

**To: Leader and Members of the Executive Board**

**(Councillors D Wright, Barnett, Bell, Clews, Gosling, H Phillips, Reilly, Ridley, Ririe, Simpson, Symonds and Whapples)**

**For the information of other Members of the Council**

**For general enquiries please contact the Democratic Services Team on 01827 719237 or via e-mail – [democraticservices@northwarks.gov.uk](mailto:democraticservices@northwarks.gov.uk)**

**For enquiries about specific reports please contact the officer named in the reports.**

**The agenda and reports are available in large print and electronic accessible formats if requested.**

## **EXECUTIVE BOARD AGENDA**

**25 NOVEMBER 2024**

The Executive Board will meet in The Chamber, The Council House, South Street, Atherstone on Monday, 25 November 2024 at 6.30pm.

The day after the meeting a recording will be available to be viewed on the Council's YouTube channel at [NorthWarks - YouTube](#).

### **AGENDA**

- 1 Evacuation Procedure.**
- 2 Apologies for Absence / Members away on official Council business.**
- 3 Disclosable Pecuniary and Non-Pecuniary Interests.**

#### 4 **Public Participation**

Up to twenty minutes will be set aside for members of the public to put questions to elected Members.

Members of the public wishing to address the Board must register their intention to do so by 9:30am two working days prior to the meeting. Participants are restricted to five minutes each.

If you wish to put a question to the meeting, please register by email to [democraticservices@northwarks.gov.uk](mailto:democraticservices@northwarks.gov.uk) or telephone 01827 719221 / 01827 719237.

Once registered to speak, the person asking the question has the option to either:

- a) attend the meeting in person at the Council Chamber;
- b) attend remotely via Teams; or
- c) request that the Chair reads out their written question.

If attending in person, precautions will be in place in the Council Chamber to protect those who are present however this will limit the number of people who can be accommodated so it may be more convenient to attend remotely.

If attending remotely an invitation will be sent to join the Teams video conferencing for this meeting. Those registered to speak should dial the telephone number and ID number (provided on their invitation) when joining the meeting to ask their question. However, whilst waiting they will be able to hear what is being said at the meeting.

- 5 **Minutes of the Executive Board held on 16 September 2024** – copies herewith, to be approved as a correct record and signed by the Chairman.

### **ITEMS FOR DISCUSSION AND DECISION (WHITE PAPERS)**

- 6 **Electoral Review – Stage 2 Consultation** - Report of the Chief Executive

#### **Summary**

This report asks the Board to consider the Council's response to the Local Government Boundary Commission's review of ward boundaries in North Warwickshire.

The Contact Officer for this report is Martyn Harris (719222).

7 **Feedback Policy** - Report of Head of Legal Services

**Summary**

The report seeks to approve the Feedback Policy for managing complaints to the Council.

The Contact Officer for this report is Sofia Ali (719251).

8 **Draft Financial Statements 2021/22 & 2022/23** - Report of the Interim Corporate Director – Resources (Section 151 Officer)

**Summary**

The Financial Statements for 2021/22 and 2022/23 have been completed and published. This report highlights the position on the General Fund and Housing Revenue Account, compared with the estimated position previously reported.

The Contact Officer for this report is Alison Turner (719374).

9 **External Auditors Completion Report for Those Charged with Governance 2021/22 & 2022/23** - Report of the Interim Corporate Director – Resources (Section 151 Officer)

**Summary**

The Financial Statements for 2021/22 and 2022/23 have been completed and published, they are presented to members in a separate report on this agenda. The accounts had not been presented at the September meeting as we were waiting for clarification from our external auditors Ernst & Young LLP as to whether either year would be audited.

This report explains the approach and outcomes of both the 2021/22 and 2022/23 audits.

The Contact Officer for this report is Alison Turner (719374).

10 **External Auditors' Report – Value for Money Interim Report 21/22 and 22/23** - Report of the Interim Corporate Director – Resources (Section 151 Officer)

**Summary**

This report presents the Value for Money Interim Report for years ended 31 March 2022 and 31 March 2023 received from the Council's external auditors, Ernst & Young LLP. Due to the issue with backlog audits the auditors have taken the decision to report on both years in the same document.

The Contact Officer for this report is Alison Turner (719374).

- 11 **External Auditors' Planning Report** - Report of the Interim Corporate Director – Resources (Section 151 Officer)

**Summary**

This report presents the Audit Planning Report for year ended 31 March 2024 received from the Council's external auditors, Azets.

The Contact Officer for this report is Alison Turner (719374).

- 12 **Budgetary Control Report 2024/2025** – Report of the Interim Corporate Director – Resources (Section 151 Officer)

**Summary**

The report covers revenue expenditure and income for the period from 1 April 2024 to 31 October 2024. The 2024/25 approved budget and the actual position for the period are given, together with an estimate of the outturn position for services reporting to this Board.

The Contact Officer for this report is Nigel Lane (719371).

- 13 **Medium Term Financial Strategy 2024-2029** - Report of the Interim Corporate Director – Resources (Section 151 Officer)

**Summary**

This report summarises the Authority's Medium Term Financial Strategy. It projects forward the Authority's General Fund budgets to 2028/29 and suggests a budget approach for the 2025/26 General Fund Budget.

The Contact Officer for this report is Alison Turner (719374).

- 14 **Remote Attendance and Proxy Voting** – Report of the Chief Executive

**Summary**

This report asks the Board to consider the Government's consultation on the detail and practical implications of allowing remote and hybrid attendance and proxy voting at local authority meetings in England.

The Contact Officer for this report is Steve Maxey (719438).

- 15 **Performance Management** - Report of the Chief Executive

**Summary**

This report provides Members with an update to the work that the newly appointed Data Analyst is undertaking.

The Contact Officer for this report is Trudi Barnsley (719388).



16 **Calendar of meetings** - Report of the Chief Executive

**Summary**

The purpose of this report is to seek approval for a calendar of meetings for 2025/26.

The Contact Officer for this report is Amanda Tonks (719221).

17 **Corporate Peer Challenge** - Report of the Chief Executive

**Summary**

This report asks the Board to note the Corporate Peer Challenge ('CPC') report.

The Contact Officer for this report is Steve Maxey (719438).

18 **Fillongley Public Spaces Protection Order** - Report of the Chief Executive

**Summary**

The purpose of this report is for Members to consider consulting on a Public Spaces Protection Order in Fillongley.

The Contact Officer for this report is Steve Maxey (719438).

19 **Minutes of the Safer Communities Sub-Committee held on 12 November 2024** – copies herewith.

20 **Exclusion of the Public and Press**

**To consider, in accordance with Section 100A(4) of the Local Government Act 1972, whether it is in the public interest that the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by Schedule 12A to the Act.**

21 **Supplementary Estimate for Corporate Services** - Report of the Chief Executive

The Contact Officer for this report is Trudi Barnsley (719389).

STEVE MAXEY  
Chief Executive

## NORTH WARWICKSHIRE BOROUGH COUNCIL

### MINUTES OF THE EXECUTIVE BOARD

16 September 2024

Present: Councillor D Wright in the Chair

Councillors Barnett, Bell, Clews, Reilly, Ridley, Ririe, Simpson, Symonds and Whapples

Apologies for absence were received from Councillors Gosling and H Phillips

#### 20 **Declarations of Personal or Prejudicial Interest**

None were declared at the meeting.

#### 21 **Minutes of the Executive Board held on 17 July 2024**

That, subject to it being noted that Minute No 15 is a resolved, not a recommended item, the minutes of the meeting of the Board held on 17 July 2024, copies having been circulated, were approved as a correct record and signed by the Chairman.

#### 22 **Transformation Team Update**

The Chief Executive provided Members with the annual update on the work that the Transformation team was undertaking.

##### **Resolved:**

- a That the report is acknowledged; and**
- b That the report be noted.**

#### 23 **Supplementary Estimate – Leisure and Open Space Section 106 Receipts**

The Director of Leisure and Community Development sought approval for the provision of a supplementary estimate within the capital programme through which to use a Section 106 receipt to enhance leisure and open space provision in the Borough.

##### **Resolved:**

**That the requested supplementary estimate of £104,477 for the enhancement of leisure and open space provision in North Warwickshire, as detailed in the report of the Director of Leisure and Community Development, be approved.**

24 **Budgetary Control Report 2024/25 Period Ended 31 August 2024**

The Interim Corporate Director – Resources (Section 151 Officer) reported on the revenue expenditure and income for the period from 1 April 2024 to 31 August 2024. The 2024/25 approved budget and the actual position for the period were given, together with an estimate of the outturn position for services reporting to the Board.

**Recommended:**

**To consider if any further information is required.**

25 **Update on External Audit Backlog**

The Interim Corporate Director – Resources (Section 151 Officer) provided Members with an update on the Statement of Accounts for 2021-22 and 2022-23, along with the latest information regarding the plans for the backlog audits, as detailed in the letter from the new Minister of State for Housing, Communities and Local Government, attached at Appendix A to the report.

**Resolved:**

**That the report be noted.**

26 **Local Government and Social Care Ombudsman Annual Review 2023/24**

The Chief Executive informed the Board about the results of the Local Government and Social Care Ombudsman Annual Review 2023/24. The number of complaints and enquiries considered by the Ombudsman relating to the Council and the outcome of their determinations were detailed, together with some contextual information about the compliments and complaints received via the Council's corporate Compliments and Complaints Procedure.

**Resolved:**

**That the report be noted.**

27 **Corporate Plan Performance Update**

The Chief Executive asked the Board to note the Corporate Plan Performance Update and identify any areas where further information was required.

**Resolved:**

**a That the report be noted;**

**b That the Performance Framework be agreed.**

28 **Local Councils' Charter**

The Chief Executive asked the Board to agree the Local Councils' Charter.

**Resolved:**

- a **That the Charter be adopted; and**
- b **That the Chief Executive be given delegated powers to incorporate any further changes to the Charter arising from continuing partnership discussions.**

29 **Proposed changes to the National Planning Policy Framework and other changes to the planning system**

The Chief Executive sought consideration and comments on a report that was taken to the Planning and Development Board on 2 September, on the Draft revisions to the NPPF ("NPPF24") which was announced on 31 July 2024. The report considered the main changes and explained how they might affect the Borough. The report had also been considered by the Local Development Framework Sub-Committee at its meeting held on 10 September 2024.

**Resolved:**

**That the views contained in the report, and the additional comments made by Members at the meeting, be included in the response sent to Government by the consultation deadline of 24 September 2024.**

30 **Broadcasting of Meetings**

The Chief Executive asked the Board to agree a change to how the Council's meetings were broadcast.

**Resolved:**

- a **That live broadcasting of all Council meetings cease after the current round of meetings ends with the full Council meeting on 25 September 2024, but meetings are still recorded and the recording be uploaded to the Council's You Tube channel the following morning; and**
- b **That an update report be brought to the Board in six months' time including any further options for live broadcasting of meetings.**

31 **Exclusion of the Public and Press**

**Resolved:**

**That under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by Schedule 12A to the Act.**

32 **Exempt Extract of the minutes of the Executive Board held on 17 July 2024**

The exempt extract of the minutes of the Executive Board held on 17 July 2024, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

D Wright  
CHAIR

**Agenda Item No 6**

**Executive Board**

**25 November 2024**

**Report of the Chief Executive**

**Electoral Review – Stage 2  
Consultation**

**1 Summary**

- 1.1 This report asks the Board to consider the Council’s response to the Local Government Boundary Commission’s review of ward boundaries in North Warwickshire.

**Recommendation to the Board**

- a That the consultation be noted;**
- b That the Board’s views be included in the Council’s response to this consultation; and**
- c That the Chief Executive make arrangements for an additional council meeting to be arranged in January 2025 to facilitate submission of the Council’s response to this consultation.**

**2 Report**

- 2.1 The Local Government Boundary Commission has now commenced stage 2 of the electoral review for North Warwickshire. Following stage 1 of the review, the Commission has taken the decision that the Council should continue to have 35 elected members.
- 2.2 Whilst the Commission has made the decision on the number of members, they have stated that should it be necessary to facilitate an appropriate pattern of wards, the number of members could be increased to 36 or 37, to ensure appropriate ward sizes/boundaries.
- 2.3 Stage 2 of the review now asks for submissions on a new pattern of wards for the Borough. Submissions can include wards with 1,2 or 3 members representation, based on an ideal number of electors per Councillor (1535, +/- 10%).
- 2.4 Officers have undertaken some informal consultation with members and hosted a number of workshops to feed into a whole-council submission, scheduled to be submitted before the deadline of 27 January 2025.

...  
2.5 The Board is asked for views, based on the current variances in electorate, outlined in Appendix 1 to this report. There are a number of wards, that, were the current ward boundary be retained, would have a projected electorate outside the ideal ward size, including:

- Baddesley & Grendon, +31%
- Coleshill North – 16%
- Dordon -18%
- Newton Regis & Warton +42%
- Polesworth West -14%

2.6 These areas are of particular concern, however LGBCE are clear in their guidance that, in submitting a pattern of wards the Council must make a case for all of the proposed wards, including those with no changes. The Council would need to make a submission for each ward, including the reasons that those wards should continue, based on the statutory criteria:

- **Delivering electoral equality for local voters** – this means ensuring that each local councillor represents roughly the same number of people so that the value of your vote is the same regardless of where you live in the local authority area.
- **Reflecting the interests and identities of local communities** – this means establishing electoral arrangements which, as far as possible, maintain local ties and where boundaries are easily identifiable
- **Promoting effective and convenient local government** – this means ensuring that the new wards or electoral divisions can be represented effectively by their elected members and that the new electoral arrangements as a whole allow the local authority to conduct its business effectively.

2.7 Officers will be drawing up a full response to the consultation for submission ahead of the 25 January deadline. In order for Council to sign off this document, an additional council meeting will need to be organised in January, to authorise submission of the consultation response.

### 3 Report Implications

3.1 There are no specific implications.

The Contact Officer for this report is Martyn Harris (719222).

Electoral Review Stage 2 Consultation - Appendix 1

|                              | 2024   | 2030   |
|------------------------------|--------|--------|
| Number of councillors:       | 35     | 35     |
| Overall electorate:          | 50,475 | 53,724 |
| Average electorate per cllr: | 1,442  | 1,535  |

| Name of ward                 | Number of cllrs per ward | 2024 Electorate | Variance 2024 | 2030 Electorate | Variance 2030 |
|------------------------------|--------------------------|-----------------|---------------|-----------------|---------------|
| Arley & Whitacre             | 3                        | 4,633           | 7%            | 4,715           | 2%            |
| Atherstone Central           | 2                        | 2,939           | 2%            | 3,037           | -1%           |
| Atherstone North             | 2                        | 2,876           | 0%            | 3,149           | 3%            |
| Atherstone South & Mancetter | 2                        | 2,970           | 3%            | 3,050           | -1%           |
| Baddesley Ensor & Grendon    | 2                        | 3,564           | 24%           | 4,032           | 31%           |
| Coleshill North              | 2                        | 2,518           | -13%          | 2,583           | -16%          |
| Coleshill South              | 2                        | 2,878           | 0%            | 3,005           | -2%           |
| Curdworth                    | 2                        | 2,758           | -4%           | 2,804           | -9%           |
| Dordon                       | 2                        | 2,358           | -18%          | 2,524           | -18%          |
| Fillongley                   | 2                        | 2,751           | -5%           | 2,820           | -8%           |
| Hartshill                    | 2                        | 2,824           | -2%           | 2,942           | -4%           |
| Hurley & Wood End            | 2                        | 3,027           | 5%            | 3,135           | 2%            |
| Kingsbury                    | 2                        | 2,846           | -1%           | 2,942           | -4%           |
| Newton Regis & Warton        | 2                        | 3,225           | 12%           | 4,350           | 42%           |
| Polesworth East              | 2                        | 3,036           | 5%            | 3,199           | 4%            |
| Polesworth West              | 2                        | 2,562           | -11%          | 2,630           | -14%          |
| Water Orton                  | 2                        | 2,710           | -6%           | 2,807           | -9%           |
|                              |                          |                 |               |                 |               |



**Agenda Item No 7**

**Executive Board**

**25 November 2024**

**Report of Head of Legal Services**

**Feedback Policy**

**1 Summary**

1.1 The report seeks to approve the Feedback Policy for managing complaints to the Council.

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|--|
| <p><b>Recommendation to Council</b></p> <p><b>To approve and formally adopt the attached Feedback Policy</b></p> |
|--|

**2 Introduction**

2.1 The Council has a requirement to have a policy to deal with complaints that it receives regarding services we provide. This supports the principles of good governance and provides a framework for the Council to respond effectively and in a timely manner to residents that make a complaint.

... 2.2 The Feedback policy attached at Appendix A provides the framework for how the Council deals with Complaints from Residents. The Policy is broken down in a number of Sections such as “what is a Complaint and what is not a compliant?” The Policy also explains the Feedback process in detail and will be implemented immediately upon approval.

**3 Report Implications**

**3.1 Legal Implications**

3.1.1 While there is no specific legal requirement for the Council to have a Feedback Policy, it is best practice. Learning about what residents think and giving them redress is necessary component of the Council’s accountability, in addition being able to learn from mistakes and make improvements is an essential part of the improvement process.

**3.2 Financial and Value for Money Implications**

3.2.1 There are no financial implications from this report.

### 3.3. Equalities Implications

3.3.1 This Policy recognises that Residents may wish to engage with the Council in a number of different ways including electronic means, via telephone or in writing.

### 3.4 Environmental Implications

3.4.1 There are no environmental implications from this report.

The Contact Officer for this report is Sofia Ali (719251).

### Background Papers

| Background Paper No | Author | Nature of Background Paper | Date |
|---------------------|--------|----------------------------|------|
|                     |        |                            |      |

# Feedback Policy

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## 1. Introduction

North Warwickshire Borough Council (“The Council”) is committed to providing a high quality standard of service to all residents of the Borough. We strive to deliver excellent services however despite our best intentions, things do go wrong. We will ensure that it is easy to provide feedback and would welcome hearing your feedback upon how you view our services.

We will listen to your feedback and aim to respond within the timescales specified within this policy. We will put mistakes right and will ensure that we learn from these situations to improve our services.

This policy is designed to comply with the Council’s legal and regulatory responsibilities.

## 2. Our Objectives

This policy applies to all employees working for the council, including those working from home or at locations other than the Council Offices and to consultants, agency staff and contractors who are engaged on behalf of the Council.

This policy ensures that there is a clear and systematic process by which customers can seek to resolve their complaints for failures in the service provision.

The Policy seeks to deliver the following results:

- A resolution in accordance with the timescales.
- To resolve complaints as soon as possible and at the earliest opportunity.
- Increase customer satisfaction.
- Learn from mistakes and ensure training is provided to employees.
- Identify and implement service improvements.

### **3. Policy Statement**

#### **Complaints**

- 3.1 We aim to investigate and resolve complaints at the earliest opportunity. If we have made a mistake, we aim to put things right as quickly as possible. We will act promptly working with the Resident and explaining what will happen and will try to understand their perspective. We see complaints as an opportunity to identify what went wrong and the reason. We will seek to find a fair and reasonable solution to the complaint and will ensure that we have all the details and facts before making a decision.
- 3.2 We are committed to learning from the issues raised and improving our services.

#### **Request for Service**

- 3.3 Requests for service may include reporting a missed bin collection or an unmown grass verge should not be processed through the complaints system as long as:
- i. The individual is satisfied with the course of action proposed by the Council, and
  - ii. There is a recording measure in place to enable issues to be reported to the Management Team.

#### **Expression of Dissatisfaction**

- 3.4 At times a Resident will tell us that they are unhappy with something and may not want to make a formal complaint. These may be issues that can be easily and quickly resolved. We will always explain how we will handle the issue and explain the next steps. If the issue is serious, for example a Health and Safety issue, these matters will be handled as a formal complaint.
- 3.5 The employee who receives the expression of dissatisfaction is accountable for ensuring that the option to make a complaint is discussed. They are responsible for ensuring that it is passed to the relevant team. The relevant team will ensure that an acknowledgement is sent within five working days and a full response within twenty working days.
- 3.6 Expressions of dissatisfaction will not be treated as a formal complaint however are an important way for us to learn and improve our services and therefore should be recorded to ensure reporting to the Management Team in line with our performance reporting framework.

## What is a complaint?

- 3.7 A complaint is an expression of dissatisfaction, however made, about the standard of service, actions or lack of action by the council, our employees, or those acting on its behalf, affecting an individual resident or group of residents.
- 3.8 Either the resident or the council can decide to deal with a matter as a complaint. However, residents sometimes use the term “complaint” to report problems or raise issues, it is therefore our responsibility to ensure that when an individual says they are unhappy that we explain their options, including considering whether the matter is a complaint.

## 4. Matters that will not be investigated under this policy:

- Requests for service, including reports of anti-social behaviour.
- Matters that are not the responsibility of the council such as Highways.
- Matters that have previously been considered under the complaints policy and have been concluded as not being the fault of the council.
- Matters where we have received an insurance claim.
- Matters subject to legal action such as where the council have commenced legal proceedings at court.
- Where there is a statutory procedure or right of appeal through an alternative process.
- Where the persistent contact/vexatious complaints procedure has been invoked, please refer to section 13.
- Complaints reported to us more than 6 months after the incident or issue occurred.
- Complaints relating to Freedom of Information (FOI), Environment Information Regulations (EIR), Environmental Impact Assessments (EIA) and Data protection Legislation, including data breaches.
- Matters where there is a right of appeal, such as:
  - i) Planning decisions, including consent, refusals, and enforcement decision.
  - ii) Homelessness decisions and housing register banding decisions.
  - iii) Parking appeals/notices.
  - iv) Council Tax and Housing benefit decisions.
  - v) Appeals against statutory notices.
  - vi) Regulatory matters (Environmental Health, Licensing and Community Safety).
  - vii) Conduct of elected Members (Councillors).

