfer of any share taken on formation of the company by a subscriber to the company's memorandum of association need not be executed by or on behalf of the transferee even where the share is not fully paid.
- 35.3 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.

- 35.4 The company may retain any instrument of transfer which is registered
- 35.5 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.
- 35.6 The directors may refuse to register the transfer of a share, and if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

36 **Transmission of shares**

- 36.1 If title to a share passes to a transferee, the company may only recognise the transferee as having any title to that share.
- 36.2 A transferee who produces such evidence of entitlement to shares as the directors may properly require:
 - 36.2.1 may, subject to the articles, choose either to become the holder of those shares or to have them transferred to another person; and
 - 36.2.2 subject to the articles, and pending any transfer of the shares to another person, has the same rights as the holder had.
- 36.3 But transferees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

37 **Exercise of transferees' rights**

- 37.1 Transferees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.
- 37.2 If the transferee wishes to have a share transferred to another person, the transferee must execute an instrument of transfer in respect of it.
- 37.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transferee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

38 **Transferees bound by prior notices**

If a notice is given to a shareholder in respect of shares and a transferee is entitled to those shares, the transferee is bound by the notice if it was given to the shareholder before the transferee's name has been entered in the register of members.

39 **Procedure for declaring dividends**

- 39.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.
- 39.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.
- 39.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.

- 39.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 39.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- 39.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 39.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

40 Calculation of dividends

Except as otherwise provided by these articles or the rights attached to shares, all dividends must be:

- 40.12 declared and paid according to the amounts paid up on the shares on which the dividend is paid; and
- 40.2 apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly. For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

41 Payment of dividends and other distributions

- 41.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:
- 41.1.1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the directors may otherwise decide;
- 41.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the directors may otherwise decide;
- 41.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the directors may otherwise decide; or
- 41.1.4 any other means of payment as the directors agree with the distribution recipient either in writing or by such other means as the directors decide.
- 41.2 In these articles, the **distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable:
- 41.2.1 the holder of the share; or

41.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or

41.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

42 **No interest on distributions**

The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

42.1 the terms on which the share was issued, or

42.2 the provisions of another agreement between the holder of that share and the company.

43 **Unclaimed distributions**

43.21 All dividends or other sums which are:

43.1.1 payable in respect of shares; and

43.1.2 unclaimed after having been declared or become payable,

may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

43.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.

43.3 If:

43.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

43.3.2 the distribution recipient has not claimed it,

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

44 **Non-cash distributions**

44.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

44.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

44.2.1 fixing the value of any assets;

44.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

44.2.3 vesting any assets in trustees.

45 **Waiver of distributions**

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but *if*:

- 45.1 the share has more than one holder; or
- 45.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise, the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

46 **Authority to capitalise and appropriation of capitalised sums**

46.1 Subject to the articles, the directors may, if they are so authorised by an ordinary resolution:

- 46.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and
- 46.1.2 appropriate any sum which they so decide to capitalise (a capitalised sum) to the persons who would have been entitled to it if it were distributed by way of dividend (the persons entitled) and in the same proportions.

46.2 **Capitalised sums must be applied**

46.2.1 on behalf of the persons entitled; and

46.2.2 in the same proportions as a dividend would have been distributed to them

46.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.

46.4 A capitalised sum which was appropriated from profits available for distribution may be applied in or towards:

46.4.1 paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct;

46.4.2 paying up any amounts unpaid on existing shares held by the persons entitled.

46.5 **Subject to the articles the directors may:**

46.5.1 apply capitalised sums in accordance with paragraphs 46.3 and 46.4 partly in one way and partly in another;

46.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and

46.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

47 **Attendance and speaking at general meetings**

- 47.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 47.2 A person is able to exercise the right to vote at a general meeting when:
- 47.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting, and
- 47.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 47.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 47.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 47.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

48 **Quorum for general meetings**

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

49 **Chairing general meetings**

- 49.1 If the directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.
- 49.2 If the directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
- 49.2.1 the directors present; or
- 49.2.2 (if no directors are present), the meeting,
- must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the meeting must be the first business of the meeting.
- 49.3 The person chairing a meeting in accordance with this article is referred to as **the chairman of the meeting**.