We will not normally accept anonymous complaints although dependent upon the situation we may make a decision to accept an anonymous complaint, for example if the matter is serious and the customer has a clear reason to remain anonymous.

Where we decide not to accept a complaint, a detailed explanation must be provided to the resident setting out the reasons why the matter is not suitable for the complaints process and the right to take that decision to the Ombudsman. This does not apply to requests for service.

## 5. Who can make a complaint?

We will accept complaints from any Resident or any other individual or organisation who has had any relevant interaction with the Council. Where an individual asks a third party to act on their behalf, we will expect a signed authorisation to deal with the nominated person.

## 6. How to Make a Complaint

Our main priority is to resolve any concerns raised by residents as soon as they are brought to our attention. We would encourage residents who have any feedback or concerns to first approach a member of the team of an employee of the Council in the relevant service area to try and resolve the matter. If after raising your concerns you remain dissatisfied with the proposed solution, you can make a formal complaint to the council:

Via the Council website

By letter addressed to Complaints and Compliments at the Council

By telephoning 01827 715 341

In person by visiting the Council House

Through your local Councillor, nominated friend or relative

## 7. What will happen when a complaint is made?

When the Council receives a formal complaint from a customer, the nature and type of the complaint is assessed by one of our nominated and trained Complaints Handling Officers, who will:

- Clarify with the Resident any aspects of the complaint they are unclear about;
- Deal with complaints on their merits;
- Give the Resident a fair chance to set out their position;
- Take measures to address any actual or perceived conflict of interest;
- Consider all information and evidence carefully; and
- Keep the complaint confidential as far as possible, with information only disclosed if necessary to properly investigate the matter.

## 8. Response Timescales

| <b>Complaints</b>               | <b>Working days from receipt</b> |
|---------------------------------|----------------------------------|
| <b><u>Stage 1</u></b>           |                                  |
| Acknowledgment letter           | 5 days                           |
| Full response letter            | 20 days                          |
| <b><u>Appeals - Stage 2</u></b> |                                  |

|                       |         |
|-----------------------|---------|
| Acknowledgment letter | 5 days  |
| Full response letter  | 20 days |

The above table details the maximum response time in working days for responses to be provided, the working days will be counted from the date the Council receives the complaint. In certain circumstances, we may need to clarify with the individual any aspects of the complaint we are uncertain about, in these circumstances the response time will be from the date clarification is received. In the event the timescales will not be met then an extension shall be sought from the Resident.

**9. Stage 1- Investigation**

We will acknowledge a complaint within five working days of receipt and will send a formal response within twenty days of the complaint being acknowledged. The Resident will be provided a unique reference which will be used until the complaint is resolved and may assist in the event that they need to contact the Council.

In exceptional circumstances, the response time may need to be extended for a maximum of ten working days, however in these circumstances the Resident will be given an explanation as to why the extension is required and a clear timeframe will be provided.

In the event further clarification is required to assist the investigation, the response time will be placed on hold until the information has been received. A revised timeframe will be provided upon receipt of the information.

**10. Stage 2 - Review**

If you are not satisfied with the outcome of your complaint at Stage 1, then you can request that your complaint be escalated to Stage 2. You are not required to explain your reasons for the request at Stage 2. Your complaint will be escalated to the Senior Management Team for investigation and response. The officer dealing with the Stage 2 will not be the same person who investigated the matter at stage 1.

We will acknowledge your request within five working days of receipt and will send a formal response within twenty working days of your request being acknowledged. This request must be made with 28 days. In the event we require further time to review and investigate the case, we notify you with an explanation as to why the extension is required and a clear timeframe will be provided. The maximum time the Stage 2 can be extended for is for a further twenty working days.

**11. Contacting the Ombudsman**

If you are still unsatisfied with our Stage two response, you can refer the matter to the Local Government and Social Care Ombudsman who may carry out an independent investigation of the complaint.

The Local Government and Social Care Ombudsman will not handle complaints unless you have been through our internal complaint's procedure first.

The Ombudsman can be contacted at the following address:

The Local Government & Social Care Ombudsman  
PO Box 4771  
Coventry  
CV4 0EH

## **12. Putting Things Right**

When a complaint is upheld, the Council will acknowledge things have gone wrong and set out the actions it has already taken or intends to take to put things right. These may include:

- Acknowledging where things have gone wrong;
- Providing an explanation, assistance or reasons;
- Making an apology;
- Taking action if there has been a delay;
- Reconsidering or changing a decision;
- Amending a record;
- Providing a financial remedy/compensation;
- Reviewing policies, procedures or practices.

The Council will set out what will happen and by when, in agreement with the resident and will be followed through to completion. In regard to compensation, the Council will consider if any statutory payments are due, if any quantifiable losses have been incurred, the time and trouble a Resident has been put to as well as any distress and inconvenience caused will be taken into consideration.

## **13. Unreasonable Behaviour and Vexatious Complaints**

The Council recognises the need to respond to complaints. We are committed to dealing with all complaints fairly and impartially, and to making our service as accessible as possible. Due to the nature or frequency of their contact with the Council, a minority of Residents behave unreasonably and hinder the consideration of their own, or other Residents', cases and the general work of the Council.

The Feedback Policy provides a definition of when a customer's behaviour may be considered unreasonable or vexatious. The Council's approach in this area is to align with the published guidance on unreasonable behaviour from the Local Government Ombudsman, as the external body where customers may ultimately take escalated complaints for review: single incidents may be unacceptable, but more often the difficulty is caused by unreasonably persistent behaviour that is time consuming to manage and/or interferes with proper consideration and conclusion of the complaint. Behaviour may be considered unreasonable or vexatious when a customer is:



- Refusing to specify the grounds of a complaint, despite offers of help.
- Refusing to cooperate with the complaint investigation process.
- Refusing to accept that certain issues are not within the scope of a complaints procedure.
- Insisting on the complaint being dealt with in ways which are incompatible with the adopted complaints procedure or with good practice.
- Making unjustified complaints about staff who are trying to deal with the issues and seeking to have them replaced.
- Changing the basis of the complaint as the investigation proceeds.
- Denying or changing statements made at an earlier stage.
- Introducing trivial or irrelevant new information at a later stage.
- Raising many detailed but unimportant questions, and insisting they are all answered.
- Submitting falsified documents from themselves or others.
- Adopting a 'scatter gun' approach: pursuing parallel complaints on the same issue with various council departments.
- Making excessive demands on the time and resources of staff with lengthy phone calls, emails to numerous council staff, or detailed letters every few days, and expecting immediate responses.
- Submitting repeat complaints with minor additions/variations the Resident insists make these 'new' complaints.
- Refusing to accept the decision; repeatedly arguing points with no new evidence.
- Harassing or been personally abusive or verbally aggressive on more than one occasion towards staff dealing with the customer or complaint. Staff will document all instances of harassment, abuse, or verbally aggressive behaviour.
- Threatening or using physical violence towards staff at any time – this will, in itself, cause personal contact with the Resident and/or their representatives to be discontinued and the contact will, thereafter, only be continued through written communication. All such incidences will be documented.
- Recording meetings or face to face/telephone conversations without the prior knowledge and consent of other parties involved.

If a member of the Management Team considers that a person has habitually, persistently and without reasonable grounds, behaved unreasonably or vexatiously in accordance with the policy criteria, the matter will be referred to the Monitoring Officer. The Monitoring Officer will investigate the referral, and if the Monitoring Officer considers that reasonable grounds for the referral exist, they will arrange for the customer's behaviour to be investigated in accordance with the procedure detailed below. In exceptional circumstances, immediate action may be taken without following the procedure. The Monitoring Officer will write to the customer informing them that their behaviour is being investigated in accordance with this policy. Following the investigation, the Monitoring Officer will write to the person concerned informing them of the outcome. If the customer's behaviour is considered unreasonable or vexatious, the Council will:

- Identify the Council's concerns regarding the behaviour and/or number and/or nature of the complaints they have been making,

- That consideration is being given to restricting the customers contact with the Council or use of the Council's complaints procedure, and/or other alternative courses that the council could follow, e.g. allowing the Resident to contact only one nominated officer in the future; and
- Giving them the opportunity to make representations in writing. If, having considered any representations received, the Monitoring Officer is satisfied that unreasonable or vexatious behaviour has been substantiated, they will inform the person of this, and that any or some of the following actions may be applied:
  - Their use of the Council's complaints system will be limited to a single point of contact,
  - Such contact shall be restricted to letter only,
  - The Council will not respond to any further contact,
  - Their license to enter Council premises will be restricted or removed. The Monitoring Officer will inform the person of when this decision will be reviewed and of their right to complain to the Ombudsman.

#### **14. Equalities and Diversity Monitoring**

Equality monitoring is the collection of information about the characteristics of people such as their age, disability, sex, ethnicity, sexual orientation, religion or belief. Having this kind of information about customers helps the Council to make sure services are delivered fairly to everyone.

#### **15. Data Protection and Confidentiality**

We collect, hold and process information in accordance with the requirements of the UK General Data Protection Regulation and the Data Protection Act 2018. We will ensure the Data Protection principles are adhered to and all personal information provided as part of a complaint will be kept in line with our retention policy and only shared with other Council departments or contractors where it is necessary to do so.

All complaints are treated in confidence and are covered by the Council's privacy notice. We have a culture of learning from and welcome all feedback. Providing feedback about a service or an individual will not impact the service you expect to receive in the future.

|                        |   |
|------------------------|---|
| <b>Document author</b> | Sofia Ali- Head of Legal Services                     |
| <b>Document owner</b>  | Sofia Ali- Head of Legal Services                     |
| <b>Legal advice</b>    | Yes   |
| <b>Consultation</b>    | NA  |
| <b>Approved by</b>     | [Insert Board or Committee approval date if relevant] |
| <b>Review Date</b>     | [Insert review date]                                  |

|                            |     |
|----------------------------|-----|
| <b>Equality Assessment</b> | NA  |
| <b>Key changes made</b>    | New |

**Agenda Item No 8**

**Executive Board**

**25 November 2024**

**Report of the  
Interim Corporate Director -Resources  
(Section 151 Officer)**

**Draft Financial Statements 2021/22  
& 2022/23**

**1 Summary**

- 1.1 The Financial Statements for 2021/22 and 2022/23 have been completed and published. This report highlights the position on the General Fund and Housing Revenue Account, compared with the estimated position previously reported.
- 1.2 The accounts for these years have not been presented to members previously due to the uncertainty with regard to backlog audits. As reported to members of this board in September 2024, we were waiting for clarification from our external auditors Ernst & Young as to whether either year would be audited. This has been clarified and the external auditors will be disclaiming the Accounts for 2021/22 and 2022/23 to meet the backstop deadline 13 December 2024, this is a separate report on this agenda.

**Recommendation to the Board**  
**That the financial statements for 2021/22 and 2022/23 be approved.**

**2 Introduction**

- 2.1 The publication of the Financial Statements is a statutory requirement, with a statutory timetable. This Council has not met the statutory deadlines for publishing the accounts or completion of the audit for several years, due to delays in previous years preparation of the annual accounts and then resourcing the audit.

| Financial Year | Draft Statement of Accounts Published   | Backstop Date    | Date of Audit                                      |
|----------------|---|------------------|--|
| 2021-22        | 3 July 2024 (deadline 31 July 2022)     | 13 December 2024 | EY will disclaim the accounts see separate report. |
| 2022-23        | 4 September 2024 (deadline 31 May 2023) | 13 December 2024 | EY will disclaim the accounts see separate report. |
| 2023-24        | Work in progress (deadline 31 May 2024) | 28 February 2025 | Provisional start date 25 November 2024            |

- 2.2 The Council's external auditors have advised that as a result of the system wide implementation of backstop dates they expect to disclaim the opinion on the Authority's 2021/22 and 2022/23 financial statements, attached at Appendix A & B.

### 3 **2021/22 Activity**

- 3.1 The financial statements for 2021/22 have been prepared and were published on 3 July 2024. They are attached as Appendix A.

#### 3.2 **General Fund Revenue Account**

- 3.2.1 The original budget for the General Fund set in February 2021 anticipated a use of balances of £569,200. A revised budget was approved in February 2022, which anticipated an increased use of balances of £666,610. The main reasons for the increased use of balances were detailed in the 'General Fund Revenue Estimates 2021/22 and Setting the Council Tax 2021/22' report to Executive Board in February 2021. They included: increased Refuse and Recycling costs, deferral of debt recovery action during the pandemic, cost of Borough Care from April to June 2021 and vacancy savings above the assumed vacancy factor. These costs were only partly offset by the reduction in borrowing for capital schemes not required in the year.

- 3.2.2 The actual position on the General Fund at the end of the financial year was better than expected in the revised estimate, with £395,239 being used from balances. This was due to additional Green Bin income, one off grants on Local Land Charges and Council Tax Benefit administration, increased Planning fee income, reduced staffing costs, decreased spend on the Local Development Framework, lower than expected recovery of Housing Benefit and Rent Allowance overpayments and a reduction in legal costs income with the suspension of recovery action on Council Tax and NNDR debt.

- 3.2.3 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.

#### 3.3 **Housing Revenue Account (HRA)**

- 3.3.1 The original budget for the HRA set in February 2021 anticipated a deficit in the year of £3,087,140. This was revised in the budget approved in January 2022, which anticipated a deficit of £3,055,830. The reasons for this change were detailed in the HRA estimate report taken to Resources Board, with the main changes being an increase in the amount of allowable debt to be set aside as the average prices from assumed Right To Buy receipts has increased, which has enabled a reduction in the revenue contribution to capital spending. This was partially offset by a higher number and time duration of void council properties under repair for which we were liable to pay the Council Tax and an

increase in the recharge to the Housing Revenue Account for External Audit fees.

3.3.2 The actual position on the HRA was a lower deficit than expected in the revised budget, with a decreased deficit of £3,008,049 improving the balances from the position in the revised budget.

3.3.3 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 £1,448,235, which is available for the coming year.

#### 4 **2022/23 Activity**

4.1 The financial statements for 2022/23 have been prepared and were published 4 September 2024. They are attached as Appendix B.

#### 4.2 **General Fund Revenue Account**

4.2.1 The original budget for the General Fund set in February 2022 anticipated a use of balances of £277,670. A revised budget was approved in February 2023, which anticipated a contribution to balances of £136,590. The main reasons for the decreased use of balances were detailed in the 'General Fund Revenue Estimates 2022/23 and Setting the Council Tax 2022/23' report to Executive Board. They included increased investment income, vacancy savings above the vacancy factor assumed, borrowing for capital schemes not required in year and the use of earmarked reserves. These were partially offset by increased waste collection costs, unbudgeted cost of the pay award, a reduction in income and increased costs at the Leisure Facilities and reduced legal cost income from debt recovery action / reduced recovery of Housing Benefit overpayments.

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 £213,794 being added to balances. This was due to some improvement in Planning income, no spend on the contingency budget, lower spend on the Local development Framework, increased investment income 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 2022 anticipated a deficit in the year of £24,450. This was revised in the budget approved in January 2023, which anticipated a deficit of £532,100. The reasons for this change were

detailed in the HRA estimate report taken to Resources Board, with the main changes being additional revenue funding and additional borrowing to support the capital programme as some large projects are needed to blocks of flats. This has been partially offset by a reduction in the level of set aside for bad debts and increased investment income through increased interest rates.

- 4.3.2 The actual position on the HRA was better than expected in the revised budget, with a contribution of £213,944 increasing balances from the position 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 £1,193,771, 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 2021/22 and 2022/23 impacts upon future years. The General Fund is better than predicted when setting the budget and this will assist with the significant cost pressures.
- 5.1.2 The starting position on the Housing Revenue Account is slightly worse than predicted when setting the 2022/23 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 both years. 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 Medium-Term Financial Strategy, as well as continual assessment, monitoring and reporting of any new financial impact affecting the Council.

The Contact Officer for this report is Alison Turner (719374).

## Background Papers

Local Government Act 1972 Section 100D

| <b>Background Paper No</b> | <b>Author</b> | <b>Nature of Background Paper</b>                       | <b>Date</b>  |
|----------------------------|---------------|---|--------------|
| Executive Board            | Alison Turner | Update on External Audit Backlog                        | Sept 2024    |
| Executive Board            | Sue Garner    | General Fund Budget and Setting the Council Tax 2022/23 | Feb 2022     |
| Resources Board            | Nigel Lane    | Housing Revenue Account Estimates 2022/23               | January 2022 |



# NORTH WARWICKSHIRE BOROUGH COUNCIL

## FINANCIAL STATEMENTS

### 2021/22

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We would welcome any comments or suggestions you have about this publication. Please contact Alison Turner, Interim Corporate Director – Resources (Section 151 Officer).

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# **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 8,670 residents to Seckington with just 59. 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 **65,452**, with White British the major ethnic group
- **£47.6 million** of business rates are collected annually - only £1.9 million of this is kept by the Council
- Council tax of **£44.5 million** is collected annually - only £4.6 million of this is kept by the Council
- We have **27** play areas and **10** sports pitches
- A recycling rate of **48%**
- We dealt with **907** planning applications in 2021/22
- We manage and maintain **2,594** council houses
- We issued **722** licences
- There are **71** industrial units available for small businesses
- We run **2** leisure centres and **1** swimming pool
- Refuse is collected from **28,999** domestic properties and **425** 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 new agreed Vision Statement for the period covering 2021-2023 is:

### **Vision**

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

### **Values**

Service provider, enabler, point of contact, champion of North Warwickshire

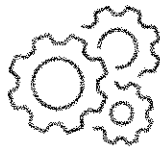
### **Priorities and Objectives**

# Priorities:

---

## Efficient organisation:

- Finances
- Lean
- Responsive



## Safe, Liveable, Locally Focussed communities:

- Feeling safe
- Place based enforcement
- Quality of life



## Prosperous and healthy:

- Jobs
- Infrastructure
- Connectivity
- Health



## Sustainable growth, protected rurality:

- Vibrant growth
- Sense of place
- Recognisably home



In addition, the Council will adopt two cross cutting Strategies – our COVID 19 Recovery Plan and our Climate Change Strategy.

These priorities and how we will achieve them and how we will measure the success are detailed in the full document available on our web site.

## Governance Arrangements

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

## What's next?

We propose over the coming year to address a number of matters to further enhance our governance arrangements. These include:

- A review of the Financial Regulations;
- Further work on compliance with the Financial Management Code;
- Continuing to progress workforce planning;
- The continued use of virtual meetings where appropriate and efficient;
- Increased reporting to Resources Board on risk management;

- A review of the revised corporate plan and performance indicators;
- Replacement of four key computer systems to improve functionality and also maintain security compliance.

### Resident / Satisfaction Surveys

The Council operates a complaints and compliments process. During 2021/22, 58 complaints and 52 compliments were received. This compared to 37 complaints and 71 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. In addition, the Covid-19 pandemic impacted throughout 2021/22 following the Government's national lockdown which commenced on 23 March 2020.

Additional spending has been needed to maintain key services, whilst service income has reduced significantly in areas such as leisure services. Whilst some government support has been received towards the additional costs, our financial position has worsened. It is still difficult to quantify the full impact of Covid-19 going forward.

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, to ensure that we maintain enough general reserves in case we are faced with unexpected expenditure. The effects of the pandemic will undoubtedly add to the pressures on our base budget position.

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 2021/22

#### 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 £8.969 million after allowing for expected income generated by services. The table below shows the actual spending against our plans.

|                         | Planned Spending<br>£000 | Actual Spending<br>£000 |
|-------------------------|--------------------------|-------------------------|
| Community & Environment | 6,211                    | 5,846                   |
| Executive Services      | 749                      | 627                     |
| Planning & Development  | 285                      | 188                     |
| Licensing               | 42                       | 37                      |
| Resources               | 1,677                    | 1,774                   |
| Contingencies           | 5                        | 0                       |
| <b>Total Spending</b>   | <b>8,969</b>             | <b>8,472</b>            |

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

|                                   | Expected Funding<br>£000 | Actual Funding<br>£000 |
|-----------------------------------|--------------------------|------------------------|
| Council Tax                       | 4,570                    | 4,570                  |
| New Homes Bonus                   | 578                      | 578                    |
| Lower Tier / Covid Support Grants | 441                      | 441                    |
| Business Rates                    | 2,431                    | 2,422                  |
| Interest on Balances              | 80                       | 66                     |
| Use of Balances                   | 869                      | 395                    |
| <b>Total Funding</b>              | <b>8,969</b>             | <b>8,472</b>           |

The main changes from the planned budget relate to:

- There has been a decrease in Refuse and Recycling costs, due to additional green bin service income, lower than expected recycling disposal costs and addition Trade Refuse service income;
- One off grant on Local land Charges and Council Tax Benefit Administration.
- There has been an increase in Planning Fee income and reductions in the professional fees spend;
- 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 spending on the Local Development Framework during the year;
- Lower than expected recovery of Housing Benefits and Rent Allowance overpayments and;
- A reduction in legal cost income with the suspension of recovery action on Council Tax and NNDR debt.

### ***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<br>£000 | Actual Spending<br>£000 |
|--|--------------------------|-------------------------|
| Management Services                                      | 2,073                    | 2,016                   |
| Repair Services  | 3,361                    | 3,367                   |
| Cost of Borrowing  | 3,709                    | 3,709                   |
| Capital spending on properties                           | 5,887                    | 6,045                   |
| Provision for Bad Debts                                  | 233                      | 56                      |
| Income set aside in general balances for future spending | -                        | -                       |
| <b>Total Spending</b>                                    | <b>15,263</b>            | <b>15,193</b>           |

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<br>£000 | Actual Funding<br>£000 |
|---|--------------------------|------------------------|
| Rents from housing, garages and shops                   | 12,055                   | 12,045                 |
| Service charges   | 109                      | 112                    |
| Interest on Balances                                    | 12                       | 28                     |
| Income from general balance set aside in previous years | 3,087                    | 3,008                  |
| <b>Total Funding</b>                                    | <b>15,263</b>            | <b>15,193</b>          |

The main changes from the planned budget relate to:

- 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 a delay in the hand-over of new build properties in Warton;  
and
- Higher interest earned on balances held by the Housing Revenue Account.

### **Revenue Reserves**

At the end of the year our total revenue reserves amounted to £25.246 million. These are shown below:

|   | General Fund<br>£000 | HRA<br>£000  |
|---|----------------------|--------------|
| General balances – held for unexpected future events                | 2,096                | 653          |
| Capital reserves – held for spending on assets with a lasting value | 6,423                | 2,541        |
| Earmarked reserves –held for specific purposes or activities        | 11,997               | 1,536        |
| <b>Total</b>  | <b>20,516</b>        | <b>4,730</b> |

### **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 2021/22 capital programme shown below includes schemes from 2020/21 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 2022/23.

|  | Capital Programme | Spending in 2021/22 | 2021/22 Commitments to Be Paid in 2022/23 |
|--|-------------------|---------------------|---|
|  | £000              | £000                | £000                                      |
| Council Housing – existing stock               | 9,032             | 6,620               | 1,595                                     |
| Council Housing – new build                    | 4,085             | 3,436               | 835                                       |
| General Fund – Materials Recycling Facility    | 2,666             | 1,089               | 1,533                                     |
| General Fund vehicles                          | 66                | 25                  | -   |
| General Fund - IT and equipment                | 518               | 330                 | 32  |
| General Fund buildings                         | 138               | 103                 | -   |
| General Fund play areas and recreation grounds | 191               | 76                  | 114                                       |
| Private sector housing                         | 20                | 795                 | -   |
| <b>Total Spending</b>                          | <b>16,716</b>     | <b>12,474</b>       | <b>4,109</b>                              |

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 2021/22. The remaining funding used in 2021/22 came from reserves earmarked for capital and revenue funding.

### **Collection Fund**

We collected business rates of £47.6 million from businesses within our area in 2021/22, 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 £4.318 million. As at the 31 March 2022, we had 2 appeals (4 appeals 2021) outstanding from the 2010 valuation, and 141 appeals (187 appeals 2021) 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 decreased by £11.539 million in the year.

The pension fund is valued fully every three years. The last full valuation took place as at March 2022 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 2025 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 2021<br>£000 | 31 March 2022<br>£000 |
|--|-----------------------|-----------------------|
| Non current assets   | 197,693               | 221,866               |
| Net current assets – debtors, stock and cash less short term liabilities | 17,485                | 18,597                |
| Long term liabilities and provisions                                     | (81,323)              | (67,524)              |
| <b>Net assets</b>  | <b>133,855</b>        | <b>172,939</b>        |
| Represented by: Useable reserves   | 33,229                | 34,753                |
| Represented by: Unusable reserves  | 100,626               | 138,186               |

Although we sold 25 properties under the Right to Buy legislation and purchased 20 properties within the New Build Scheme, there was an increase in non-current assets due to changes in the value of council dwellings.

### ***Financial Challenges in 2022/23***

The Medium-Term Financial Strategy was updated during the year. The government previously stated its intention to hold a new Spending Review in 2019, which was initially postponed to 2020 due to the political turbulence around Brexit. The Spending Review did not progress as expected due to the Coronavirus pandemic and one-year reviews have been used instead of multi-year settlements.

Savings targets within the Strategy were also updated to reflect the expected funding and spending pressures, including the Coronavirus pandemic. The reductions needed for 2022/23 were identified before the year started and included within the approved budget, with a target of £1.9 million to be found in 2022/23 ready for inclusion within the 2023/24 budget.

The latest revision of the HRA Business Plan anticipates a surplus of £89.6 million at the end of the 30 years, after capital spending on existing properties and new build of £191 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. In order 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 352 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 46.3%, Female 53.7%

Age: 24 and under 8.0%, 25-34 12.5%, 35-49 29.5%, 50-64 47.2%, 65 and over 2.8%

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 October 2020 and identified no major concerns in relation to the Council's approach.



The top risks from our 2021/22 risk register are shown below:

*Strategic*

| <b>Risk</b>  | <b>Impact</b>                                     | <b>Mitigation</b>   |
|--|---|---|
| Health impact of Coronavirus   | Greater demand for / pressure on Council services | Targeted use of Community Development to maximise available resources and work with partners, such as Public Health England |
| 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                          |
| 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                 |

*Operational*

| <b>Risk</b>   | <b>Impact</b>  | <b>Mitigation</b>   |
|---|--|---|
| 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.  |
| Increase in Council Tax Support caseload                    | Overspend of budget requiring drawing from reserves  | Financial Inclusion measures to help people get back to work and mitigate effects of unemployment on the Borough  |
| 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.               |

**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 2022. 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 2021/22, 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 electoral 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.

**Alison Turner** CPFA

Interim Corporate Director – Resources (section 151 Officer), 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 Interim Corporate Director – Resources (Section 151 Officer).
- 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 Interim Corporate Director – Resources (Section 151 Officer) 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 2021/22 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 2022.

All known material events that have occurred up to and including this date, which relate to 2021/22 or before have been reflected in the accounts.

Signed:  .....

Date: 31.5.2024 .....

Alison Turner CPFA, Interim Corporate Director – Resources (Section 151 Officer)

## 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 | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants / Contis Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|----------------------|---------------------------------|-------------------------|------------------------|--------------------------|-----------------------|-----------------------------------|-----------------------|-------------------|------------------------|
|   | £000                 | £000                            | £000                    | £000                   | £000                     | £000                  | £000                              | £000                  | £000              | £000                   |
| <b>Balance at 1 April 2020</b>  | <b>2,853</b>         | <b>6,995</b>                    | <b>4,733</b>            | <b>4,080</b>           | <b>5,174</b>             | <b>1,536</b>          | <b>592</b>                        | <b>25,963</b>         | <b>93,151</b>     | <b>119,114</b>         |
| <u>Movement in reserves during 2020/21</u>  |                      |                                 |                         |                        |                          |                       |                                   |                       |                   |                        |
| Total Comprehensive Income and Expenditure  | (5,094)              | -                               | 8,203                   | -                      | -                        | -                     | -                                 | 3,109                 | 11,632            | 14,741                 |
| Adjustments between accounting basis and funding basis under regulations (note 5) | 15,736               | -                               | (7,030)                 | -                      | (1,453)                  | -                     | -                                 | 7,253                 | (7,253)           | -                      |
| <b>Net increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>10,642</b>        | <b>-</b>                        | <b>1,173</b>            | <b>-</b>               | <b>(1,453)</b>           | <b>-</b>              | <b>-</b>                          | <b>10,362</b>         | <b>4,379</b>      | <b>14,741</b>          |
| Transfers to/from Earmarked Reserves (note 6)                                     | (11,004)             | 9,615                           | (2,245)                 | (83)                   | 177                      | -                     | 444                               | (3,096)               | 3,096             | -                      |
| <b>Increase/(Decrease) in 2020/21</b>   | <b>(362)</b>         | <b>9,615</b>                    | <b>(1,072)</b>          | <b>(83)</b>            | <b>(1,276)</b>           | <b>-</b>              | <b>444</b>                        | <b>7,266</b>          | <b>7,475</b>      | <b>14,741</b>          |
| <b>Balance at 31 March 2021 carried forward</b>                                   | <b>2,491</b>         | <b>16,610</b>                   | <b>3,661</b>            | <b>3,997</b>           | <b>3,898</b>             | <b>1,536</b>          | <b>1,036</b>                      | <b>33,229</b>         | <b>100,626</b>    | <b>133,855</b>         |
| <b>Balance at 1 April 2021</b>  | <b>2,491</b>         | <b>16,610</b>                   | <b>3,661</b>            | <b>3,997</b>           | <b>3,898</b>             | <b>1,536</b>          | <b>1,036</b>                      | <b>33,229</b>         | <b>100,626</b>    | <b>133,855</b>         |
| <u>Movement in reserves during 2021/22</u>  |                      |                                 |                         |                        |                          |                       |                                   |                       |                   |                        |
| Total Comprehensive Income and Expenditure  | 15,921               | -                               | 4,449                   | -                      | -                        | -                     | -                                 | 20,370                | 18,714            | 39,084                 |
| Adjustments between accounting basis and funding basis under regulations (note 5) | (8,170)              | 16                              | (3,353)                 | -                      | 802                      | -                     | (436)                             | (11,141)              | 11,141            | -                      |
| <b>Net increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>7,751</b>         | <b>16</b>                       | <b>1,096</b>            | <b>-</b>               | <b>802</b>               | <b>-</b>              | <b>(436)</b>                      | <b>9,229</b>          | <b>29,855</b>     | <b>39,084</b>          |
| Transfers to/from Earmarked Reserves (note 6)                                     | (8,146)              | 5,500                           | (4,104)                 | (1,455)                | 22                       | -                     | 478                               | (7,705)               | 7,705             | -                      |
| <b>(Decrease)/ Increase in Year</b>   | <b>(395)</b>         | <b>5,516</b>                    | <b>(3,008)</b>          | <b>(1,455)</b>         | <b>824</b>               | <b>-</b>              | <b>42</b>                         | <b>1,524</b>          | <b>37,560</b>     | <b>39,084</b>          |
| <b>Balance at 31 March 2022 carried forward</b>                                   | <b>2,096</b>         | <b>22,126</b>                   | <b>653</b>              | <b>2,542</b>           | <b>4,722</b>             | <b>1,536</b>          | <b>1,078</b>                      | <b>34,753</b>         | <b>138,186</b>    | <b>172,939</b>         |

# North Warwickshire Borough Council

## Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2022

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).

| 2020/21           | 2020/21         | 2020/21         |   | 2021/22           | 2021/22         | 2021/22         |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |   | Gross Expenditure | Gross Income    | Net Expenditure |
| £000              | £000            | £000            |   | £000              | £000            | £000            |
| 665               | (6)             | 659             | Executive Board   | 742               | (10)            | 732             |
| 10,516            | (3,020)         | 7,496           | Community and Environment Board   | 11,411            | (3,386)         | 8,025           |
| 1,333             | (993)           | 340             | Planning and Development Board  | 1,653             | (1,433)         | 220             |
| 142               | (87)            | 55              | Licensing Committee   | 150               | (98)            | 52              |
| 21,948            | (22,210)        | (262)           | Resources Board – Services  | 16,268            | (18,165)        | (1,897)         |
| 417               | (934)           | (517)           | Resources Board – Recharged Services  | 1,235             | (943)           | 292             |
| 13,416            | (14,288)        | (872)           | Resources Board – Housing Revenue Account   | 15,799            | (16,350)        | (551)           |
| <b>48,437</b>     | <b>(41,538)</b> | <b>6,899</b>    | <b>COST OF SERVICES</b>   | <b>47,258</b>     | <b>(40,385)</b> | <b>6,873</b>    |
| 1,395             | (166)           | 1,229           | Other Operating expenditure (Note 7)  | 1,837             | -               | 1,837           |
| 1,611             | (2,280)         | (669)           | Financing and investment income and expenditure (Note 8)  | 2,843             | (2,189)         | 654             |
| 10,223            | (21,774)        | (11,551)        | Taxation and non-specific grant income (Note 9)   | 9,494             | (20,475)        | (10,981)        |
| <b>61,666</b>     | <b>(65,758)</b> | <b>(4,092)</b>  | <b>Deficit /(Surplus) on Provision of Services</b>  | <b>61,432</b>     | <b>(63,049)</b> | <b>(1,617)</b>  |
| -                 | (7,198)         | (7,198)         | Surplus or Deficit on revaluation of Property, Plant and Equipment (note 10)                                      | -                 | (4,612)         | (4,612)         |
| -                 | -               | -               | Surplus or Deficit on revaluation of Available for Sale Financial Assets (Note 14 and 23)                         | -                 | -               | -               |
| -                 | (53)            | (53)            | Surplus or Deficit on financial assets measured at fair value through other comprehensive income (Note 14 and 23) | 99                | -               | 99              |
| 8,234             | -               | 8,234           | Remeasurement of the net defined benefit pension liabilities/ (assets) (Note 39)                                  | -                 | (14,241)        | (14,241)        |
| <b>8,234</b>      | <b>(7,251)</b>  | <b>983</b>      | <b>Other Comprehensive Income and Expenditure</b>   | <b>99</b>         | <b>(18,853)</b> | <b>(18,754)</b> |
| <b>69,900</b>     | <b>(73,009)</b> | <b>(3,109)</b>  | <b>Total Comprehensive Income and Expenditure</b>   | <b>61,531</b>     | <b>(81,902)</b> | <b>(20,371)</b> |

# North Warwickshire Borough Council

## Balance Sheet as at 31 March 2022

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<br>2021<br>£000 |                               | Note  | 31 March<br>2022<br>£000 |
|--------------------------|-------------------------------|-------|--------------------------|
| 188,331                  | Property, Plant and Equipment | 10    | 212,596                  |
| 829                      | Heritage Assets               | 11    | 986                      |
| 8,314                    | Investment Property           | 12    | 8,106                    |
| 219                      | Intangible Assets             | 13    | 178                      |
| -                        | Long Term Debtors             | 14    | -                        |
| <b>197,693</b>           | <b>LONG TERM ASSETS</b>       |       | <b>221,866</b>           |
| 16,515                   | Short Term Investments        | 14/40 | 28,582                   |
| -                        | Assets held for Sale          | 19    | -                        |
| 48                       | Inventories                   | 15    | 64                       |
| 5,044                    | Short Term Debtors            | 14/17 | 5,896                    |
| 14,939                   | Cash and Cash Equivalents     | 18    | 4,956                    |
| <b>36,546</b>            | <b>CURRENT ASSETS</b>         |       | <b>39,498</b>            |
| (2,310)                  | Provisions                    | 21    | (1,727)                  |
| -                        | Short Term Temporary Loans    | 40    | (2,000)                  |
| (2,250)                  | Short term PWLB Loans         | 40    | (2,260)                  |
| (14,501)                 | Short Term Creditors          | 14/20 | (14,914)                 |
| <b>(19,061)</b>          | <b>CURRENT LIABILITIES</b>    |       | <b>(20,901)</b>          |
| (44,239)                 | Long Term PWLB Loans          | 40    | (41,979)                 |
| (37,084)                 | Pension Fund Liabilities      | 39    | (25,545)                 |
| <b>(81,323)</b>          | <b>LONG TERM LIABILITIES</b>  |       | <b>(67,524)</b>          |
| <b>133,855</b>           | <b>NET ASSETS</b>             |       | <b>172,939</b>           |
| 33,229                   | Usable Reserves               | 22    | 34,753                   |
| 100,626                  | Unusable Reserves             | 23    | 138,186                  |
| <b>133,855</b>           | <b>TOTAL RESERVES</b>         |       | <b>172,939</b>           |

Signed 

Date 31.5.2024

Alison Turner CPFA, Interim Corporate Director – Resources (Section 151 Officer)

## North Warwickshire Borough Council

### Cash Flow Statement for the Year Ended 31 March 2022

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.

| <b>2020/21<br/>£000</b> |   | <b>2021/22<br/>£000</b> |
|-------------------------|---|-------------------------|
| (4,092)                 | Net deficit or (surplus) on the provision of services   | (1,617)                 |
| 5,187                   | Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)   | (1,534)                 |
| (155)                   | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24) | (744)                   |
| 940                     | Net cash flows from Operating Activities  | (3,895)                 |
| 3,745                   | Investing Activities (Note 25)  | 6,061                   |
| (12,578)                | Financing Activities (Note 26)  | 7,817                   |
| (7,893)                 | Net Increase or decrease in cash and cash equivalents   | 9,983                   |
| (7,046)                 | Cash and Cash Equivalents at the beginning of the reporting year  | (14,939)                |
| <b>(14,939)</b>         | <b>Cash and Cash Equivalents at the end of the reporting year (Note 18)</b>   | <b>(4,956)</b>          |

## 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 2021/22, are as follows:

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

It is not expected that any of the amendments will have a material impact on the Council's financial statements.

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

### 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.

The Council faces significant cost pressures including inflation, increasing demand for services and new burdens. These cost pressures have been exacerbated by the Covid-19 pandemic, both in the Council's response to the crisis and the fall in income as a result of the economic situation. The Council has a control environment that will help to manage risks inherent in its budgets for future years, including a robust approach to financial planning and regular reporting to members and senior officers.

### 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 2022 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 £87,655.54 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 £20.720 million. A 1% increase in the salary increase would result in an increase in the pension liability of £2.900 million and a 1% increase in the Pension (CPI) increase would result in an increase in the pension liability of £17.650 million.</p> <p>However, the assumptions interact in complex ways. During 2021/22, the Council's actuaries advised that the net pension's liability had increased by £8.852 million attributable to updating the assumptions.</p> |

|                          |   |   |
|--------------------------|---|---|
| Provisions – NDR Appeals | Local Authorities are liable for successful appeals against business rates charged to businesses in 2021/22 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 2022. 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 2022. The Council's share of the balance of business rate appeals provisions at this date amounted to £1.727m this has decreased by £0.582m from the previous year. | If successful appeals increased by 10%, this would require an additional £431,865. This Council's share would be £172,746 to be set aside as a provision. |
|--------------------------|---|---|

| Item    | Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|---------|---|---|
| Arrears | <p>At 31 March 2022, we had a balance of sundry debtors of £259,494, whilst our share of council tax and NDR arrears amounted to £1,851,854.</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"> <li>- sundry debtors 11.56% (£41,555)</li> <li>- council tax 21.22% (£131,798)</li> <li>- NDR 47.09% (£579,591).</li> </ul> <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 £752,944 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 £4.254 million went to the Housing Revenue Account. There were also some small losses on other properties across the Borough, of £0.013 million.

##### 4a. 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 period and the date when the Final Statement of Accounts is authorised for issue in May 2024. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Financial Statements 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 final authorisation for issue in May 2024 are not reflected in the Financial Statements or notes.