50 **Attendance and speaking by directors and non-shareholders**

- 50.1 Directors may attend and speak at general meetings, whether or not they are shareholders.
- 50.2 The chairman of the meeting may permit other persons who are not:
- 50.2.1 shareholders of the company; or

50.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings,

to attend and speak at a general meeting

51 **Adjournment**

51.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

51.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if:

51.2.1 the meeting consents to an adjournment; or

51.2.2 it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

51.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

51.4 When adjourning a general meeting, the chairman of the meeting must:

51.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

51.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

51.5 If a general meeting is adjourned, then notice of the time and place to which it is adjourned shall be given:

51.5.1 to the same persons to whom notice of the company's general meetings is required to be given; and

51.5.2 containing the same information which such notice is required to contain.

51.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

52 **Voting: general**

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

53 **Errors and disputes**

53.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

53.2 Any such objection must be referred to the chairman of the meeting, whose decision is final.

54 **Poll votes**

54.1 A poll on a resolution may be demanded:

54.1.1 in advance of the general meeting where it is to be put to the vote, or

54.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

51.2 A poll may be demanded by:

54.2.1 the chairman of the meeting;

54.2.2 the directors;

54.2.3 any member (present in person or by proxy) having the right to attend and vote at the meeting or by a duly authorised representative of a corporation.

54.2.4 A demand for a poll may, before the poll is taken, be withdrawn. A demand so withdrawn shall not invalidate the result of a vote on a show of hands declared before the demand was made.

54.3 Polls must be taken immediately and in such manner as the chairman of the meeting directs.

55 **Content of proxy notices**

55.1 Proxies may only validly be appointed by a notice in writing (a proxy notice) which:

55.1.1 states the name and address of the shareholder appointing the proxy;

55.1.2 identifies the person appointed to be that shareholder's proxy and the general meeting in relation to which that person is appointed;

55.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and

55.1.4 is delivered to the company in accordance with the articles and any instructions contained in the notice of the general meeting to which they relate.

55.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

55.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

55.4 Unless a proxy notice indicates otherwise, it must be treated as:

55.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and

55.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

56 **Delivery of proxy notices**

- 56.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.
- 56.2 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 56.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 56.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

57 **Proxies and corporate representatives**

The failure of any proxy or corporate representative to vote in accordance with any instructions given by the member by whom such proxy or corporate representative is appointed shall not invalidate the result of any vote in which the proxy or corporate representative has participated and the company and the directors shall be under no duty to enquire as to the instructions given to any such proxy or corporate representative.

58 **Amendments to resolutions**

- 58.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 58.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine); and
- 58.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 58.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
- 58.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
- 58.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.

58.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

59 Written resolutions

A proposed written resolution of the members of the company (or of a class of members) shall lapse if it is not passed before the end of the period of six months beginning with the circulation date of such resolution (as defined in section 290 of the Companies Act 2006).

60 Means of communication to be used

60.1 Subject to the articles, anything sent or supplied by or to the company under the articles may be sent or supplied in any way in which the Companies Act 2006 provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

60.2 Subject to the articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

60.3 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

60.4 Any notice, document or other information shall be deemed served on or delivered to the intended recipient:

60.4.1 if properly addressed and sent by prepaid United Kingdom first class post to an address in the United Kingdom, 48 hours after it was posted (or five working days after posting either to an address outside the United Kingdom or from outside the United Kingdom to an address within the united Kingdom, if (in each case) sent by reputable international overnight courier addressed to the intended recipient, provided that delivery in at least five working days was guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider);

60.4.2 if properly addressed and delivered by hand, when it was given or left at the appropriate address;

60.4.3 if properly addressed and sent or supplied by electronic means, one hour after the document or information was sent or supplied; and 60.4.4 if sent or supplied by means of a website, when the material is first made available on the website or (if later) when the recipient receives (or is deemed to have received) notice of the fact that the material is available on the website.