## **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.

| 2021/22  | Usable Reserves      |                         |                          |                       |                   |                          |                   |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------|--------------------------|-------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Earmarked Reserve | Capital Grants Unapplied | Unusable Reserves |
|  | £000                 | £000                    | £000                     | £000                  | £000              | £000                     | £000              |
| <b>Adjustments to Revenue Resources</b>  |                      |                         |                          |                       |                   |                          |                   |
| 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)  | 12,033               | (494)                   | -                        | -                     | -                 | -                        | (11,539)          |
| • Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)  | (559)                | -                       | -                        | -                     | -                 | -                        | 559               |
| • Holiday pay (transferred to the Accumulated Absences Account)  | 42                   | 8                       | -                        | -                     | -                 | -                        | (50)              |
| • Financial Instruments (transferred to the Financial Instruments Revaluation Reserve)   | (99)                 | -                       | -                        | -                     | -                 | -                        | 99                |
| • 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)                 | (3,272)              | 1,796                   | -                        | -                     | -                 | 436                      | 1,040             |
| <b>Total Adjustments to Revenue Resources</b>  | <b>8,145</b>         | <b>1,310</b>            | <b>-</b>                 | <b>-</b>              | <b>-</b>          | <b>436</b>               | <b>(9,891)</b>    |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                         |                          |                       |                   |                          |                   |
| Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve   | 3                    | 2,053                   | (2,040)                  | -                     | (16)              | -                        | -                 |
| 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)  | (354)                | -                       | 354                      | -                     | -                 | -                        | -                 |
| Posting of HRA resources from revenue to the Major Repairs Reserve   | -                    | -                       | -                        | (3,288)               | -                 | -                        | 3,288             |
| Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 376                  | -                       | -                        | -                     | -                 | -                        | (376)             |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | -                    | -                       | -                        | -                     | -                 | -                        | -                 |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>25</b>            | <b>2,043</b>            | <b>(1,676)</b>           | <b>(3,288)</b>        | <b>(16)</b>       | <b>-</b>                 | <b>2,912</b>      |
| <b>Adjustments to Capital Resources</b>  |                      |                         |                          |                       |                   |                          |                   |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                       | 874                      | -                     | -                 | -                        | (874)             |
| Use of the Major Repairs Reserve to finance capital expenditure  | -                    | -                       | -                        | 3,288                 | -                 | -                        | (3,288)           |
| Application of capital grants to finance capital expenditure   | -                    | -                       | -                        | -                     | -                 | -                        | -                 |
| <b>Total Adjustments to Capital Resources</b>  | <b>-</b>             | <b>-</b>                | <b>874</b>               | <b>3,288</b>          | <b>-</b>          | <b>-</b>                 | <b>(4,162)</b>    |
| <b>Total Adjustments</b>   | <b>8,170</b>         | <b>3,353</b>            | <b>(802)</b>             | <b>-</b>              | <b>(16)</b>       | <b>436</b>               | <b>(11,141)</b>   |

| 2020/21  | 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              |
| <b>Adjustments to Revenue Resources</b>  |                      |                         |                          |                       |                          |                   |
| 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)  | (9,510)              | (197)                   | -                        | -                     | -                        | 9,707             |
| • Council tax and NDR (transfers to or from the collection Fund)   | (5,785)              | -                       | -                        | -                     | -                        | 5,785             |
| • Holiday pay (transferred to the Accumulated Absences Account)  | (25)                 | (20)                    | -                        | -                     | -                        | 45                |
| • Financial Instruments (transferred to the Available for sale Financial Instruments)  | 53                   | -                       | -                        | -                     | -                        | (53)              |
| • 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)                 | (577)                | 5,976                   | -                        | -                     | -                        | (5,399)           |
| <b>Total Adjustments to Revenue Resources</b>  | <b>(15,844)</b>      | <b>5,759</b>            | <b>-</b>                 | <b>-</b>              | <b>-</b>                 | <b>10,085</b>     |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                         |                          |                       |                          |                   |
| Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve   | 37                   | 1,278                   | (1,278)                  | -                     | -                        | (37)              |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)   | -                    | (7)                     | 7                        | -                     | -                        | -                 |
| 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   | -                    | -                       | -                        | (2,952)               | -                        | 2,952             |
| Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 392                  | -                       | -                        | -                     | -                        | (392)             |
| Capital expenditure financed from revenue balances (transfer to the -Capital Adjustment Account)   | -                    | -                       | -                        | -                     | -                        | -                 |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>108</b>           | <b>1,271</b>            | <b>(950)</b>             | <b>(2,952)</b>        | <b>-</b>                 | <b>2,523</b>      |
| <b>Adjustments to Capital Resources</b>  |                      |                         |                          |                       |                          |                   |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                       | 2,403                    | -                     | -                        | (2,403)           |
| Use of the Major Repairs Reserve to finance capital expenditure  | -                    | -                       | -                        | 2,952                 | -                        | (2,952)           |
| Application of capital grants to finance capital expenditure   | -                    | -                       | -                        | -                     | -                        | -                 |
| <b>Total Adjustments to Capital Resources</b>  | <b>-</b>             | <b>-</b>                | <b>2,403</b>             | <b>2,952</b>          | <b>-</b>                 | <b>(5,355)</b>    |
| <b>Total Adjustments</b>   | <b>(15,736)</b>      | <b>7,030</b>            | <b>1,453</b>             | <b>-</b>              | <b>-</b>                 | <b>7,253</b>      |

## 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 2020/21.

|   | Balance at<br>1 April 2020 | Transfers<br>Out 2020/21 | Transfers in<br>2020/21 | Balance at<br>31 March<br>2021 | Transfers<br>Out 2021/22 | Transfers in<br>2021/22 | Balance at<br>31 March<br>2022 |
|---|----------------------------|--------------------------|-------------------------|--------------------------------|--------------------------|-------------------------|--------------------------------|
|   | £000                       | £000                     | £000                    | £000                           | £000                     | £000                    | £000                           |
| <b>General Fund</b>   |                            |                          |                         |                                |                          |                         |                                |
| External funding received towards the provision of council services                                     | 1,350                      | 339                      | 834                     | 1,845                          | 399                      | 562                     | 2,008                          |
| One off funding set aside to progress specific council priorities                                       | 105                        | 9                        | 9                       | 105                            | 32                       | 18                      | 91                             |
| Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates | 2,967                      | 763                      | 9,892                   | 12,096                         | 7,808                    | 4,351                   | 8,639                          |
| Other reserves held for revenue purposes to cover timing issues on spending                             | 1,398                      | 343                      | 588                     | 1,643                          | 610                      | 225                     | 1,258                          |
| Reserves Held for Capital Spending  | 1,175                      | 277                      | 23                      | 921                            | 2,278                    | 7,780                   | 6,423                          |
| <b>Total General Fund Reserves</b>  | <b>6,995</b>               | <b>1,731</b>             | <b>11,346</b>           | <b>16,610</b>                  | <b>11,127</b>            | <b>12,936</b>           | <b>18,419</b>                  |
| <b>HRA</b>  |                            |                          |                         |                                |                          |                         |                                |
| Housing Repairs Reserve   | 867                        | 3,031                    | 3,338                   | 1,174                          | 3,586                    | 3,860                   | 1,448                          |
| Reserves held for Capital spending  | 3,213                      | 5,092                    | 4,701                   | 2,822                          | 11,919                   | 10,190                  | 1,093                          |
| <b>Total HRA Reserves</b>   | <b>4,080</b>               | <b>8,123</b>             | <b>8,039</b>            | <b>3,996</b>                   | <b>15,505</b>            | <b>14,050</b>           | <b>2,541</b>                   |
| <b>Total Earmarked Reserves</b>   | <b>11,075</b>              | <b>9,854</b>             | <b>19,385</b>           | <b>20,606</b>                  | <b>26,632</b>            | <b>26,986</b>           | <b>20,960</b>                  |

## 7. Other Operating Expenditure

| 2020/21      |  | 2021/22      |
|--------------|--|--------------|
| £000         |  | £000         |
| 1,074        | Parish council precepts                                  | 1,093        |
| 321          | Payments to the Government Housing Capital Receipts Pool | 354          |
| (166)        | (Gains)/Losses on the disposal of non-current assets     | 390          |
| <b>1,229</b> | <b>Total</b>   | <b>1,837</b> |

## 8. Financing and Investment Income and Expenditure

| 2020/21      |   | 2021/22    |
|--------------|---|------------|
| £000         |   | £000       |
| 25           | Interest payable and similar charges  | 39         |
| 639          | Pensions interest and expected return on pension assets                                     | 760        |
| (145)        | Interest receivable and similar income  | (66)       |
| (1,188)      | Income and expenditure in relation to investment properties and changes in their fair value | (79)       |
| <b>(669)</b> | <b>Total</b>  | <b>654</b> |

## 9. Taxation and Non-specific Grant Income and Expenditure

| 2020/21         |  | 2021/22         |
|-----------------|--|-----------------|
| £000            |  | £000            |
| (5,523)         | Council tax income **                                | (5,802)         |
| (4,106)         | Non-Domestic rates – Collection Fund adjustments *** | (3,257)         |
| (1,922)         | Non-Domestic rates                                   | (1,922)         |
| -               | Non-ring fenced government grants *                  |                 |
| <b>(11,551)</b> | <b>Total</b>   | <b>(10,981)</b> |

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

\*\* Council Tax income includes £9,109 contribution to the collection fund in 2021/22 (a contribution of £97,570 was included in 2020/21). The Council's share of the residual balance of £140,183 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2022/23 (£113,972 adjustment in 2021/22).

\*\*\* 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 2021/22:

|   | 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                               |
| <b>Cost or Valuation</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2021  | 165,861           | 17,908                   | 6,872                                    | 87                     | 153              | 2,150                     | 66             | 193,097                            |
| Additions   | 8,967             | 111                      | 253                                      | -                      | -                | 2,160                     | -              | 11,491                             |
| Donations   | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                            | 11,261            | 1,679                    | -  | -                      | -                | -                         | -              | 12,940                             |
| Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services | 4,585             | (1,563)                  | -  | -                      | -                | -                         | -              | 3,022                              |
| De-recognition – disposals  | (2,391)           | -                        | (162)                                    | -                      | -                | -                         | -              | (2,553)                            |
| Other movements in Cost or Valuation  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>As at 31 March 2022</b>  | <b>188,283</b>    | <b>18,135</b>            | <b>6,963</b>                             | <b>87</b>              | <b>153</b>       | <b>4,310</b>              | <b>66</b>      | <b>217,997</b>                     |
| <b>Accumulated Depreciation and Impairment</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2021  | (290)             | (88)                     | (4,341)                                  | (30)                   | (1)              | (16)                      | -              | (4,766)                            |
| Depreciation charge   | (3,190)           | (1,776)                  | (685)                                    | (3)                    | -                | -                         | -              | (5,654)                            |
| Depreciation written out on revaluations recognised in the Revaluation Reserve                      | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Impairment loss /(reversal) recognised in the Revaluation Reserve                                   | 3,101             | 1,782                    | -  | -                      | -                | -                         | -              | 4,883                              |
| Impairment loss/ (reversal) recognised in the Surplus / Deficit on the Provision of Services        | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| De-recognition – disposals  | 18                | -                        | 119                                      | -                      | -                | -                         | -              | 137                                |
| Other movements in Depreciation and Impairment  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>At 31 March 2022</b>   | <b>(361)</b>      | <b>(82)</b>              | <b>(4,907)</b>                           | <b>(33)</b>            | <b>(1)</b>       | <b>(16)</b>               | <b>-</b>       | <b>(5,400)</b>                     |
| <b>Net Book Value</b>   |                   |                          |  |                        |                  |                           |                |                                    |
| <b>At 31 March 2022</b>   | <b>187,922</b>    | <b>18,053</b>            | <b>2,056</b>                             | <b>54</b>              | <b>152</b>       | <b>4,294</b>              | <b>66</b>      | <b>212,597</b>                     |
| <b>At 31 March 2021</b>   | <b>165,571</b>    | <b>17,820</b>            | <b>2,531</b>                             | <b>57</b>              | <b>152</b>       | <b>2,134</b>              | <b>66</b>      | <b>188,331</b>                     |



Comparative movements in balances in 2020/21:

|   | 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                               |
| <b>Cost or Valuation</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2020  | 148,034           | 17,792                   | 6,481                                    | 87                     | 137              | 655                       | 63             | 173,249                            |
| Additions   | 4,867             | 85                       | 1,132                                    | -                      | 16               | 1,495                     | -              | 7,595                              |
| Donations   | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                            | 8,137             | (417)                    | -  | -                      | -                | -                         | -              | 7,720                              |
| Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services | 5,972             | 448                      | -  | -                      | -                | -                         | 3              | 6,423                              |
| De-recognition – disposals  | (1,149)           | -                        | (741)                                    | -                      | -                | -                         | -              | (1,890)                            |
| Other movements in Cost or Valuation  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>As at 31 March 2021</b>  | <b>165,861</b>    | <b>17,908</b>            | <b>6,872</b>                             | <b>87</b>              | <b>153</b>       | <b>2,150</b>              | <b>66</b>      | <b>193,097</b>                     |
| <b>Accumulated Depreciation and Impairment</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2020  | (252)             | (64)                     | (4,364)                                  | (27)                   | -                | (16)                      | -              | (4,723)                            |
| Depreciation charge   | (2,856)           | (1,156)                  | (713)                                    | (3)                    | (1)              | -                         | -              | (4,729)                            |
| Depreciation written out on revaluations recognised in the Revaluation Reserve                      | 2,805             | 1,132                    | -  | -                      | -                | -                         | -              | 3,937                              |
| Impairment loss /(reversal) recognised in the Revaluation Reserve                                   | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Impairment loss/ (reversal) recognised in the Surplus / Deficit on the Provision of Services        | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| De-recognition – disposals  | 13                | -                        | -  | -                      | -                | -                         | -              | 13                                 |
| Other movements in Depreciation and Impairment  | -                 | -                        | 736                                      | -                      | -                | -                         | -              | 736                                |
| <b>At 31 March 2021</b>   | <b>(290)</b>      | <b>(88)</b>              | <b>(4,341)</b>                           | <b>(30)</b>            | <b>(1)</b>       | <b>(16)</b>               | <b>-</b>       | <b>(4,766)</b>                     |
| <b>Net Book Value</b>   |                   |                          |  |                        |                  |                           |                |                                    |
| <b>At 31 March 2021</b>   | <b>165,571</b>    | <b>17,820</b>            | <b>2,531</b>                             | <b>57</b>              | <b>152</b>       | <b>2,134</b>              | <b>66</b>      | <b>188,331</b>                     |
| <b>At 31 March 2020</b>   | <b>147,782</b>    | <b>17,728</b>            | <b>2,117</b>                             | <b>60</b>              | <b>137</b>       | <b>639</b>                | <b>63</b>      | <b>168,526</b>                     |

## Depreciation

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

|   | <b>Building</b>           | <b>Assumed Life<br/>(Years)</b> |
|---|---------------------------|---------------------------------|
|   | Council Dwellings         | 40 - 50                         |
| Other Land and Other Buildings:-            |                           |                                 |
|   | Leisure Centres           | 5 – 50                          |
|   | Other arts/leisure venues | 0 - 2                           |
|   | Community Centres         | 1 - 50                          |
|   | Pavilions                 | 10 – 43                         |
|   | Hostels                   | 50                              |
|   | Shops                     | 3 – 50                          |
|   | Public Conveniences       | 20                              |
|   | Offices and Depot         | 20 – 50                         |
|   | Garages                   | 20 - 20                         |
| Vehicles, Plant, Furniture and Equipment :- |                           |                                 |
|   | Vehicles                  | 5 - 20                          |
| Infrastructure Assets :-                    |                           |                                 |
|   | Infrastructure            | 30-50                           |

## Capital Commitments

At 31 March 2022 the capital commitments outstanding totalled approximately £4,109m. The major commitments were:

- £0.835m for the new build housing programme,
- £0.135m for a heating programme,
- £1.459m for remedial works to flats
- £0.114m for the play equipment and pitch repair/replace programme,
- £0.020m for gym equipment and
- £0.013m for pay and display and
- £1.533m for the materials recycling facility.

## 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 2021/22. The financial effect of any changes is detailed in the table below.

| <b>Asset Description</b> | <b>Original End Date</b> | <b>Revised End Date</b> | <b>Financial effect on Depreciation Charges<br/>£000</b> |
|--------------------------|--------------------------|-------------------------|--|
| Council House Dwellings  | 31/03/2070               | 31/03/2071              | 54,604   |
| Garages                  | 31/03/2040               | 31/03/2041              | 5,241  |
| <b>Total</b>             |                          |                         | <b>59,845</b>  |

## 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 valuers; Bridgehouse and Howkins and Harrison, who are RICS Registered Valuers. 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     | -                              | -                        | 6,963                                    | 87                     | 153              | 4,310                     | 66             | 11,579         |
|                                | Valued at current value as at: |                          |  |                        |                  |                           |                |                |
| 31 March 2021                  | 188,284                        | 18,134                   | -  | -                      | -                | -                         | -              | 206,418        |
| 31 March 2020                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| 31 March 2019                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| 31 March 2018                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| 31 March 2017                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| <b>Total Cost or Valuation</b> | <b>188,284</b>                 | <b>18,134</b>            | <b>6,963</b>                             | <b>87</b>              | <b>153</b>       | <b>4,310</b>              | <b>66</b>      | <b>217,997</b> |

## 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.

| 2020/21<br>£000 | Civic Regalia                 | 2021/22<br>£000 |
|-----------------|-------------------------------|-----------------|
|                 | Cost or Valuation             |                 |
| <b>851</b>      | <b>Balance as at 1 April</b>  | <b>829</b>      |
| (22)            | Revaluations                  | 157             |
| <b>829</b>      | <b>Balance as at 31 March</b> | <b>986</b>      |

## Five-Year Summary of Transactions

|               | 2017/18<br>£'000 | 2018/19<br>£'000 | 2019/20<br>£'000 | 2020/21<br>£'000 | 2021/22<br>£'000 |
|---------------|------------------|------------------|------------------|------------------|------------------|
| Civic Regalia | 631              | 664              | 851              | 829              | 986              |

## 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:

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
| (549)            | Rental income from investment property                     | (551)            |
| 165              | Direct operating expenses arising from investment property | 178              |
| (804)            | Change in fair value of investment property                | 295              |
| <b>(1,188)</b>   | <b>Net gain</b>  | <b>(78)</b>      |

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:

| 2020/21<br>£'000 |  | 2021/22<br>£'000 |
|------------------|--|------------------|
| <b>7,510</b>     | <b>Balance at start of the year</b>  | <b>8,314</b>     |
| -                | Expenditure during the year  | 107              |
| -                | Disposals  | (20)             |
| 804              | Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement | (295)            |
| <b>8,314</b>     | <b>Balance at the end of the year</b>  | <b>8,106</b>     |

### 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 2022 and 2021 are as follows:

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31 March 2021<br>£000 |
|--|--|---|---|--|
| Residential properties                   | -  | 203   | -   | 203                                    |
| Commercial units                         | -  | 6,512   | -   | 6,512                                  |
| Shops and Restaurants                    | -  | 1,120   | -   | 1,120                                  |
| Land                                     | -  | 271   | -   | 271                                    |
| <b>Total</b>                             | -  | <b>8,106</b>  | -   | <b>8,106</b>                           |

## 2021 Comparative Figures

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31 March 2020<br>£000 |
|--|--|---|---|--|
| Residential properties                   | -  | 196   | -   | 196                                    |
| Commercial units                         | -  | 6,272   | -   | 6,272                                  |
| Shops and Restaurants                    | -  | 1,190   | -   | 1,190                                  |
| Land                                     | -  | 656   | -   | 656                                    |
| <b>Total</b>                             | -  | <b>8,314</b>  | -   | <b>8,314</b>                           |

### 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 £58,441.34 charged to revenue in 2021/22 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:

|   | 2020/21                   | 2021/22                   |
|---|---------------------------|---------------------------|
|   | Software Licences<br>£000 | Software Licences<br>£000 |
| <i>Balance at start of year</i>             |                           |                           |
| Gross carrying amounts                      | 1,938                     | 1,972                     |
| Accumulated amortisation                    | (1,680)                   | (1,753)                   |
| <b>Net carrying amount at start of year</b> | <b>258</b>                | <b>219</b>                |
| <i>Additions:</i>                           |                           |                           |
| Expenditure in the year                     | 34                        | 17                        |
| Amortisation for the year                   | (73)                      | (58)                      |
| Net Disposals in the year                   | -                         | -                         |
| <b>Net carrying amount at end of year</b>   | <b>219</b>                | <b>178</b>                |
| <i>Comprising:</i>                          |                           |                           |
| ▪ Gross carrying amounts                    | 1,972                     | 1,989                     |
| ▪ Accumulated amortisation                  | (1,753)                   | (1,812)                   |
| <b>Net carrying amount at end of year</b>   | <b>219</b>                | <b>178</b>                |

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,
- 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 2022                       | Non-Current           |                       | Current               |                       |                       | Total         |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|   | Investments           | Debtors               | Investments           | Cash                  | Debtors               |               |
|   | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 |               |
| <b>Amortised Cost</b>                     |                       |                       |                       |                       |                       |               |
| Loans and Receivables                     | -                     | -                     | 18,024                | -                     | -                     | 18,024        |
| Cash and Cash Equivalents                 | -                     | -                     | -                     | 4,956                 | -                     | 4,956         |
| Debtors                                   | -                     | -                     | -                     | -                     | 5,553                 | 5,553         |
| <b>Fair Value through Profit and Loss</b> |                       |                       |                       |                       |                       |               |
| Certificates of Deposit                   | -                     | -                     | 4,511                 | -                     | -                     | 4,511         |
| Ultra Short Dated Bond Funds              | -                     | -                     | 6,000                 | -                     | -                     | 6,000         |
| Sherbourne Recycling Shares               | -                     | -                     | 47                    | -                     | -                     | 47            |
| <b>Total Financial Assets</b>             | -                     | -                     | <b>28,582</b>         | <b>4,956</b>          | <b>5,553</b>          | <b>39,091</b> |

| As at 31 March 2021                       | Non-Current           |                       | Current               |                       |                       | Total         |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|   | Investments           | Debtors               | Investments           | Cash                  | Debtors               |               |
|   | 31 March 2021<br>£000 | 31 March 2021<br>£000 | 31 March 2021<br>£000 | 31 March 2021<br>£000 | 31 March 2021<br>£000 |               |
| <b>Amortised Cost</b>                     |                       |                       |                       |                       |                       |               |
| Loans and Receivables                     | -                     | -                     | 7,511                 | -                     | -                     | 7,511         |
| Cash and Cash Equivalents                 | -                     | -                     | -                     | 14,939                | -                     | 14,939        |
| Debtors                                   | -                     | -                     | -                     | -                     | 4,667                 | 4,667         |
| <b>Fair Value through Profit and Loss</b> |                       |                       |                       |                       |                       |               |
| Certificates of Deposit                   | -                     | -                     | 3,004                 | -                     | -                     | 3,004         |
| Ultra Short Dated Bond Funds              | -                     | -                     | 6,000                 | -                     | -                     | 6,000         |
| <b>Total Financial Assets</b>             | -                     | -                     | <b>16,515</b>         | <b>14,939</b>         | <b>4,667</b>          | <b>36,121</b> |

- **Financial Liabilities**

| As at 31 March 2022                | Non-Current           |                       | Current               |                       | Total         |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|                                    | Borrowing (PWLB)      | Creditors             | Borrowing (PWLB)      | Creditors             |               |
|                                    | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 |               |
| Amortised Cost                     | 44,239                | -                     | -                     | 14,914                | 59,153        |
| <b>Total Financial Liabilities</b> | <b>44,239</b>         | -                     | -                     | <b>14,914</b>         | <b>59,153</b> |

| As at 31 March 2021                | Non-Current           |                       | Current               |                       | Total         |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|                                    | Borrowing (PWLB)      | Creditors             | Borrowing (PWLB)      | Creditors             |               |
|                                    | 31 March 2021<br>£000 | 31 March 2021<br>£000 | 31 March 2021<br>£000 | 31 March 2021<br>£000 |               |
| Amortised Cost                     | 46,489                | -                     | -                     | 14,501                | 60,990        |
| <b>Total Financial Liabilities</b> | <b>46,489</b>         | -                     | -                     | <b>14,501</b>         | <b>60,990</b> |

## 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:

| <b>Financial Instruments</b>                                   | (Surplus) or Deficit on the Provision of Services<br>2020/21<br>£000 | Other Comprehensive Income<br>2020/21<br>£000 | (Surplus) or Deficit on the Provision of Services<br>2021/22<br>£000 | Other Comprehensive Income<br>2021/22<br>£000 |
|--|--|---|--|---|
| Financial Assets Measured at Fair Value Through Profit or Loss | -  | (52)  | -  | 99  |
| <b>Total net (gains)/losses</b>                                | <b>-</b>   | <b>(52)</b>                                   | <b>-</b>   | <b>99</b>                                     |
| Financial Assets Measured at Amortised Cost                    | (145)  | -   | (66)   | -   |
| <b>Total interest revenue</b>                                  | <b>(145)</b>   | <b>-</b>                                      | <b>(66)</b>  | <b>-</b>                                      |
| PWLB Loan interest expense                                     | 1,504  | -   | 1,460  | -   |
| <b>Total fee expense</b>                                       | <b>1,504</b>   | <b>-</b>                                      | <b>1,460</b>   | <b>-</b>                                      |

## 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 2022,
- No early repayment or impairment is recognised in the accounts.