For the purposes of this article, no account shall be taken of any part of a day that is not a working day.

60.5 In proving that any notice, document or other information was properly addressed, it shall be sufficient to show that the notice, document or other information was delivered to an address permitted for the purpose by the Companies Act 2006'

61 **Company seals**

- 61.1 Any common seal may only be used by the authority of the directors.
- 61.2 The directors may decide by what means and in what form any common seal is to be used.
- 61.3 Unless otherwise decided by the directors, if the company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.
- 61.4 For the purposes of this article, an authorised person is
- 61.4.1 any director of the company;
 - 61.4.2 the company secretary (if any); or
 - 61.4.3 any person authorised by the directors for the purpose of signing documents to which the common seal is applied.

62 **No right to inspect accounts and other records**

Except as provided by law or authorised by the directors or an ordinary resolution of the company, no person is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

63 **Provision for employees on cessation of business**

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

64 **Indemnity**

The company may indemnify any relevant officer out of the assets of the company from and against any loss, liability or expense incurred by him or them in relation to the company (including any liability incurred in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act 2006)) provided that this article shall have effect, and any indemnity provided by or pursuant to it shall apply, only to the extent permitted by, and subject to the restrictions of, the Companies Act 2006. This article does not allow for or provide (to any extent) an indemnity which is more extensive than as permitted by the Companies Act 2006 and any such indemnity is limited accordingly' This article is also without prejudice to any indemnity to which any person may otherwise be entitled.

- 64.2 To the extent permitted by, and subject to the restrictions in, the Companies Act 2006 and without prejudice to any indemnity to which he may otherwise be entitled, the board shall have the power to provide funds to meet any expenditure incurred or to be incurred by any relevant officer in defending any criminal or civil (including regulatory)

proceedings, or in connection with an application under the Companies Act 2006, or to enable him to avoid incurring such expenditure.

64.3 Without prejudice to the provisions of article 65, the directors may exercise all the powers of the company to purchase and maintain insurance for the benefit of any person who is a relevant officer or an employee or former employee of the company or any associated company or who is or was a trustee of a retirement benefits scheme or another trust in which a relevant officer or an employee or former employee is or has been interested, indemnifying him against liability for negligence, default, breach of duty or breach of trust or any other liability which may lawfully be insured against by the company.

64.4 **In these articles:**

64.4.1 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate;

64.4.2 relevant officer means any current or former director, alternate director, secretary or other officer of the company or an associated company (including any company which is a trustee of an occupational pension scheme (as defined in section 235(6) of the companies Act 2006)), other than any person (whether an officer or not) engaged by the company (or associated company) as an auditor, to the extent he acts as an auditor.

65 **Insurance**

65.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant director in respect of any relevant loss.

65.2 **In this article:**

65.2.1 a relevant director means any director or former director of the company or an associated company;

65.2.2 a relevant loss means any loss or liability which has been or may be incurred by a relevant director in connection with that director's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company; and

65.2.3 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.

Agenda Item No 14

Executive Board

15 February 2021

**Report of the
Corporate Director Resources**

Pay Policy Statement 2021/22

1 Summary

- 1.1 There is a requirement under Section 38 of the Localism Act 2011 (the 2011 Act) for Councils to have and to publish a Pay Policy Statement, agreed by full Council, which will be subject to review at least annually. This report details the purpose for and the areas to be covered in the Pay Policy Statement.

Recommendation to Council

To adopt the Pay Policy Statement 2021/22.

2 Introduction

- 2.1 The purpose is to provide transparency by identifying:
- The methods by which the salaries of all employees are determined;
 - The detail and level of remuneration of the Council's most senior staff.
- 2.2 The policy has been reviewed in line with the requirements and is attached at Appendix A.
- 2.3 Since the policy was adopted at Full Council on 4 July 2012, it has been reviewed and updated on an annual basis.

3 Report Implications

3.1 Human Resources Implications

- 3.1.1 As detailed in the report.

3.2 Equality Implications

- 3.2.1 There are Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

3.3 Legal Implications

3.3.1 As indicated above the Council has a duty to publish a pay policy statement under the 2011 Act. Amongst other requirements, the purpose of the statement is to set out the Council's policies for:

- (a) the remuneration of its chief officers,
- (b) the remuneration of its lowest-paid employees, and
- (c) the relationship between—
 - (i) the remuneration of its chief officers, and
 - (ii) the remuneration of its employees who are not chief officers.

The statement attached at Appendix A provides the information required to meet these requirements, having regard to other applicable legislation relating to pay of public sector employees.

3.4 Links to Council's Priorities

3.4.1 This policy statement ensures that the Council meets its obligation under Section 38 of the Localism Act 2011 for Councils and therefore ensuring compliance with legislation.

The Contact Officer for this report is Kerry Drakeley (719300).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

Background Paper No	Author	Nature of Background Paper	Date

North Warwickshire Borough Council

PAY POLICY STATEMENT 2021/22

Introduction and Purpose

Under section 112 of the Local Government Act 1972, the Council has the “power to appoint officers on such reasonable terms and conditions as the Authority thinks fit”. This Pay Policy Statement (the ‘statement’) sets out the Councils approach to pay policy in accordance with the requirements of Section 38 of the Localism Act 2011. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees by identifying;

- the methods by which salaries of all employees are determined;
- the detail and level of remuneration of its most senior staff i.e. ‘chief officers’, as defined by the relevant legislation;
- the Group/Board responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council and recommending any amendments to the full Council;
- the relationship between remuneration of chief officers and other employees.

This policy statement is subject to review on a minimum of an annual basis in accordance with the relevant legislation prevailing at that time.

Legislative Framework

In determining the pay and remuneration of all of its employees, the Council will comply with all relevant employment legislation. This includes the Equality Act 2010, Part Time Employment (Prevention of Less Favourable Treatment) Regulations 2000, The Agency Workers Regulations 2010 and where relevant, the Transfer of Undertakings (Protection of Earnings) Regulations. With regard to the Equal Pay requirements contained within the Equality Act, the Council ensures there is no pay discrimination within its pay structures and that all pay differentials can be objectively justified through the use of equality proofed Job Evaluation mechanisms which directly relate salaries to the requirements, demands and responsibilities of the role.

Pay Structure

Based on the application of the Job Evaluation process, the Council uses the nationally negotiated pay spine as the basis for its local grading structure. This determines the salaries of the large majority of the workforce, together with the use of other nationally defined rates where relevant. The Council remains committed to adherence with national pay bargaining in respect of the national pay spine. No pay award has yet been agreed for 1 April 2021 onwards.

All other pay related allowances are the subject of either nationally or locally negotiated rates, having been determined from time to time in accordance with collective bargaining machinery and/or as determined by Council Policy.

In determining its grading structure and setting remuneration levels for all posts, the Council takes account of the need to ensure value for money in respect of the use of public expenditure, balanced against the need to recruit and retain employees who are able to meet the requirements of providing high quality services to the community, delivered effectively and efficiently and at times at which those services are required.

New appointments will normally be made at the minimum of the relevant grade, although this can be varied where necessary to secure the best candidate. From time to time, it may be necessary to take account of the external pay market in order to attract and retain employees with particular experience, skills and capacity. Where necessary, the Council will ensure the requirement for such is objectively justified by reference to clear and transparent evidence of relevant market comparators, using appropriate data sources available from within and outside the local government sector.