The fair values are calculated as follows:

| 31 March 2021                            | 31 March 2021                  |                             | 31 March 2022                            | 31 March 2022                  |
|--|--------------------------------|-----------------------------|--|--------------------------------|
| Carrying Amount on Balance Sheet<br>£000 | Fair Value Calculation<br>£000 |                             | Carrying Amount on Balance Sheet<br>£000 | Fair Value Calculation<br>£000 |
| 46,489                                   | 52,661                         | PWLB Debt                   | 44,239                                   | 47,256                         |
| <b>46,489</b>                            | <b>52,661</b>                  | <b>Total Borrowings</b>     | <b>44,239</b>                            | <b>47,256</b>                  |
| 4,011                                    | 4,011                          | Money Market Funds < 1 year | 4,511                                    | 4,511                          |
| <b>4,011</b>                             | <b>4,011</b>                   | <b>Total Investments</b>    | <b>4,511</b>                             | <b>4,511</b>                   |



*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 2022. This shows a notional loss (based on economic conditions at 31 March 2022) 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 2021/22 the Council granted Decent Homes Standard loans to 3 private owner occupiers totalling £18,190 and granted Disabled Facilities loans to 7 private owner occupiers totalling £194,368. 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     |
|--------------------------------------|-------------------|-------------------|-----------------------|-----------------------|----------------------------------|----------------------------------|-----------|-----------|
|                                      | 2020/21           | 2021/22           | 2020/21               | 2021/22               | 2020/21                          | 2021/22                          | 2020/21   | 2021/22   |
|                                      | £000              | £000              | £000                  | £000                  | £000                             | £000                             | £000      | £000      |
| <b>Balance at start of year</b>      | 26                | 24                | 30                    | 24                    | -                                | -                                | 56        | 48        |
| Purchases                            | 295               | 370               | 342                   | 411                   | -                                | -                                | 637       | 781       |
| Recognised as an expense in the year | (297)             | (353)             | (348)                 | (412)                 | -                                | -                                | (645)     | (765)     |
| <b>Balance at year end</b>           | <b>24</b>         | <b>41</b>         | <b>24</b>             | <b>23</b>             | <b>-</b>                         | <b>-</b>                         | <b>48</b> | <b>64</b> |

**16. Construction Contracts**

At 31 March 2022 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 2022/23.

**17. Short Term Debtors**

| 31 March 2021<br>£000 |                    | 31 March 2022<br>£000 |
|-----------------------|--------------------|-----------------------|
| 1,146                 | Trade Receivables  | 1,081                 |
| 377                   | Prepayments        | 343                   |
| 3,157                 | Local Taxation     | 4,131                 |
| 243                   | Council Rents      | 302                   |
| 812                   | Other Receivables  | 1,057                 |
| (691)                 | Bad debt provision | (1,018)               |
| <b>5,044</b>          | <b>TOTAL</b>       | <b>5,896</b>          |

## 18. Cash and Cash Equivalents

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

| 31 March 2021<br>£000 |  | 31 March 2022<br>£000 |
|-----------------------|--|-----------------------|
| 2                     | Cash held by the Council               | 2                     |
| 1,937                 | Bank current accounts                  | 4,954                 |
| 13,000                | Short term deposits                    | -                     |
| <b>14,939</b>         | <b>Total Cash and Cash Equivalents</b> | <b>4,956</b>          |

## 19. Assets Held for Sale

There were no assets held for sale at 31 March 2022.

## 20. Short Term Creditors

| 31 March 2021<br>£000 |                     | 31 March 2022<br>£000 |
|-----------------------|---------------------|-----------------------|
| 2,880                 | Trade Payables      | 3,326                 |
| 2,257                 | Receipts in advance | 2,599                 |
| 2,509                 | Other Payables      | 913                   |
| 6,554                 | Local Taxation      | 7,701                 |
| 301                   | Council Rents       | 375                   |
| <b>14,501</b>         | <b>TOTAL</b>        | <b>14,914</b>         |

## 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. An increase in provision of £2.120 million has been made in the Collection Fund at 31 March 2022 (£3.100 million at 31 March 2021), to cover possible refunds. Of the £5.775 million set aside at 31 March 2021, we have settled claims of £3.577 million from that sum. Our share of the increase in provision is £0.848 million (40%) (£1.240 million at 31 March 2021), with the remaining 60% falling to central government and Warwickshire County Council.

| 31 March<br>2021<br>£000 |  | 31 March<br>2022<br>£000 |
|--------------------------|--|--------------------------|
| 1,580                    | Opening Balance set aside as at 31 <sup>st</sup> March         | 2,310                    |
|                          | Add back - share to Central Government and Warwickshire County |                          |
| 2,370                    | Council (60%)  | 3,465                    |
| (1,275)                  | Settled claims in year   | (3,577)                  |
| <b>2,675</b>             | <b>Sub Total</b>   | <b>2,198</b>             |
| 3,100                    | Additional provision made in year                              | 2,120                    |
| <b>5,775</b>             | <b>Sub Total</b>   | <b>4,318</b>             |
|                          | Less - share to Central Government and Warwickshire County     |                          |
| (3,465)                  | Council (60%)  | (2,591)                  |
| <b>2,310</b>             | <b>TOTAL</b>   | <b>1,727</b>             |

## 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 2021<br>£000 |  | 31 March 2022<br>£000 |
|-----------------------|--|-----------------------|
| (24,740)              | Revaluation Reserve                              | (40,210)              |
| (114,013)             | Capital Adjustment Account                       | (125,171)             |
| 37,084                | Pensions Reserve                                 | 25,545                |
| 27                    | Collection Fund Adjustment Account - CT          | (114)                 |
| 852                   | Collection Fund Adjustment Account - NDR         | 1,551                 |
| 252                   | Accumulated Absences Account                     | 202                   |
| -                     | Available for Sale Financial Instruments Reserve | -                     |
| (88)                  | Financial Instruments Revaluation Reserve        | 11                    |
| <b>(100,626)</b>      | <b>Total Unusable Reserves</b>                   | <b>(138,186)</b>      |

### 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.

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| <b>(15,613)</b> | <b>Balance at 1 April</b>  | <b>(24,740)</b> |
| (9,632)         | (Upward)/Downward revaluation of assets not posted to the Surplus/Deficit on the Provision of Services | (16,464)        |
| 111             | Accumulated gains on assets sold   | 362             |
| -               | Difference between fair value depreciation and historical cost depreciation                            | -               |
| 394             | Amount written off to the Capital Adjustment Account   | 632             |
| <b>(24,740)</b> | <b>Balance at 31 March</b>   | <b>(40,210)</b> |

### 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.

| 2020/21<br>£000 |                  |  | 2021/22<br>£000 |                  |
|-----------------|------------------|--|-----------------|------------------|
|                 | (100,180)        | <b>Balance at 1 April</b>  |                 | (114,013)        |
|                 |                  | <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>                        |                 |                  |
| 4,723           |                  | ▪ Charges for depreciation and impairment of non-current assets  | 5,654           |                  |
| (8,652)         |                  | ▪ Revaluation (gains) / losses on Property, Plant and Equipment  | (4,536)         |                  |
| 78              |                  | ▪ Amortisation of intangible assets  | 58              |                  |
| 46              |                  | ▪ Revenue expenditure funded from capital under statute  | 64              |                  |
| 1,073           |                  | ▪ 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 | 2,119           |                  |
|                 | (2,732)          | <b>Sub Total</b>   |                 | <b>3,359</b>     |
| (436)           |                  | Adjusting amounts written out of the Revaluation Reserve   | (677)           |                  |
| (580)           | (1,016)          | Movements in the market value of Investment Property   | 294             | (383)            |
|                 |                  | <i>Capital financing applied in the year:</i>  |                 |                  |
| (2,561)         |                  | ▪ Use of the Capital Receipts Reserve to finance new capital expenditure   | (888)           |                  |
| -               |                  | ▪ Use of the Major Repairs Reserve to finance new capital expenditure  | -               |                  |
| (326)           |                  | ▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (1,348)         |                  |
| -               |                  | ▪ Application of grants to capital financing from the Capital Grants Unapplied Account   | -               |                  |
| (2,392)         |                  | ▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | (2,626)         |                  |
| (4,806)         | (10,085)         | ▪ Capital expenditure charged against the General Fund and HRA balances  | (9,272)         | (14,134)         |
|                 | <b>(114,013)</b> | <b>Balance at 31 March</b>   |                 | <b>(125,171)</b> |

## 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.

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| <b>27,377</b>   | <b>Balance at 1 April</b>  | <b>37,084</b>   |
| 8,234           | Re measurement of the net defined benefit liability/(asset)  | (14,241)        |
| 3,441           | 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 | 4,727           |
| (1,968)         | Employer's pensions contributions and direct payments to pensioners payable in the year  | (2,025)         |
| <b>37,084</b>   | <b>Balance at 31 March</b>   | <b>25,545</b>   |

## 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<br>2020/21<br>£000 | Non Domestic Rates<br>2020/21<br>£000 |  | Council Tax<br>2021/22<br>£000 | Non Domestic Rates<br>2021/22<br>£000 |
|--------------------------------|---------------------------------------|--|--------------------------------|---------------------------------------|
| (87)                           | (4,819)                               | <b>Balance at 1 April</b>  | 27                             | 852                                   |
| 114                            | 5,671                                 | 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 | (141)                          | 699                                   |
| <b>27</b>                      | <b>852</b>                            | <b>Balance at 31 March</b>   | <b>(114)</b>                   | <b>1,551</b>                          |

### 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.

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
| 207             | <b>Balance at 1 April</b>                                 | 252             |
| (207)           | Reversal of accrual made at the end of the preceding year | (252)           |
| 252             | Amounts accrued at the end of the current year            | 202             |
| 252             | <b>Balance at 31 March</b>                                | 202             |

### 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.

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
| (36)            | <b>Balance at 1 April</b>   | (88)            |
| (52)            | (Upward)/Downward revaluation of investments  | 77              |
| -               | Downward/ Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | -               |
| (88)            | <b>Balance at 31 March</b>  | (11)            |

### **24. Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| (145)           | Interest Received  | (66)            |
| 4               | Interest Paid  | 11              |
| (141)           | <b>Net interest included within the surplus on the provision of services</b> | <b>(55)</b>     |

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

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| 2,806           | Depreciation and Amortisation of Asset               | 6,147           |
| 1,473           | Movement in pension liability                        | 2,702           |
| (307)           | (Contribution to) / Use of Housing Repairs Reserve   | 274             |
| (10,357)        | Contributions to reserves                            | (6,306)         |
| 5,786           | Reversal of Collection Fund Adjustments – CT and NDR | 558             |
| 45              | Accumulated Absences                                 | (50)            |
| 730             | Increase / (Decrease) in Provisions                  | (583)           |
| (2,732)         | Increase / (Decrease) in Creditors                   | (304)           |
| (2,622)         | (Increase) / Decrease in Debtors                     | (920)           |
| (9)             | (Increase) / Decrease in Stocks and WIP              | 16              |
| <b>(5,187)</b>  | <b>Adjustments for non cash movements</b>            | <b>1,534</b>    |

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

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| (166)           | (Surplus) / Loss on sale of Assets                       | 390             |
| 321             | Payment of housing receipts to Housing Pool              | 354             |
| <b>155</b>      | <b>Adjustment for investing and financing activities</b> | <b>744</b>      |

## 25. Cash Flow Statement – Investing Activities

| 2020/21<br>£000 |  | 2021/22<br>£000 |
|-----------------|--|-----------------|
| 7,963           | Purchase of property, plant and equipment, investment property and intangible assets               | 12,243          |
| 814             | Other payments for investing activities  | 487             |
| (1,278)         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (2,039)         |
| (3,754)         | Other receipts from investing activities   | (4,630)         |
| <b>3,745</b>    | <b>Net cash flows from investing activities</b>  | <b>6,061</b>    |

## 26. Cash Flow Statement – Financing Activities

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
| (2,000)         | Cash receipts of short and long term borrowing  | (4,250)         |
| (10,578)        | Other receipts from financing activities        | 12,067          |
| <b>(12,578)</b> | <b>Net cash flows from financing activities</b> | <b>7,817</b>    |

## 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.

| 2020/21   | 2020/21  | 2020/21   |   | 2021/22   | 2021/22  | 2021/22   |
|---|--|---|---|---|--|---|
| 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 | <b>Expenditure and Funding Analysis</b>           | 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  |
| 620   | 39   | 659   | Executive Board                                   | 636   | 96   | 732   |
| 6,224   | 1,272  | 7,496   | Community and Environment Board                   | 4,999   | 3,026  | 8,025   |
| 310   | 30   | 340   | Planning and Development Board                    | 153   | 67   | 220   |
| 48  | 7  | 55  | Licensing Committee                               | 37  | 15   | 52  |
| (1,291)   | 1,029  | (262)   | Resources Board – Services                        | (3,063)   | 1,166  | (1,897)   |
| (179)   | (338)  | (517)   | Resources Board – Recharged Services              | 85  | 207  | 292   |
| (1,173)   | 301  | (872)   | Resources Board – Housing Revenue Account         | (1,098)   | 547  | (551)   |
| <b>4,559</b>  | <b>2,340</b>   | <b>6,899</b>  | <b>NET COST OF SERVICES</b>                       | <b>1,749</b>  | <b>5,124</b>   | <b>6,873</b>  |
| (16,374)  | 6,366  | (10,008)  | Other Comprehensive Income and Expenditure        | (10,597)  | (16,647)   | (27,244)  |
| <b>(11,815)</b>   | <b>8,706</b>   | <b>(3,109)</b>  | <b>Total Comprehensive Income and Expenditure</b> | <b>(8,848)</b>  | <b>(11,523)</b>                                      | <b>(20,371)</b>   |
| (18,661)  |  |   | Opening General Fund and HRA Balances             | (26,759)  |  |   |
| 3,111   |  |   | Use of Reserves to fund Capital Expenditure       | 7,705   |  |   |
| (11,209)  |  |   | (Surplus) / Deficit on Provision of Services      | (8,363)   |  |   |
| <b>(26,759)</b>   |  |   | <b>Closing General Fund and HRA Balances</b>      | <b>(27,417)</b>   |  |   |



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

| <b>Expenditure and Funding Analysis - adjustments between the funding and accounting basis</b> |  |  |                          | <b>2021/22</b>           |
|--|--|--|--------------------------|--------------------------|
|  | <b>Adjustment for Capital Purposes</b> | <b>Net charge for Pensions Adjustments</b> | <b>Other Differences</b> | <b>Total Adjustments</b> |
|  | <b>£000</b>                            | <b>£000</b>                                | <b>£000</b>              | <b>£000</b>              |
| Executive Board  | -                                      | 96   | -                        | 96                       |
| Community and Environment Board  | 2,187                                  | 839  | -                        | 3,026                    |
| Planning and Development Board   | 1                                      | 66   | -                        | 67                       |
| Licensing Committee  | -                                      | 15   | -                        | 15                       |
| Resources Board – Services   | 818                                    | 390  | (42)                     | 1,166                    |
| Resources Board – Recharged Services   | 165                                    | 42   | -                        | 207                      |
| Resources Board – Housing Revenue Account  | 61                                     | 494  | (8)                      | 547                      |
| <b>COST OF SERVICES</b>  | <b>3,232</b>                           | <b>1,942</b>                               | <b>(50)</b>              | <b>5,124</b>             |
| Other Comprehensive Income and Expenditure   | (3,824)                                | (13,481)                                   | 658                      | (16,647)                 |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>(592)</b>                           | <b>(11,539)</b>                            | <b>608</b>               | <b>(11,523)</b>          |

| <b>Expenditure and Funding Analysis – adjustments between the funding and accounting basis</b> |  |  |                          | <b>2020/21</b>           |
|--|--|--|--------------------------|--------------------------|
|  | <b>Adjustment for Capital Purposes</b> | <b>Net charge for Pensions Adjustments</b> | <b>Other Differences</b> | <b>Total Adjustments</b> |
|  | <b>£000</b>                            | <b>£000</b>                                | <b>£000</b>              | <b>£000</b>              |
| Executive Board  | -                                      | 39   | -                        | 39                       |
| Community and Environment Board  | 920                                    | 352  | -                        | 1,272                    |
| Planning and Development Board   | 1                                      | 29   | -                        | 30                       |
| Licensing Committee  | -                                      | 7  | -                        | 7                        |
| Resources Board – Services   | 809                                    | 195  | 25                       | 1,029                    |
| Resources Board – Recharged Services   | (353)                                  | 15   | -                        | (338)                    |
| Resources Board – Housing Revenue Account  | 84                                     | 197  | 20                       | 301                      |
| <b>COST OF SERVICES</b>  | <b>1,461</b>                           | <b>834</b>                                 | <b>45</b>                | <b>2,340</b>             |
| Other Comprehensive Income and Expenditure   | (8,239)                                | 8,873                                      | 5,732                    | 6,366                    |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>(6,778)</b>                         | <b>9,707</b>                               | <b>5,777</b>             | <b>8,706</b>             |

## 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:-

|   | 2020/21              | 2021/22              |
|---|----------------------|----------------------|
|   | Income from Services | Income from Services |
| Board                                     | £000                 | £000                 |
| Executive Board                           | 6                    | 10                   |
| Community and Environment Board           | 2,358                | 3,386                |
| Planning and Development Board            | 994                  | 1,433                |
| Licensing Committee                       | 87                   | 98                   |
| Resources Board – Services                | 21,101               | 17,663               |
| Resources Board – Recharged Services      | 418                  | 916                  |
| Resources Board – Housing Revenue Account | 12,940               | 13,564               |
| Other (*)                                 | 11,692               | 11,036               |
|   | <b>49,596</b>        | <b>48,106</b>        |

(\*) 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:-

| 2020/21<br>£000 | Expenditure and Income                                | 2021/22<br>£000 |
|-----------------|---|-----------------|
|                 | Expenditure   |                 |
| 11,641          | Employee Expenses                                     | 11,568          |
| 14,413          | Other Service Expenses                                | 10,610          |
| 9,592           | Rent Allowances and Housing Benefit Payments          | 8,810           |
| 2,254           | Depreciation, Amortisation and Impairment             | 5,757           |
| 1,473           | Retirement Benefits                                   | 2,702           |
| 1,398           | Revenue Expenditure Funded from Capital Under Statute | 1,495           |
| 3,504           | HRA – Debt Repayment and interest                     | 3,710           |
| 321             | Payment to Housing Capital Receipts Pool              | 354             |
| 1,074           | Parish Precepts                                       | 1,093           |
| -               | Loss on Disposal of Assets                            | 390             |
| <b>45,670</b>   | <b>Total Expenditure</b>                              | <b>46,489</b>   |
|                 | Income  |                 |
| (19,758)        | Fees, Charges and Other Service Income                | (24,211)        |
| (141)           | Interest and Investment Income                        | (55)            |
| (7,025)         | Income from Council Tax and NDR                       | (8,268)         |
| (22,672)        | Government Grants and Contributions                   | (15,572)        |
| (166)           | Gain on Disposal of Assets                            | -               |
| <b>(49,762)</b> | <b>Total Income</b>                                   | <b>(48,106)</b> |
| <b>(4,092)</b>  | <b>(Surplus)/Deficit on Provision of Services</b>     | <b>(1,617)</b>  |

## 28. Agency Services

Coventry City Council provided a payroll service to the Council in 2021/22, for which we paid a charge of £12,738. (£12,538 in 2020/21)

## 29. Pooled Budgets

### Building Control Partnership

From April 2019, the Council has been a member of the Central Building Control Partnership. The 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 2021/22 the authority made a payment to the larger partnership of £35,200 (in 2020/21 we paid £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, Nuneaton and Bedworth Borough Council, Stratford District Council and Warwick District 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 2021/22.