Senior Management Remuneration

For the purposes of this statement, senior management means 'chief officers' as defined within S43 of the Localism Act. The posts falling within the statutory definition are set out below, with details of their basic salary as at 31 January 2021;

a) Chief Executive

The current salary of the post is £104,037. The salary falls within a range of four incremental points between £101,472 rising to a maximum of £109,176.

b) Corporate Director (Resources)

The current salary of the post is £74,652. The salary falls within a range of four incremental points between £71,090, rising to a maximum of £76,433. The Corporate Director (Resources) is the Council's Section 151 Officer and this was included in the evaluation of the role.

c) Corporate Director (Streetscape)

The current salary of the post is £72,383. The salary falls within a range of four incremental points between £68,562, rising to a maximum of £72,383.

d) Directors

The salaries of posts designated as Directors fall within a range of four incremental points between £63,606 rising to a maximum of £68,417.

Chief Officers' roles are subject to job evaluation under the JNC Job Evaluation Scheme and are paid a salary, which is considered a market rate within districts in the local government sector.

Employment of Chief Officers is in accordance with collective agreements negotiated from time to time by the Joint Negotiating Committee for Chief Officers of Local Authorities for Local Government Services, those set out in the National Agreement on Pay and Conditions of Service (currently known as The Blue Book) and as supplemented by:-

- local collective agreements reached with trade unions recognised by the Council
- the rules of the Council

Recruitment of Chief Officers

When recruiting to all posts the Council will take full and proper account of its own Equal Opportunities, Recruitment, and Redeployment Policies. Where the Council is unable to recruit to a post at the designated grade, it will consider the use of temporary market forces supplements.

Where the Council remains unable to recruit Chief Officers under a contract of employment, or there is a need for interim support to provide cover for a vacant substantive Chief Officer post, the Council will, where necessary, consider and utilise engaging individuals under 'contracts for service'. These will be sourced through a relevant procurement process ensuring the Council is able to demonstrate the maximum value for money benefits from competition in securing the relevant service. The Council does not currently have any Chief Officers engaged under such arrangements.

Elected Members appoint all Chief Officers. The pay level offered, on recruitment is typically the bottom point of the salary grade. In situations, however, where the individual recruited has a high level of knowledge or skills, and/or previous relevant experience, a higher salary, up to the maximum salary for that post, may be authorised, by the Chief Executive and the Elected Member recruitment panel. The recruitment panel would authorise this for an appointment of a Chief Executive.

Additions to Salary of Chief Officers

The Council does not apply any bonuses or performance related pay to its Chief Officers.

In addition to basic salary, set out below are details of other elements of 'additional pay' which are chargeable to UK Income Tax and do not solely constitute reimbursement of expenses incurred in the fulfillment of duties;

- All Chief Officers were entitled to a lease car. Following consultation this was phased out by April 2015. There is some protection in that when the car was returned the Chief Officer received the 'spot value' less 10% as a travel allowance so long as he/she remains in the role. The 'spot value' depends on the officer's grade. The 'spot values' for each grade are detailed at Appendix 1.

Newly appointed Chief Officers will use their own vehicle and receive an Essential User Allowance. Employees who are not Chief Officers may also receive the Essential User allowance. Essential User Allowances are also detailed at Appendix 1.

The Chief Executive is the Council's Returning Officer and the Electoral Registration Officer (who also manages the elections service) and

receives an Election Allowance. The relevant bodies set this allowance. It varies each year depending on the number and type of elections in each year. There are the Police and Crime Commissioner and Warwickshire County Council elections during 2021/22.

A Chief Officer may be awarded an honorarium when they 'act up' in a role. The Special Sub Group of Executive Board can authorise these. An honorarium either is a one off payment or can be a monthly allowance for a temporary period. The Council does not currently have any Chief Officers receiving an honorarium.

Payments on Termination

In the case of redundancy, a redundancy payment would be made to a Chief Officer in line with the Council's Retirement Policy & Procedure, and the Redundancy Policy & Procedure, which applies to all staff.

In the case of termination due to ill health, then there would be no termination payment but a higher pension benefit may be approved by the Warwickshire local government pension scheme. The pension benefit may include a lump sum in addition to an on-going pension payment.

On termination of employment, if it is not possible or desirable for the Chief Officer to serve their contractual or statutory notice period, then a payment may be made in lieu of the notice period not worked.

Any contractual payments such as outstanding annual leave are usually included in payments on termination of employment. Similarly, any monies owing to the Council would be deducted from payments made on termination.

The Council may choose to make a payment under a Compromise Agreement to protect against compensation claims that could be expensive or bring the Council into disrepute. The Special Sub Group of the Executive Board would approve any such payment.

Where a Section 151 Officer or Monitoring Officer cease carrying out these statutory roles, then the post would be re-evaluated to exclude these duties.

Increases to Pay

Any cost of living increases agreed through NJC are applied to Chief Officers pay. This is typically on 1st April each year.

Chief Officers appointed on a salary scale will receive an incremental increase to their pay as follows:

Chief Officers appointed between 1st October and 31st March will receive an increment after six months service.

Chief Officers appointed between 1st April and 30th September will receive an increment on the following 1st April.

Thereafter, all Chief Officers will receive increments annually on 1st April.

Chief Officers' pay will be measured against the market, normally on a three to five yearly basis, to ensure we maintain consistency with peer local authorities. Where there are significant changes in market rates then a pay benchmarking assessment will be carried out for Chief Officers. The last pay benchmarking on Chief Officers was completed in 2018 as part of the review of the senior management structure, when the role of Deputy Chief Executive was removed. Salary increases were made at this time to all Chief Officer posts, with the exception of the Chief Executive post. In October 2019, a pay benchmarking assessment was carried out on the revised Corporate Director role. The Council's Executive Board approves increases to Chief Officers pay.

Publication

Upon approval by the full Council, this statement will be published on the Councils Website. In addition, for posts where the full time equivalent salary is at least £50,000, the Councils Annual Statement of Accounts will include a note setting out the total amount of

- salary, fees or allowances paid to or receivable by the person in the current and previous year;
- any sums payable by way of expenses allowance that are chargeable to UK income tax;
- any compensation for loss of employment and any other payments connected with termination;
- any benefits received that do not fall within the above

This policy will be available on our web site www.northwarks.gov.uk

Lowest Paid Employees

Our lowest paid employees' salary is determined by the grade for their post, which is underpinned by a job evaluation scheme, rather than being paid a market rate for their job. Market supplements are given to some posts where there are recruitment and retention difficulties. Currently none of our lowest paid employees receives a market supplement on their salary to bring it up to market rates. Some of our lower paid posts were given a supplement to bring them up to the Government's new National Living Wage.

Whilst we may employ apprentices on a lower wage, i.e. the minimum wage, during their apprenticeship they do have a structured training plan leading to a qualification.

With regard to other aspects of remuneration policy, there is equity across all our employees. The same policies set out above apply to our lowest paid employees.

Relationship Between Remuneration of our Chief Officers and Other Employees

Currently the average (mean) of our Chief Officers pay is 2.84 times that of the rest of our employees. Our top earning Chief Officer earns 4.19 times the mean of the rest of our employees.

Currently the average (mean) of our Chief Officers pay is 3.95 times that of our lowest paid employees. Our top earning Chief Officer earns 5.83 times the mean of our lowest paid employees.

Currently the median Chief Officers pay is 3.15 times that of the rest of our employees. Our top earning Chief Officer earns 4.78 times the median salary of the rest of our employees.

These figures are as at 31 January 2021 and do not include travel allowances, essential car user allowances.