| 2020/21<br>£ |  | 2021/22<br>£     |
|--------------|--|------------------|
| 576,442      | Balance of funding retained by the Heart Shared Service to be carried forward to 2020/21 to spend in the North Warwickshire area           | 700,537          |
| 794,560      | Budget – Disabled Facilities Grant   | 794,560          |
| (670,465)    | Spend by the Heart Shared Service on behalf of NWBC  | (487,041)        |
| 700,537      | <b>Balance of funding retained by the Heart Shared Service to be carried forward to 2021/22 to spend in the North Warwickshire area(*)</b> | <b>1,008,056</b> |

(\*) 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.

|              | 2020/21<br>£000 | 2021/22<br>£000 |
|--------------|-----------------|-----------------|
| Allowances   | 234             | 237             |
| Expenses     | -               | -               |
| <b>Total</b> | <b>234</b>      | <b>237</b>      |

### 31. Officers' Remuneration

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

| 2021/22                          | Salaries, Fees and Allowances | Expenses Allowances | Pensions | Total   |
|----------------------------------|-------------------------------|---------------------|----------|---------|
| Job Title                        | (£)                           | (£)                 | (£)      | (£)     |
| Chief Executive                  | 108,207                       | 3,456               | 21,750   | 133,413 |
| Corporate Director - Resources   | 77,579                        | 3,456               | 15,593   | 96,628  |
| Corporate Director - Streetscape | 73,469                        | 3,456               | 14,767   | 91,692  |

| 2020/21                          | Salaries, Fees and Allowances | Expenses Allowances | Pensions | Total   |
|----------------------------------|-------------------------------|---------------------|----------|---------|
| Job Title                        | (£)                           | (£)                 | (£)      | (£)     |
| Chief Executive                  | 104,037                       | 3,456               | 20,911   | 128,404 |
| Corporate Director - Resources   | 74,652                        | 3,456               | 15,005   | 93,113  |
| Corporate Director - Streetscape | 72,632                        | 3,456               | 14,599   | 90,687  |

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 | 2020/21 staff numbers | 2021/22 staff numbers |
|--------------------|-----------------------|-----------------------|
| £50,000-£54,999    | -                     | 4                     |
| £55,000-£59,999,   | 1                     | 1                     |
| £60,000-£64,999    | 1                     | -                     |
| £65,000-£69,999    | -                     | -                     |
| £70,000-£74,999    | 2                     | 2                     |

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 |                   |
|-------------------------|-----------------------------------|-----------|--|-------------------|
|                         | 2020/21                           | 2021/22   | 2020/21  | 2021/22           |
|                         |                                   |           | £  | £                 |
| £0 – £20,000            | -                                 | 15        | -  | 96,826.62         |
| £20,001 - £40,000       | -                                 | 10        | -  | 240,768.31        |
| £40,001 - £60,000       | -                                 | 3         | -  | 151,567.99        |
| £60,001 - £80,000       | -                                 | 1         | -  | 63,963.69         |
| £80,001 - £100,000      | -                                 | -         | -  | -                 |
| £100,001 - £120,000     | -                                 | -         | -  | -                 |
| £120,001 - £140,000     | -                                 | -         | -  | -                 |
| <b>Total</b>            | -                                 | <b>29</b> | -  | <b>553,126.61</b> |

The total costs of £553,126.61 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 2021/22 are Ernst Young LLP, with the exception of the Housing Benefit claim, for which Grant Thornton were appointed.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2021/22 accounts.

| Type of Audit Work  | 2020/21<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| Fees payable to Ernst Young LLP with regard to external audit services carried out for the year   | 39              | 33              |
| Fees payable to Ernst Young LLP/Grant Thornton for the certification of grant claims and returns for the year – Pooling of Capital Receipts and Housing Benefit | 23              | 36              |
| Additional fees payable to Ernst Young LLP for work on 2018/19 accounts and Housing Benefit for 2018/19 and 2019/20   | 54              | -               |
| <b>Total</b>  | <b>116</b>      | <b>69</b>       |

### 33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

|   | 2020/21<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                 |                 |
| Revenue Support Grant                                     | -               | -               |
| Non Domestic Rates  | 1,922           | 1922            |
| <b>Total</b>  | <b>1,922</b>    | <b>1922</b>     |

|   |       |    |
|---|-------|----|
| <b>Credited to Services</b>                                   |       |    |
| New Burdens - Local Authority Support grant Covid 19          | 1,021 |    |
| New Burdens - Admin Severe Disability Changes                 | 1     | -  |
| New Burdens - Payment Strategy 20-21                          | 1     | -  |
| New Burdens - LRSG Admin Grant                                | 58    | -  |
| New Burdens – Mobile Homes Fit & Proper Test                  | 1     | -  |
| New Burdens – Grant Assessment                                | 130   | -  |
| New Burdens – Geo place Grant                                 | 1     | -  |
| New Burdens - Business Rates Administration Costs Grant       | 21    | -  |
| DMP – Stop-a-while – Delivery Fund Grant WCC                  | 10    | -  |
| Local Government Association – Administration Review Grant    | 4     | -  |
| Heritage Lottery and Leader Funding for Meadow Street Gardens | 75    | -  |
| Severn Trent Water Community Fund – Meadow Street Gardens     | 10    | -  |
| Lower tier Services Grant                                     | -     | 82 |
| Section S31 Determination Grant                               | -     | 10 |
| New Burdens – Funding S5/2021                                 | -     | 13 |
| New Burdens – Pavement Licence                                | -     | 4  |
| New Burdens – Council Tax Discounts for Annexes               | 4     | 5  |
| New Burdens   | -     | 8  |
| Redmond Review Implementation                                 | -     | 17 |
| BEIS New Burdens 4 Restart                                    | -     | 73 |

|  |                |                |
|--|----------------|----------------|
| Electoral Reform Services Grant                  | 31             | -              |
| <b>Credited to Services - Continued</b>          | <b>2020/21</b> | <b>2021/22</b> |
|  | <b>£000</b>    | <b>£000</b>    |
| Small Business and Empty Property Rate Relief    | 8,744          | 2,869          |
| Cyber Security Grant                             | 3              | -              |
| DWP – New Burdens Grant                          | -              | 167            |
| DWP – Lettings Agents & Trans & redress          | 1              | -              |
| DWP - Civica Software updates                    | 9              | -              |
| DWP - implementing Welfare Reform changes        | 13             | -              |
| DWP - Universal Credit Support Grant             | 6              | -              |
| DWP – Verify Earnings & Pensions Alert Service   | 8              | 6              |
| DWP – HBMS                                       | -              | 1              |
| DWP – PDVR                                       | -              | 1              |
| DWP - SDP  | -              | 1              |
| DWP – Savings credit                             | -              | 1              |
| Armed Forces Covenant Veterans Hub Grant         | 8              | -              |
| Leader Project Grant                             | 58             | 8              |
| Stronger and Safer Communities Funding           | 32             | 22             |
| New Burdens - Transparency Code Set Up           | 16             | -              |
| Benefits Grant (DHP)                             | 106            | 84             |
| Benefits Administration Grant                    | 205            | 136            |
| Council Tax Support Admin Grant                  | -              | 176            |
| New Homes Bonus Scheme                           | 738            | 578            |
| Rent Allowances Subsidy                          | 4,979          | 4,568          |
| National Non Domestic Rates Administration Grant | 111            | 110            |
| Housing Rent Rebates                             | 4,326          | 4,004          |
| Homelessness Reduction and Support Grant         | 133            | 253            |
| Reopening the High Street                        | 36             | 78             |
| Covid Outbreak Management Grant (COMF)           | 400            | 93             |
| MHCLG Covid Compliance & Enforcement Grant       | 33             | -              |
| BEIS Green Homes Grant                           | 320            | 171            |
| Homes England – New Homes Build Grant            | 261            | 894            |
| New Burdens stage 1                              | -              | 58             |
| Covid Fees and Charges Support Grant             | 1,102          | 458            |
| Tax Income Compensation Grant                    | -              | 50             |
| Self Isolation Administration Grant              | 28             | 58             |
| Test and Trace – WCC Fund                        | 6              | -              |
| <b>Total</b>                                     | <b>23,050</b>  | <b>15,057</b>  |

## Covid Grants

The government provided a range of financial support packages throughout the COVID-19 pandemic. The Council received some funding towards its own costs and to offset loss of income. We also received financial support for the additional costs of administering other support packages, to both businesses and individuals.

The Council distributed both Business Grants and Test and Trace payments on behalf of the government. A number of business grant schemes which commenced in 2020/21 continued in 2021/22, including multiple Local Restrictions grant schemes i.e. open, closed, sector, additional. Billing authorities were responsible for paying over the grants to local businesses and were then reimbursed by government using a grant under Section 31 of the Local Government Act 2003 (S31). The majority of schemes are fully reimbursed, but for some, authorities received a set allocation.

Accounting for these grant schemes varies depending on whether the Council is acting as an agent for the Government or is acting as a principal in the distribution of the grant. The

Council considered the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) in 2021/22 with regard to the general principle of whether the authority is acting as the principal or agent.

The Council considers that accounting for the grant schemes as an agent is appropriate where: the Council is administering the distribution of the grant; is fully reimbursed for delivering that funding (and the authority is not liable for any overpayments); and the amount of the award is predetermined based on business rate relief or rateable value. This indicates that the authority is acting as an intermediary for the Department for Business, Energy and Industrial Strategy (BEIS) and does not have 'control'. Similarly, this is also the case for the Test and Trace grants awarded for the Department for Work and Pensions (DWP).

Where the Council has acted as an agent, the grant has not been reported as income and expenditure, and balances relate only to sums due to or from the authority. Where the Council has discretion over the businesses to support and the amount of the award, it is acting as a principal as opposed to acting as an agent, and transactions have been included in the financial statements.

The following table summarises the position for each of the grant support schemes in 2021/22.

| <b>Grant</b>   | <b>Government Funding Remaining</b> | <b>Grants Paid</b> | <b>Balance Received / Repaid</b> |
|--|-------------------------------------|--------------------|----------------------------------|
|  | £'000                               | £'000              | £'000                            |
| The Local Restrictions Support Grant (Closed) 5 November – 1 December 2020         | (212)                               | 15                 | 197                              |
| Local Restrictions Support Grants (LRSG) (closed) 2 December 2020 – 4 January 2021 | (88)                                | 8                  | 80                               |
| The Local Restrictions Support Grant (Closed) Addendum (5 January onwards)         | (675)                               | 51                 | 624                              |
| Christmas Support Payment  | 22                                  | -                  | (22)                             |
| Closed Businesses Lockdown Payment (CBLP)  | (647)                               | 46                 | 601                              |
| Local Restrictions Support Grant (open)  | (6)                                 | 6                  | -                                |
| <b>Total Agent (BEIS)</b>  | <b>(1,606)</b>                      | <b>126</b>         | <b>1,480</b>                     |
| Test and Trace Support Payment Scheme - Main Scheme                                | (167)                               | 181                | (14)                             |
| Test and Trace Support Payment Scheme - Discretionary Scheme                       | (39)                                | 65                 | (26)                             |
| <b>Total Agent (DWP)</b>   | <b>(206)</b>                        | <b>246</b>         | <b>(40)</b>                      |
| Additional Restrictions Grant (ARG)  | (523)                               | 1,157              | (634)                            |
| <b>Total Principal (BEIS)</b>  | <b>(523)</b>                        | <b>1,157</b>       | <b>(634)</b>                     |

### 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 2021/22 is shown in Note 30.

### 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.

Six Borough Councillors were also Warwickshire County Councillors in 2021/22. During the year, we paid £2699,658 (£2,649,241 in 2020/21) to Warwickshire County Council for services including: pensions, land charges, broadband, arboriculture services, trade refuse disposal, Tree Officer works, contribution to the costs of Lower House Farm recycling facility and leisure facilities. Income of £618,310 (£761,717 in 2020/21) was received from the County Council for grass cutting, schools trade refuse, School Swimming Lessons, one public estate project management, funding for a hospital liaison officer post, Health improvement grant, part occupation of Council Offices, Homeless Project, one off contribution to Water Orton Car Park maintenance and recycling activities.

Eight Borough Councillors were also on Atherstone Town Council in 2021/22. Income of £47,930 (£133,455 in 2020/21) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, hire of the Council House Offices for use by the Town Council and for some grounds maintenance work. Payments of £21,600 (£3,000 in 20-21) were made to Atherstone Town Council towards for some Community Grants.

Three Borough Councillors were also on Coleshill Town Council in 2021/22. Income of £1,761 (£1,732 in 2020/21 for the provision of a trade refuse service and two town council by-elections) was received from Coleshill Town Council, for the provision of a trade refuse service and a Pavement Licence. Payments of £3,708 (£1,700 in 2020/21 for a grant towards Coleshill Hall project and hire of premises for elections) were made to Coleshill Town Council towards reopening the High Street (grants) and hire of rooms for WCC and PCC Elections.

During the year a payment of £97,000 (£34,807.50 in 2020/21) 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 give voting rights to non-constituent members, for example, allowing them to vote on matters to do with economic development. Constituent members may only be signed up to one combined authority, whilst non-constituent members can be signed up to one or more combined authorities. In 2021/22 North Warwickshire Borough Council paid the WMCA a £50,000 contribution to help fund its programmes and initiatives (£25,000 in 2020/21).

### 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.

| <b>Capital Expenditure and Financing</b>              |                         |                         |
|---|-------------------------|-------------------------|
|   | <b>2020/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
| <i>Capital Investment</i>                             |                         |                         |
| Property, Plant and Equipment                         | 7,868                   | 11,858                  |
| Investment properties                                 | -                       | 107                     |
| Intangible Assets                                     | 80                      | 17                      |
| Revenue Expenditure Funded from Capital Under Statute | 814                     | 795                     |
| <b>Total Expenditure</b>                              | <b>8,762</b>            | <b>12,777</b>           |
| <i>Sources of Finance</i>                             |                         |                         |
| Capital receipts                                      | (2,299)                 | (1,132)                 |
| Government grants and other contributions             | (1,176)                 | (2,138)                 |
| Revenue Contribution to Capital                       | -                       | (64)                    |
| Section 106 contributions                             | (66)                    | (19)                    |
| Earmarked Capital Reserve                             | (278)                   | (74)                    |
| Major Repairs Reserve/HRA RCCO                        | (4,669)                 | (8,882)                 |
| Capital Creditors                                     | (274)                   | (468)                   |
| Prudential Borrowing                                  | -                       | -                       |
| <b>Total Financing</b>                                | <b>(8,762)</b>          | <b>(12,777)</b>         |

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.

|                                      | <b>2010/21<br/>£000</b> | <b>2021/22<br/>£000</b> |
|--------------------------------------|-------------------------|-------------------------|
| Long Term Assets                     | 197,693                 | 221,866                 |
| Revaluation Reserve                  | (24,740)                | (40,210)                |
| Capital Adjustment Account           | (114,013)               | (125,171)               |
| <b>Capital Financing Requirement</b> | <b>58,940</b>           | <b>56,485</b>           |

### 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.

| <b>31 March 2021<br/>£000</b> |                        | <b>31 March 2022<br/>£000</b> |
|-------------------------------|------------------------|-------------------------------|
| 122                           | Minimum lease payments | 121                           |
| (137)                         | Contingent rents       | (145)                         |
| <b>(15)</b>                   | <b>Total</b>           | <b>(24)</b>                   |

### 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:

| <b>31 March 2021<br/>£000</b> |   | <b>31 March 2022<br/>£000</b> |
|-------------------------------|---|-------------------------------|
| 417                           | Not later than one year                           | 402                           |
| 205                           | Later than one year and not later than five years | 204                           |
| 5,051                         | Later than five years                             | 5,015                         |
| <b>5,673</b>                  | <b>Total</b>                                      | <b>5,621</b>                  |

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 2021/22, £87,756.59 contingent rents were receivable by the Council (£84,054.71 in 2020/21).

### **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 2021/22 (none 2020/21).

### **38. Termination Benefits**

The Council terminated the contracts of 28 employees in 2021/2, incurred liabilities of £553,127.61 (£0 in 2020/21) – see Note 31 for the number of exit packages and total cost

per band. Payments were made to 6 Community Support officers, 3 Relief Community Support Officer, 5 Community Support Officers (Centra Communications), a Community Support Manager, a Licencing Officer, an Administration Assistant, 4 Central Services Assistants, 2 Receptionist (Polesworth & Coleshill), 4 Recreation Attendants (2 Polesworth & 2 Memorial Hall), a Cleaner (Memorial Hall) and a Fitness Coordinator (Polesworth).

### **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:

|   | 2020/21<br>£000 | 2021/22<br>£000 |
|---|-----------------|-----------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                 |                 |
| <i>Cost of Services</i>   |                 |                 |
| • Current service cost  | (2,802)         | (3,853)         |
| • Past Service Cost and Curtailments  | -               | (114)           |
| <i>Financing and Investment Income and Expenditure</i>  |                 |                 |
| • Interest cost   | (2,228)         | (2,493)         |
| • Expected return on scheme assets  | 1,589           | 1,733           |
| Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services                                  | (3,441)         | (4,727)         |
| <i>Re measurement of the net defined benefit liability comprising</i>   |                 |                 |
| • Return on plan assets   | 16,453          | 5,300           |
| • Actuarial (losses)/gains arising on changes in demographic assumptions  | (1,472)         | 1,173           |
| • Actuarial (losses)/gains arising on changes in financial assumptions  | (24,112)        | 7,679           |
| • Other   | 897             | 89              |
| Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement                                   | (8,234)         | 14,241          |
| <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 | 3,441           | 4,727           |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>                                       |                 |                 |
| • Employers contributions payable to scheme   | 1,968           | 2,025           |
| Retirement benefits payable to pensioners   | (2,917)         | (3,089)         |

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 £14,241,000 at 31 March 2022 (a loss of £8,234,000 at 31 March 2021).

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

|  | Funded Liabilities |                 |
|--|--------------------|-----------------|
|  | 2020/21<br>£000    | 2021/22<br>£000 |
| <b>Opening balance at 1 April – Funded liabilities</b>           | <b>95,160</b>      | <b>122,398</b>  |
| <b>Opening balance at 1 April – Unfunded liabilities</b>         | <b>1,586</b>       | <b>1,669</b>    |
| Current service cost   | 2,802              | 3,853           |
| Past Service Cost  | -                  | 114             |
| Interest Cost  | 2,228              | 2,493           |
| Contributions by scheme participants                             | 521                | 491             |
| Actuarial losses arising from changes in demographic assumptions | 1,472              | (1,173)         |
| Actuarial losses arising from changes in financial assumptions   | 24,112             | (7,679)         |
| Other  | (897)              | (139)           |
| Benefits paid - funded   | (2,792)            | (2,970)         |
| Benefits paid - unfunded   | (125)              | (119)           |
| <b>Closing balance at 31 March – Funded liabilities</b>          | <b>122,398</b>     | <b>117,433</b>  |
| <b>Closing balance at 31 March – Unfunded liabilities</b>        | <b>1,669</b>       | <b>1,505</b>    |

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

|  | Funded Assets   |                 |
|--|-----------------|-----------------|
|  | 2020/21<br>£000 | 2021/22<br>£000 |
| <b>Opening fair value of scheme assets at 1 April</b>  | <b>69,369</b>   | <b>86,983</b>   |
| Expected rate of return - Interest                     | 1,589           | 1,733           |
| Actuarial gains – Return on plan assets                | 16,453          | 5,300           |
| Other Experience                                       | -               | (50)            |
| Contributions by scheme participants                   | 521             | 491             |
| Employer contributions                                 | 1,843           | 1,906           |
| Contributions in respect of unfunded benefits          | 125             | 119             |
| Benefits/transfers paid                                | (2,792)         | (2,970)         |
| Unfunded Benefits/transfers paid                       | (125)           | (119)           |
| <b>Closing fair value of scheme assets at 31 March</b> | <b>86,983</b>   | <b>93,393</b>   |

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 (£7.033) million (£18.258 million in 2020/21).

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

|  | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2021<br>£000 | 31 March<br>2022<br>£000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Present value of the defined benefit obligation              | (99,124)                 | (111,286)                | (96,746)                 | (124,067)                | (118,938)                |
| Fair value of Plan assets                                    | 71,556                   | 75,441                   | 69,369                   | 86,983                   | 93,393                   |
| <b>Net liability arising from defined benefit obligation</b> | <b>(27,568)</b>          | <b>(35,845)</b>          | <b>(27,377)</b>          | <b>(37,084)</b>          | <b>(25,545)</b>          |

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £25.545 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 2022/23 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,753,000.

#### 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 2022. 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:

|  | 2020/21           | 2020/21     | 2021/22           | 2021/22     |
|--|-------------------|-------------|-------------------|-------------|
|  | Beginning of year | End of Year | Beginning of year | End of Year |
| <b>Allowance for Admin Expenses</b>            |                   |             |                   |             |
| Expenses Deducted (p.a.)                       | 0.7%              | 0.7%        | 0.7%              | 0.7%        |
| Mortality assumptions:                         |                   |             |                   |             |
| <b>Longevity at 65 for current pensioners:</b> |                   |             |                   |             |
| Men  | 21.8              | 21.8        | 21.6              | 21.6        |
| Women  | 24.2              | 24.2        | 24.1              | 24.1        |
| <b>Longevity at 65 for future pensioners:</b>  |                   |             |                   |             |
| Men  | 23.0              | 23.0        | 22.7              | 22.7        |
| Women  | 26.1              | 26.1        | 25.9              | 25.9        |
| Rate of Inflation (CPI)                        | 1.90%             | 2.85%       | 2.85%             | 3.20%       |
| Rate of Increase in salaries                   | 2.70%             | 3.65%       | 3.65%             | 4.00%       |
| Rate of increase in pensions                   | 1.90%             | 2.85%       | 2.85%             | 3.20%       |
| Rate of discounting scheme liabilities         | 2.30%             | 2.00%       | 2.00%             | 2.70%       |

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.

|   | 2020/21           | 2020/21     | 2021/22           | 2021/22     |
|---|-------------------|-------------|-------------------|-------------|
|   | 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.

|   | 2020/21         | 2020/21       | 2021/22         | 2021/22        |
|---|-----------------|---------------|-----------------|----------------|
|   | £ 000           | %             | £ 000           | %              |
| <b>Equity Securities:-</b>                |                 |               |                 |                |
| • Consumer                                | -               | 0.0%          | -               | 0.00%          |
| • Manufacturing                           | -               | 0.0%          | -               | 0.00%          |
| • Energy and Utilities                    | -               | 0.0%          | -               | 0.00%          |
| • Financial Institutions                  | -               | 0.0%          | -               | 0.00%          |
| • Health and Care                         | -               | 0.0%          | -               | 0.00%          |
| • Information Technology                  | -               | 0.0%          | -               | 0.00%          |
| • Other                                   | 41.0            | 0.1%          | 39.8            | 0.04%          |
| <b>Debt Securities:-</b>                  |                 |               |                 |                |
| • Corporate Bonds (investment grade)      | 8,479.7         | 9.7%          | 5,783.1         | 6.19%          |
| • Corporate Bonds (non-investment grade)  | 2,081.1         | 2.4%          | 1,899.0         | 2.03%          |
| • UK Government                           | 3,977.8         | 4.6%          | 4,385.2         | 4.70%          |
| • Other                                   | 7,248.5         | 8.3%          | 2,783.8         | 2.98%          |
| <b>Private Equity:-</b>                   |                 |               |                 |                |
| • All                                     | 4,455.6         | 5.1%          | 6,637.6         | 7.11%          |
| <b>Real Estate:-</b>                      |                 |               |                 |                |
| • UK Property                             | 7,896.4         | 9.1%          | 9,166.7         | 9.82%          |
| • Overseas Property                       | -               | 0.0%          | 31.2            | 0.03%          |
| <b>Investment Funds and Unit Trusts:-</b> |                 |               |                 |                |
| • Equities                                | 48,602.9        | 55.9%         | 47,547.8        | 50.91%         |
| • Bonds                                   | -               | 0.0%          | 8,435.8         | 9.03%          |
| • Hedge Funds                             | -               | 0.0%          | -               | 0.00%          |
| • Infrastructure                          | 2,510.9         | 2.9%          | 4,724.4         | 5.06%          |
| • Other                                   | -               | 0.0%          | -               | 0.00%          |
| <b>Cash and Cash Equivalents:-</b>        |                 |               |                 |                |
| • All                                     | 1,689.1         | 1.9%          | 1,958.6         | 2.10%          |
| <b>Total</b>                              | <b>86,983.0</b> | <b>100.0%</b> | <b>93,393.0</b> | <b>100.00%</b> |

#### 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 agreed in 2020/21 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 2023.

#### **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 2022 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 £365,849 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                                 | <b>31 March 2021</b><br><b>£000</b> | <b>31 March 2022</b><br><b>£000</b> |
|---------------------------------|-------------------------------------|-------------------------------------|
| Less than three months          | 242                                 | 270                                 |
| Between three and six months    | 31                                  | 21                                  |
| Between six months and one year | 16                                  | 19                                  |
| More than one year              | 63                                  | 56                                  |
| <b>TOTAL</b>                    | <b>352</b>                          | <b>366</b>                          |

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 2022 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:

|                                  | <b>31 March<br/>2021<br/>£000</b> | <b>31 March<br/>2022<br/>£000</b> |
|----------------------------------|-----------------------------------|-----------------------------------|
| Less than one year               | 2,250                             | 2,260                             |
| Between one years and two years  | 2,260                             | 2,350                             |
| Between two and five years       | 7,150                             | 7,400                             |
| Between five and ten years       | 16,130                            | 18,280                            |
| Between ten and fifteen years    | 8,699                             | 3,949                             |
| Between fifteen and twenty years | 5,000                             | 10,000                            |
| More than twenty years           | 5,000                             | -                                 |
| <b>Total</b>                     | <b>46,489</b>                     | <b>44,239</b>                     |

In addition to the longer-term debt above we have some short term debt of £2,000,000 borrowed from two Local Authorities repayable on the 4<sup>th</sup> April 2022.

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 2022 were held with banks and building societies. At 31 March 2022 the Council had short-term investments of £28.582 million.

|                        | <b>31 March 2021<br/>£000</b> | <b>31 March 2022<br/>£000</b> | <b>Change in year<br/>£000</b> |
|------------------------|-------------------------------|-------------------------------|--------------------------------|
| Short Term Investments | 16,515                        | 28,582                        | 12,067                         |
| <b>Total</b>           | <b>16,515</b>                 | <b>28,582</b>                 | <b>12,067</b>                  |

#### ➤ *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:

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

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.

Covid-19 emerged towards the end of 2019/20 and has had a significant impact on the financial position of the Council during 2020/21 & 2021/22. There has been an impact in the following areas:-

- ◆ Loss of service income due to temporary closures, reduction in demand, and increased collection losses;
- ◆ Additional expenditure, 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;
- ◆ Some 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;
- ◆ An impact on the Council's joint ventures;

- ◆ Some impact from the above on the Council's cash flow and treasury management, including availability of liquid cash (as at April 2024 the Council has around £38 million short term investments), impact on investment returns, and availability of external borrowing if required.
- ◆ An overall impact on the Council's General Fund and Housing Revenue Account reserves.

This significant financial challenge affected the Council, as it did all local authorities. The Council took the decision in September 2020 to use earmarked reserves in both 2020/21 and 2021/22 to manage the impact of Coronavirus but have not assumed any further use in 2022/23 and beyond. All financial reviews undertaken are based on the latest expectations of expenditure and income levels, taking into account lower income levels and higher service costs as appropriate.

The last published revision of the Medium Term Financial Strategy was undertaken in March 2024 and included the position at the end of 2021/22, which had taken into account government funding received and the use of earmarked reserves. This left the General Fund balance as at 31 March 2022 at £2.096 million (subject to year-end adjustments and audit). The Council continues to review its Medium Term Financial Strategy, with a further update due in September 2024.

General reserves and balances are held to provide a general contingency for unavoidable or unforeseen expenditure and also gives 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 £1.2 million. Whilst there are significant ongoing challenges for the Council, the impact of Covid is being managed.

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 14<sup>th</sup> May 2024. 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 2022, 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 2022/23 Budget in February 2022, 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 provided 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. Government measures to control the outbreak, the impact on the UK economy and locally on our residents and businesses are still subject to some uncertainty.

We continue to model 3 different scenarios to illustrate the scale of the financial impact that the Council could face in 2022/23 and over the medium term: an optimistic scenario which limits the length of the impact of the outbreak, an expected scenario which assesses the impact given current knowledge and a pessimistic scenario which assumes a longer term impact of the outbreak.

The Executive Board considers 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 April 2024 are £38m which exceed the liquidity shortfall that would be required within the worst case scenario model.

Work to review the level and scope of Council services in the future continues to ensure that the Council remains financially sustainable and can support the economic recovery and our most vulnerable residents.

### Materials Recycling Facility

On the 1 April 2021, the Council entered into a number of key legal agreements including but not limited to the Shareholders Agreement and Loan Facility Agreement in relation to Sherbourne Recycling Limited - this is a cross-authority owned Materials Recycling Facility designed to process each authority's kerbside collected recyclate. As one of 8 shareholders, North Warwickshire Borough Council made an equity investment of £46,700 for their 4.7% share in Sherbourne Recycling Limited (SRL).

Over the course of the next 24 months, SRL will draw down the loan facility with the Council for a maximum amount of £2.818m, scheduled based on the payment of milestones by civils, process equipment and other contractors involved in the construction and operation of the company.

All interest accrued during this construction phase will be capitalised and added to the principal at the end of construction phase. Once operational the principal and interest will be repaid over the next 25 years in line with the terms of the Loan Facility Agreement. The facility to be operational from mid-2023.

Coventry City Council has entered into a Financial Payment Guarantee with each contractor on behalf of Sherbourne Recycling Limited (the "Company"); to guarantee the company's obligation to pay each contractor for the works to be provided under each respective contract. Each Partner Council has agreed by entering into the Shareholder's Agreement, that they will indemnify Coventry City Council for any loss or liability arising under or in connection with the Financial Payment Guarantee in proportion with their respective shareholding.

### 43. Covid-19 Grant Support Arrangements

To support the economy during the Covid-19 pandemic, the Government has made substantial funds available, a number of which have been allocated to local authorities for distribution.

In accounting for these grants, the Council has made judgements as to whether, for each individual grant, it is acting as the principal or as agent in their distribution based on the level of control the Council has in determining allocations to recipients. Details of the material grants are shown in the relevant notes to the accounts.

## 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<br>2020/21<br>£000 | Actual<br>2020/21<br>£000 |   | Actual<br>2021/22<br>£000 | Actual<br>2021/22<br>£000 | Note  |
|---------------------------|---------------------------|---|---------------------------|---------------------------|-------|
|                           |                           | <b>EXPENDITURE</b>  |                           |                           |       |
| 3,031                     |                           | Repairs and Maintenance   | 3,384                     |                           | 5     |
| 1,600                     |                           | Supervision and Management  |                           |                           |       |
| 409                       |                           | - General   | 1,715                     |                           |       |
| 3,036                     |                           | - Special Services  | 436                       |                           |       |
|                           |                           | Depreciation, Impairment and revaluation losses of non-current assets   | 3,349                     |                           | 9     |
| 3,504                     |                           | Debt Management Costs   | 3,710                     |                           | 14    |
| 18                        |                           | Movement in the allowance for bad debts   | 56                        |                           | 13    |
|                           | 11,598                    | <b>TOTAL EXPENDITURE</b>  |                           | 12,650                    |       |
|                           |                           | <b>INCOME</b>   |                           |                           |       |
| (11,460)                  |                           | Dwelling rent   | (11,661)                  |                           | 12    |
| (389)                     |                           | Non-dwelling rent   | (385)                     |                           |       |
| (105)                     |                           | Charges for Services and Facilities   | (112)                     |                           |       |
|                           |                           | Grant for New Build   |                           |                           |       |
|                           | (11,954)                  | <b>TOTAL INCOME</b>   |                           | (12,158)                  |       |
|                           | (356)                     | <b>Net Expenditure/ (Income) of HRA Service as included in the Comprehensive Income and Expenditure Statement</b>       |                           | <b>492</b>                |       |
|                           | 77                        | HRA service share of Corporate and Democratic Core  |                           | 76                        |       |
|                           | (279)                     | <b>Net Income/cost for HRA Services</b>   |                           | <b>568</b>                |       |
|                           |                           | <b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b> |                           |                           |       |
|                           | (129)                     | Gain on sale of HRA non-current assets  |                           | 355                       |       |
|                           | (4)                       | Interest payable and similar charges  |                           | 358                       | 10/15 |
|                           | (21)                      | Interest and Investment Income  |                           | (28)                      | 15    |
|                           | (7,198)                   | Deficit or (Surplus) on Revaluation of Property, Plant and Equipment  |                           | (4,612)                   | 10    |
|                           | (7,631)                   | <b>(Surplus) or Deficit for the year on HRA Services</b>  |                           | <b>(3,359)</b>            |       |

## 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.

| 2020/21<br>£000 |   | 2021/22<br>£000 |
|-----------------|---|-----------------|
| (4,733)         | <b>Balance on the HRA at the end of the previous year</b>                   | (3,661)         |
| (7,631)         | (Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement | (3,359)         |
| 7,154           | Adjustments between accounting basis and funding basis under statute        | 3,397           |
| (477)           | <b>Net (Increase) or decrease before transfers to or from reserves</b>      | <b>38</b>       |
| 1,549           | Transfers to or (from) reserves   | 2,970           |
| <b>1,072</b>    | <b>(Increase) or decrease in year on the HRA</b>                            | <b>3,008</b>    |
| (3,661)         | <b>Balance on the HRA at the end of the current year</b>                    | <b>(653)</b>    |

#### Adjustments between accounting basis and funding basis under statute:

| 2020/21<br>£000 |  | 2021/22<br>£000 | Note |
|-----------------|--|-----------------|------|
|                 | <b>Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year</b>   |                 |      |
| 7,198           | Reversal of Impairment losses and revaluations   | 4,612           | 10   |
| 129             | Gain on sale of HRA Property, Plant and Equipment  | (355)           |      |
| (197)           | Net charges made for retirement benefits in accordance with IAS 26   | (494)           | 11   |
| 20              | (Increase)/Reduction in accrual for employee benefits  | (8)             |      |
| <b>7,150</b>    | <b>Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year</b> | <b>3,755</b>    |      |
| 4               | Transfer to Capital Adjustment Account   | (358)           | 15   |
| <b>7,154</b>    | <b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>                   | <b>3,397</b>    |      |

#### Transfers to or from reserves

| 2020/21<br>£000 |  | 2021/22<br>£000 | Note |
|-----------------|--|-----------------|------|
| 307             | Transfer to/(from) the Housing Repairs Reserve | 274             | 5    |

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2022

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 2596.5 dwellings during 2021/22, consisting of the following:

| 2020/21      |                                     | 2021/22      |
|--------------|-------------------------------------|--------------|
| 1,354        | Houses                              | 1,348        |
| 628          | Flats                               | 629          |
| 617          | Bungalows                           | 617          |
| <b>2,599</b> | <b>Total at 31 March</b>            | <b>2,594</b> |
|              | The change in stock was as follows: |              |
| 2,631        | Stock at 1st April                  | 2,599        |
| (16)         | less Sales                          | (25)         |
| (20)         | Demolitions                         | -            |
| 4            | New Build                           | 20           |
| <b>2,599</b> | <b>Stock at 31 March</b>            | <b>2,594</b> |

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £197.089 million as at 31 March 2022. 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 2021<br>£000 | Asset Type                     | Balance as at 31 March 2022<br>£000 |
|-------------------------------------|--------------------------------|-------------------------------------|
| 2,753                               | Land                           | 3,446                               |
| 165,571                             | Council Dwellings              | 187,922                             |
| 252                                 | Plant and Vehicles             | 186                                 |
| 5,382                               | Other Property                 | 5,535                               |
| <b>173,958</b>                      | <b>Total</b>                   | <b>197,089</b>                      |
| 119,095                             | Operational Assets – Dwellings | 135,799                             |
| 46,476                              | - Land                         | 52,123                              |
| 5,382                               | - Other Buildings              | 5,535                               |
| 252                                 | - Plant and Vehicles           | 186                                 |
| 2,753                               | Non-operational Assets         | 3,446                               |
| <b>173,958</b>                      | <b>Total</b>                   | <b>197,089</b>                      |



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 £462.619 million. This is different to the gross book value of the assets included within the balance sheet of £185.048 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.

| <b>2020/21<br/>£000</b> |   | <b>2021/22<br/>£000</b> |
|-------------------------|---|-------------------------|
| (1,536)                 | Balance as at 1 April                   | (1,536)                 |
| (2,952)                 | Transfer into Reserve – Depreciation    | (3,288)                 |
| 2,952                   | Transfer into Reserve – Appropriation   | 3,288                   |
| -                       | To finance Capital Expenditure – Houses | -                       |
| <b>(1,536)</b>          | <b>Balance as at 31 March</b>           | <b>(1,536)</b>          |

#### 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 £274,235 and is detailed below:

| <b>2020/21<br/>£000</b> |                               | <b>2021/22<br/>£000</b> |
|-------------------------|-------------------------------|-------------------------|
| 867                     | Balance as at 1 April         | 1,174                   |
| 3,222                   | Contributions from HRA        | 3,367                   |
| (2,915)                 | Use of Fund                   | (3,093)                 |
| <b>1,174</b>            | <b>Balance as at 31 March</b> | <b>1,448</b>            |

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:

| <b>2020/21<br/>£000</b> |                               | <b>2021/22<br/>£000</b> |
|-------------------------|-------------------------------|-------------------------|
| (2,465)                 | Balance as at 1 April         | (2,459)                 |
| (3,048)                 | Contributions from HRA        | (4,790)                 |
| -                       | Other Receipts                | -                       |
| 3,054                   | Use of Reserve                | 6,309                   |
| <b>(2,459)</b>          | <b>Balance as at 31 March</b> | <b>(940)</b>            |

## 7. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2021/22, spent £10,291,247 (£6,776,461 in 2020/21). This expenditure was used to fund work on council houses, garages and community centres of £6,752,437 (£4,798,166 in 2020/21) and new housing of £3,538,610 (£1,978,295 in 2020/21). Capital spending during the year has been paid for from a number of sources and these are shown below:

| 2020/21<br>£000 | Source of Funding            | 2021/22<br>£000 |
|-----------------|------------------------------|-----------------|
| (2,952)         | Major Repairs Reserve        | (3,288)         |
| (1,580)         | Capital Receipts             | (874)           |
| -               | Capital Receipts – New Build | (1,772)         |
| (1,717)         | Earmarked Reserves           | (2,715)         |
| -               | Section 106 Funding          | -               |
| (292)           | Grants and Contributions     | (1,329)         |
| (235)           | Capital Creditors            | (313)           |
| <b>(6,776)</b>  | <b>Total</b>                 | <b>(10,291)</b> |

## 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 2021/22 capital income of £1,996,150 was received from the sale of 25 council houses and £43,605 from the sale of 8 Cornish Close Ansley a part equity investment property. (£1,268,800 for 16 houses in 2020/21).

## 9. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2021/22 the amount of depreciation charged is as follows.

| 2020/21<br>Operational<br>assets<br>£000 |                   | 2021/22<br>Operational<br>assets<br>£000 |
|--|-------------------|--|
| 2,856                                    | Council Dwellings | 3,190                                    |
| 96                                       | Other Property    | 98                                       |
| 54                                       | Vehicles          | 61                                       |
| 12                                       | Plant & Equipment | -  |
| <b>3,018</b>                             | <b>Total</b>      | <b>3,349</b>                             |

## 10. Revaluations / Impairment charges

There were no impairment charges during the year. Some land and properties held as investment assets decreased in value by £357,580 (see note 12, page 28), however there were revaluation gains of £4.612 million on the Council's housing stock. In overall terms revaluation gains of £4.254 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 £493,768 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 1.81% of lettable properties were vacant (1.95% in 2020/21). Average rents were £95.23 a week in 2021/22 (excluding service charges) on a 48 week basis, an increase of £2.05 or 2.20% over the previous year.

## 13. Rent Arrears

At 31 March 2022 the total rent in arrears was £289,786, which represents 2.49% of collectable rent income (2.03% in 2020/21). The rent arrears figures are detailed below: -

| 2020/21<br>£000 |                          | 2021/22<br>£000 |
|-----------------|--------------------------|-----------------|
|                 | Arrears at 31st March: - |                 |
| 100             | Present Tenants          | 129             |
| 132             | Former Tenants           | 161             |
| <b>232</b>      | <b>TOTAL ARREARS</b>     | <b>290</b>      |

The allowance for bad debts at 31 March 2022 was £227,065 (£176,916 at 31 March 2021). £3,552 of debts were written off during the year (No debts were written off in 2020/21) and an additional provision was made of £53,701 (£14,507 in 2020/21). In addition, the Council has increased the provision for the non-collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £1,809 (£3,936 increase in 2020/21). The movement on the bad debt provision in 2021/22 is £55,510 (£18,443 in 2020/21).

## 14. Charges for Borrowing

The Housing Revenue Account repaid £2,250,000 of the long-term borrowing it took out as part of the move to the Housing Self Financing system and £1,459,614 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 2021/22.