Our policy for 2021/22 is to maintain Chief Officers pay within the following maximums:

Ratio of mean pay (Chief Officers: rest of employees) = 3.31

Ratio of median pay (Chief Officers: rest of employees) = 3.67

And not to exceed the following multipliers for our top earning Chief Officer:

5.5 X mean pay of other employees

5.5 X median pay of other employees

Accountability and Decision Making

In accordance with the Constitution of the Council, the Special Sub Group and the Executive Board are responsible for decision making in relation to the recruitment, pay, terms and conditions and severance arrangements in relation to employees of the Council.

RELATED DOCUMENTS

Retirement Policy & Procedure
Redundancy Policy & Procedure
Recruitment Policy
Disciplinary Procedure
JNC Job Evaluation Scheme Outline

Date of this review	February 2021
---------------------	---------------

Appendix 1

Annual Spot Value Less 10%

Chief Executive	£3,456
Corporate Director (Resources)	£3,456
Corporate Director (Streetscape)	£3,456
Directors	£3,456

Annual Essential Car User Allowance

451-999cc	£846
1000-1199cc	£963
1200cc & above	£1,239

NORTH WARWICKSHIRE BOROUGH COUNCIL

**MINUTES OF THE SAFER COMMUNITIES
SUB-COMMITTEE**

16 November 2020

Present: Councillor Reilly in the Chair.

Councillors D Clews, Davey, M Humphreys, Gosling, Moss, Parsons and Singh.

Apologies for absence were received from Councillors Downes, Lebrun and O Phillips.

Councillors Bell, H Phillips, Smith and Symonds were also in attendance.

With the consent of the Chairman, Councillor H Phillips spoke on Minute No 4 – North Warwickshire Community Safety Partnership Update.

1 Disclosable Pecuniary and Non-Pecuniary Interests

None were declared at the meeting.

2 Minutes of the Meeting of the Sub-Committee held on 16 March 2020

The minutes of the meeting of the Sub-Committee held on 16 March 2020, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

3 Fly Tipping Progress Report

Members were provided with an update on progress on the action plan for tackling fly tipping across the Borough.

Resolved:

That the progress report and the updated action plan be noted.

4 North Warwickshire Community Safety Partnership Update

The Chief Executive provided Members with an update on recent activities with the North Warwickshire Community Safety Partnership. The report

included information about the agreed priorities from a Strategic Assessment 2020/21 and the latest crime statistics. The report also informed Members of proposed work to consider the North Warwickshire results from a Having Your Say on Community Safety survey.

Resolved:

- a That the update be noted;**
- b That the proposed work to consider the results of the Have Your Say on Community Safety Survey be noted and that the comments made by the Sub Committee be considered by the North Warwickshire Community Partnership.**

5 Progress Report on Achievement of Corporate Plan Targets April – March 2020

The Chief Executive informed Members of the progress with the achievement of the Corporate Plan targets relevant to the Safer Communities Sub-Committee for April to March 2020.

Resolved:

That the report be noted.

6 Progress Report on Achievement of Corporate Plan Targets April – September 2020

The Chief Executive informed Members of the progress with the achievement of the Corporate Plan targets relevant to the Safer Communities Sub-Committee for April to September 2020.

Resolved:

That the report be noted.

7 North Warwickshire Improving Road Safety Action Plan Progress Report

Members were provided with an update on the progress with the North Warwickshire Road Safety Action Plan. The report also outlined recent road safety developments and feedback from the Warwickshire Road Safety Partnership Operational Board.

Resolved:

That the report be noted.

Councillor Reilly
Chairman

Agenda Item No16

Executive Board

15 February 2021

**Report of the
Chief Executive**

Exclusion of the Public and Press

Recommendation to the Board

To consider whether, in accordance with Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by Schedule 12A to the Act.

Agenda Item No 17

Confidential Extract of the minutes of the Executive Board held on 23 November 2020

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Agenda Item No 18

Sub-Regional Materials Recycling Facility

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

In relation to the items listed above Members should only exclude the public if the public interest in doing so outweighs the public interest in disclosing the information, giving their reasons as to why that is the case.

The Contact Officer for this report is Amanda Tonks (719221).