## 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 2021/22 this amounted to £28,035 (£21,138 in 2020/21).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 4 parcels of land during the year showed an decrease in the asset valuations of £385,000 (£4,400 increase in 2020/21 (4 parcels of land). In addition we hold 9 shared ownership properties in Thorncliffe Way, Cornish Close & Digby Road as investment properties. During the year there was a increase in their valuations of £27,420 (£870 decrease in 2020/21). 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 statue 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 2022

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).

| 2020/21<br>Council<br>Tax<br>£000       | 2020/21<br>NDR<br>£000 | 2020/21<br>Total<br>£000 |  | 2021/22<br>Council<br>Tax<br>£000 | 2021/22<br>NDR<br>£000 | 2021/22<br>Total<br>£000 |
|---|------------------------|--------------------------|--|-----------------------------------|------------------------|--------------------------|
| 42,079                                  | -                      | 42,079                   | <b>INCOME</b>  |                                   |                        |                          |
|   |                        |                          | Income from Council Tax<br>(net of benefits and transitional relief) | 44,476                            | -                      | 44,476                   |
| -                                       | 46,042                 | 46,042                   | Income Collectable from Business<br>Ratepayers                       | -                                 | 47,627                 | 47,627                   |
| <b>42,079</b>                           | <b>46,042</b>          | <b>88,121</b>            |  | <b>44,476</b>                     | <b>47,627</b>          | <b>92,103</b>            |
|   |                        |                          | <b>EXPENDITURE</b>   |                                   |                        |                          |
|   |                        |                          | Precepts and Demands-Council Tax :                                   |                                   |                        |                          |
| 31,318                                  | -                      | 31,318                   | - Warwickshire County Council  | 32,313                            | -                      | 32,313                   |
| 5,006                                   | -                      | 5,006                    | - Warwickshire Police Authority                                      | 5,330                             | -                      | 5,330                    |
| 5,540                                   | -                      | 5,540                    | - North Warwickshire BC  | 5,671                             | -                      | 5,671                    |
| 41,864                                  | -                      | 41,864                   |  | 43,314                            | -                      | 43,314                   |
|   |                        |                          | Distribution of Surpluses-Council Tax :                              |                                   |                        |                          |
| 545                                     | -                      | 545                      | - Warwickshire County Council  | (52)                              | -                      | (52)                     |
| 87                                      | -                      | 87                       | - Warwickshire Police Authority                                      | (8)                               | -                      | (8)                      |
| 98                                      | -                      | 98                       | - North Warwickshire BC  | (9)                               | -                      | (9)                      |
| 730                                     | -                      | 730                      |  | (69)                              | -                      | (69)                     |
|   |                        |                          | Business Rate Payments:  |                                   |                        |                          |
|   | 28,776                 | 28,776                   | - Government   | -                                 | 25,011                 | 25,011                   |
|   | 23,021                 | 23,021                   | - North Warwickshire BC  | -                                 | 20,009                 | 20,009                   |
|   | 5,755                  | 5,755                    | - Warwickshire County Council  | -                                 | 5,002                  | 5,002                    |
|   | 98                     | 98                       | Transition Protection payment<br>to/(from) Government                | -                                 | 51                     | 51                       |
|   | 111                    | 111                      | Cost of collection   | -                                 | 110                    | 110                      |
| -                                       | 57,761                 | 57,761                   |  | -                                 | 50,183                 | 50,183                   |
|   |                        |                          | Bad and doubtful debts/appeals :                                     |                                   |                        |                          |
| 13                                      | -                      | 13                       | - Arrears Written Off  | 16                                | 1                      | 17                       |
| 327                                     | 635                    | 962                      | -Provision for uncollectable amounts                                 | 141                               | 645                    | 786                      |
| -                                       | 1,825                  | 1,825                    | - Provision for Appeals  | -                                 | (1,456)                | (1,456)                  |
| (855)                                   | (14,179)               | (15,034)                 | Increase/(Decrease) in Fund Balance                                  | 1,074                             | (1,746)                | (672)                    |
| <b>42,079</b>                           | <b>46,042</b>          | <b>88,121</b>            |  | <b>44,476</b>                     | <b>47,627</b>          | <b>92,103</b>            |
| <b>MOVEMENTS ON THE COLLECTION FUND</b> |                        |                          |  |                                   |                        |                          |
| 652                                     | 12,048                 | 12,700                   | Balance at 1 April   | (203)                             | (2,131)                | (2,334)                  |
| (855)                                   | (14,179)               | (15,034)                 | <b>Surplus/(Deficit) for the Year</b>                                | 1,074                             | (1,746)                | (672)                    |
| <b>(203)</b>                            | <b>(2,131)</b>         | <b>(2,334)</b>           | <b>Balance at 31 March 2022</b>                                      | <b>871</b>                        | <b>(3,877)</b>         | <b>(3006)</b>            |

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

| <b>Precept /Demand</b> | <b>Share of 31 March 2021 Surplus</b> | <b>2020/21 Total</b> | <b>Authority</b>                   | <b>Precept /Demand</b> | <b>Share of 31 March 2022 Surplus</b> | <b>2021/22 Total</b> |
|------------------------|---------------------------------------|----------------------|------------------------------------|------------------------|---------------------------------------|----------------------|
| £000                   | £000                                  | £000                 |                                    | £000                   | £000                                  | £000                 |
| 31,318                 | (152)                                 | 31,166               | Warwickshire County Council        | 32,313                 | 652                                   | 32,965               |
| 5,006                  | (24)                                  | 4,982                | Warwickshire Police Authority      | 5,330                  | 104                                   | 5,434                |
| 5,540                  | (27)                                  | 5,513                | North Warwickshire Borough Council | 5,671                  | 115                                   | 5,786                |
| <b>41,864</b>          | <b>(203)</b>                          | <b>41,661</b>        | <b>Total</b>                       | <b>43,314</b>          | <b>871</b>                            | <b>44,185</b>        |

**NDR (Business Rates) on the Collection Fund**

| <b>Business Rates 2020/21</b> | <b>Share of 31 March 2021 Deficit</b> | <b>2020/21 Total</b> | <b>Authority</b>                   | <b>Business Rates 2021/22</b> | <b>Share of 31 March 2022 Deficit</b> | <b>2021/22 Total</b> |
|-------------------------------|---------------------------------------|----------------------|------------------------------------|-------------------------------|---------------------------------------|----------------------|
| £000                          | £000                                  | £000                 |                                    | £000                          | £000                                  | £000                 |
| 23,021                        | (852)                                 | 22,169               | North Warwickshire Borough Council | 20,009                        | (1,551)                               | 18,458               |
| 5,755                         | (213)                                 | 5,542                | Warwickshire County Council        | 5,002                         | (387)                                 | 4,615                |
| 28,776                        | (1,066)                               | 27,710               | Government                         | 25,011                        | (1,939)                               | 23,072               |
|                               |                                       |                      |                                    |                               |                                       |                      |
| <b>57,552</b>                 | <b>(2,131)</b>                        | <b>55,421</b>        | <b>Total</b>                       | <b>50,022</b>                 | <b>(3,877)</b>                        | <b>46,145</b>        |

## Notes to the Collection Fund for the year ended 31 March 2022

### 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 2021/22 the base was calculated as follows:

| Band   | Estimated number of taxable properties after effect of discounts | Ratio | Band D equivalent Dwellings |
|--|--|-------|-----------------------------|
| A  | 4,453.82   | 6/9   | 2,967.55                    |
| B  | 5,682.33   | 7/9   | 4,419.59                    |
| C  | 5,362.78   | 8/9   | 4,766.91                    |
| D  | 3,529.62   | 9/9   | 3,529.62                    |
| E  | 2,295.68   | 11/9  | 2,805.83                    |
| F  | 1,204.44   | 13/9  | 1,739.75                    |
| G  | 684.08   | 15/9  | 1,140.13                    |
| H  | 65.81  | 18/9  | 131.62                      |
|  |  |       | 21,501.00                   |
| Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding. |  |       | 98.00%                      |
| <b>COUNCIL TAX BASE 2021/22</b>  |  |       | <b>21,071.07</b>            |

On the basis of an average £2,003.77 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £42,222 million (£2,003.77 x 21,071.07). 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 31 March 2022 are accounted for in the following year to allow the system to be rolled forward and future bills prepared. We were notified of changes of £0 after the 31 March 2022, due to changes to the valuations of properties, which will be included within the 2022/23 accounts.

The total non-domestic rateable value at the year-end was £119,820,568 (£121,572,327 in 2020/21). The national non-domestic rate for small businesses was 49.9 pence (49.9 pence in 2020/21) and the rate for other businesses was 51.2 pence (51.2 pence in 2020/21).

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year end of 31 March 2022. The Council is required to prepare 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

|  |   |
|--|---|
| <b>ACCRUALS</b>                                  | Income and expenditure that is recognised as it is earned or incurred rather than as the money is actually received or paid.  |
| <b>ACTUARIAL GAIN / LOSS</b>                     | 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'. |
| <b>AMORTISATION</b>                              | The drop in value of intangible assets as they become out of date.  |
| <b>ASSET</b>                                     | An item, which is intended to be used for several years such as a building or a vehicle.  |
| <b>BUDGET</b>                                    | A statement of a Council's plans for expenditure over a specified period of time.   |
| <b>BUSINESS RATES (Non-domestic rates – NDR)</b> | 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.   |
| <b>CAPITAL CHARGES</b>                           | A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.  |
| <b>CAPITAL EXPENDITURE</b>                       | 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.  |
| <b>CAPITAL RECEIPTS</b>                          | Income from the sale of Council assets, e.g. land and buildings.  |
| <b>CENTRAL SUPPORT SERVICES</b>                  | The cost of central departments, which are apportioned over the various services.   |
| <b>CIPFA (CPFA)</b>                              | The Chartered Institute of Public Finance and Accountancy   |
| <b>COMMUNITY ASSETS</b>                          | 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).   |
| <b>CONTINGENCY</b>                               | 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.  |
| <b>CORPORATE AND DEMOCRATIC CORE COSTS</b>       | Spending relating to the need to co-ordinate and account for the many services we provide to the public.  |
| <b>CREDITORS</b>                                 | 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.   |

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



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| <b>NON-OPERATIONAL ASSETS</b>                       | 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).                        |
| <b>OPERATIONAL ASSETS</b>                           | 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) |
| <b>POOLED BUDGETS</b>                               | This refers to services operated by the Council in conjunction with other local authorities, for example, the Building Control Service.  |
| <b>PRECEPT</b>                                      | The amount each Council in the area asks us to collect from council tax on their behalf each year.   |
| <b>REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE</b> | The financing of capital expenditure directly from revenue.  |
| <b>REVENUE EXPENDITURE</b>                          | Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.  |
| <b>SOLACE</b>                                       | Society of Local Authority Chief Executives  |
| <b>SORP</b>   | Statement of Recommended Practice.   |
| <b>TEMPORARY LOANS</b>                              | Money borrowed for an initial period of less than one year.  |
| <b>UK GAAP</b>                                      | UK Generally Accepted Accounting Practice  |

# **NORTH WARWICKSHIRE BOROUGH COUNCIL**

## **2021/22 Annual Governance Statement**

### **Executive Summary**

#### **Responsibility for Governance**

The 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, it puts arrangements in place for the governance of its affairs, which include 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.

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.

#### **Commitment to Review Governance Arrangements**

The Council has a 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. As part of that review, work has been undertaken by the Council's statutory officers.

Service Boards use Task and Finish Groups or Working Groups to review and scrutinise individual areas, such as Housing.

#### **Overall Opinion on the Level of Assurance Provided by Governance Arrangements**

The Annual Governance Statement has confirmed that the controls in place have largely continued to operate as intended. The Council continued to operate alternative controls introduced on a temporary basis as part of management arrangements during the pandemic for much of 2021/22. Where these have resulted in process improvements, they are now being incorporated into normal procedures. Otherwise, we are returning to previous controls and processes as we return to more normal conditions.

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.

**Significant Governance Issues Identified**

We propose over the coming year to address a number of 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.

These include:

- A review of the Financial Regulations;
- Further work on compliance with the Financial Management Code;
- Continuing to progress workforce planning;
- The continued use of virtual meetings where appropriate and efficient;
- Increased reporting to Resources Board on risk management;
- A review of the revised corporate plan and performance indicators;
- Replacement of four key computer systems to improve functionality and also maintain security compliance.



Signed:.....

Leader of the Council



Signed:.....

Chief Executive

## **Introduction**

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.

## **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 2022 and up to the date of approval of the statement of accounts.

## **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 normally 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.

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.

## **Statutory Officers**

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 – Head of Legal Services

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.

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. 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 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.

### **Management Team**

Two of the statutory officers, the Head of Paid Service and CFO, are members of the Senior Management Team of the Council and the third statutory officer attends as required. The Corporate Director Streetscape is also a member of the Senior Management Team which meets on a weekly basis.

The Council also had two Service Directors during the year covering: 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. The Head of Legal Services attends meetings of the Extended Management Team.

### **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 is 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 throughout the year.

### **Performance Management**

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. Services are monitored and discussed on a monthly basis at Extended Management Team meetings.

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.

Normally progress against Corporate Plan targets is reported regularly to senior managers, Management Team and to service boards, 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. Reduced reporting took place in some areas during 2021/22, partly due to

the ongoing pandemic situation and partly due to the ongoing review of the format of the Corporate Plan which was introduced for 2021/22.

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. As the Council had taken part in a virtual LGA facilitated Recovery Panel review in March 2021, further review was not undertaken in year.

Targeted feedback on Council activity was obtained in specific areas and general feedback on the Council was obtained on council services during calls to residents. Feedback through the complaints and compliments process was reviewed as normal.

### **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 maintenance and updating of systems is key, and some preparatory work for updating key systems commenced during the year, which will both improve functionality and also maintain security compliance. Following these changes arrangements will be made to carry out testing to confirm compliance. The Council also continues to actively work with the Warwickshire LRF Cyber Resilience Working Group.

### **Financial Management**

The Chief Financial Officer is responsible for the proper administration of the Council's financial affairs. 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 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 generally 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. Whilst the revised format for reporting to Management continued during 2021/22, financial updates continued to be discussed regularly. Service Boards received financial monitoring reports, and the MTFS was updated in September in line with usual practice.

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 not reviewed during the year, so this will be carried out during 2022/23.

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.

The annual report for 2020/21 was provided during the year, and included information on the strategic risks for 2021/22, as well as the more significant operational 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 normally receive a mid year update on risk management activity, but this did not happen in 2021/22 due to the ongoing pressures of the pandemic. The requirement for increased oversight of risk management activity has been raised by the Resources Board.

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 Council's Internal Audit team has demonstrated compliance with the Public Sector Internal Audit standards. The team use a risk based approach to formulate audit plans and determine the scope of audit reviews.

The Council has a zero tolerance to all forms of fraud 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. 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 have highlighted the need to review and update workforce plans. Work was undertaken in a number of areas, but this was not progressed fully across the Council due to capacity issues.

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. Appraisals were temporarily suspended during the pandemic but reinstated in 2021/22. In addition, team meetings continued to be used to monitor performance. The annual staff survey was used to assess the working arrangements and barriers to performance. Greater use of electronic mediums continued with regard to communication with employees, where this was appropriate.

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 fairly regular sessions being arranged.

## **Impact of Covid on the Council and its Governance Arrangements**

The Council continued with the revised working arrangements introduced in response to Covid. Office based staff continued to work from home where possible, and those staff who needed to attend the offices, worked in line with adapted office processes in order to comply with Covid guidance. Revised procedures were also maintained for front line services, to enable social distancing wherever possible and to ensure appropriate PPE was available and used. Arrangements were revised during the year for some front line services, in response to changes in Government guidance.

Alternative control measures continued to be used in many areas, for example, the electronic procedure for authorisation of documents and meetings of the Emergency Management Team in place of Health and Safety Group meetings. Whilst the majority of meetings continued to take place virtually, the ability to hold virtual Board and Council meetings did not extend beyond May 2021, and physical meetings resumed. All possible precautions were taken to ensure those attending could do so safely.

The Council continued to administer a variety of business grant schemes throughout the year, advised businesses on required Covid measures and assisted with the enforcement of business closures. The Council also supported the roll out of the vaccination programme by making part of its building available as a vaccination clinic when other premises were not available.

The Council's finances continued to be affected as a result of the pandemic. The increases in some service costs due to new working arrangements continued, together with a continued loss of income, particularly in leisure services. Compensation for lost income was received from the Government but only for the April to June 2021 period.

CIPFA brought out a Financial Management Code in October 2019. Local Authorities were required to comply with the Code from April 2021, with 2020/21 used to supplement any shortfalls against the



Code. The difficulties posed by the pandemic were recognised and whilst CIPFA still required compliance with the Code, it was accepted that full compliance from 1 April may not be achievable. Instead, the requirement was for full compliance to be achieved during the year. An assessment against the Financial Management Code was considered by the Executive Board in July 2021, and identified a few areas where work was needed. These included:

- A review of consultation arrangements
- The consolidation of asset management planning information
- Use of the CIPFA resilience index in financial planning and a review to ensure that all key balance sheet items are included in budget monitoring

### **Evaluation of the Effectiveness of Governance Arrangements**

Progress has been made with the implementation of the Corporate Governance Action Plan approved last year:

- The revised of the 2021/22 Corporate Plan has been reviewed by the Executive Board, who have also received progress reports against current priorities;
- Although Board and Council meetings went back to physical meetings, they continued to be broadcast virtually, so that the public benefits of broadcasting could be evaluated;
- The use of virtual meetings continued in most areas, to enable compliance with Government guidance and in the interests of efficiency;
- The staff appraisal process recommenced towards the end of the year;
- Workforce planning continued. Current economic conditions impacted on some areas of the workforce, and these were taken into account when looking at service requirements;
- Some internal working groups have been resumed where this is appropriate;
- Whilst an assessment was made of the work required under the Financial Management Code, only limited progress against the action plan was achieved. This will need to be completed in 2022/23.

Despite the ongoing challenges of the pandemic during the year, the governance arrangements of the Council largely returned to pre pandemic levels over the course of the year. Management Team continued to provide corporate monitoring across the organisation as an alternative to some officer working groups, but internal groups restarted covering areas such as transport.

Internal audit work continued to be affected due to both the restrictions of the pandemic and a reduction in staff resources. However, the Corporate Director considers that sufficient work was undertaken to provide an opinion on the Council's control environment. The work undertaken by Internal Audit has enabled the Corporate Director Resources to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda.

# NORTH WARWICKSHIRE BOROUGH COUNCIL

## FINANCIAL STATEMENTS

### 2022/23

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We would welcome any comments or suggestions you have about this publication. Please contact Alison Turner, Interim Corporate Director – Resources (Section 151 Officer).

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# ***Interim 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 9,211 residents to Wishaw with just 132. 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 65,300 with White British the major ethnic group
- Approximately £48 million of business rates are collected annually – only approximately £2 million of this is kept by the Council
- Council tax of £45.8 million is collected annually - only £4.8 million of this is kept by the Council
- We have 27 play areas and 10 sports pitches
- A recycling rate of 48%
- We dealt with 757 planning applications in 2022/23
- We manage and maintain 2,583 council houses
- We issued 832 licences
- There are 71 industrial units available for small businesses
- We run 2 leisure centres and 1 swimming pool
- Refuse is collected from 29,000 domestic properties and 430 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 new agreed Vision Statement for the period covering 2021-2023 is:

### ***Vision***

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

### ***Values***

Service provider, enabler, point of contact, champion of North Warwickshire

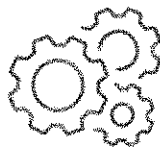
### ***Priorities and Objectives***

# Priorities:

---

## Efficient organisation:

- Finances
- Lean
- Responsive



## Safe, Liveable, Locally Focussed communities:

- Feeling safe
- Place based enforcement
- Quality of life



## Prosperous and healthy:

- Jobs
- Infrastructure
- Connectivity
- Health



## Sustainable growth, protected rurality:

- Vibrant growth
- Sense of place
- Recognisably home



## key objectives

**Efficient organisation** – financial management, lean and responsive organisation

**Safe, Liveable, Locally Focussed Communities** – feeling safe, place-based enforcement, quality of life

**Prosperous and healthy** – jobs, infrastructure, connectivity, health

**Sustainable growth, protected rurality** - vibrant growth, sense of place, recognisably home

These priorities and objectives and how we will achieve them and how we will measure the success are detailed in the full document available on our web site.

The Corporate Plan - <https://www.northwarks.gov.uk/downloads/file/757/corporate-plan-2021---2023>

The Corporate Plan Performance Update agenda item NO 8 – Copy the below address into your browser.

<https://www.northwarks.gov.uk/download/meetings/id/1249/Executive%2520Board%252021%2520Novemb er%25202022%2520Part%25201>

## Governance Arrangements

These are detailed in the Annual Governance Statement, which is set out at the end of the end of the document from page 89.

## Resident / Satisfaction Surveys

The Council operates a complaints and compliments process. During 2022/23, 33 complaints and 147 compliments were received. This compared to 58 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. In addition, the Covid-19 pandemic impacted throughout 2020/21, 2021/22 & into 2022-23 following the Government's national lockdown which commenced on 23 March 2020.

Additional spending was needed to maintain key services during the pandemic, with service income reduced significantly in areas such as leisure services. These service areas in 2022/23 have started to recover but not to pre pandemic levels. Whilst some government support was received in the prior years towards the additional costs, our financial position has worsened.

Economic uncertainty still exists, with the recovery of both the country and the Council unknown, making forecasting difficult.

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, to ensure that we maintain enough general reserves in case we are faced with unexpected expenditure. The effects of the pandemic will undoubtedly add to the pressures on our base budget position.

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 2022/23

#### *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 £8.985 million after allowing for expected income generated by services. The table below shows the actual spending against our plans.

|                              | Planned Spending<br>£000 | Actual Spending<br>£000 |
|------------------------------|--------------------------|-------------------------|
| Community & Environment      | 6,003                    | 6076                    |
| Executive Services           | 772                      | 644                     |
| Planning & Development       | 269                      | 192                     |
| Licensing                    | 22                       | 13                      |
| Resources                    | 1,778                    | 1,784                   |
| Contingencies                | 141                      | -                       |
| Change in Bad Debt Provision | -                        | 11                      |
| Contribution to balances     | -                        | 213                     |
| <b>Total Spending</b>        | <b>8,985</b>             | <b>8,933</b>            |

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

|                                   | Expected Funding<br>£000 | Actual Funding<br>£000 |
|-----------------------------------|--------------------------|------------------------|
| Council Tax                       | 4,864                    | 4,864                  |
| New Homes Bonus                   | 723                      | 723                    |
| Lower Tier / Covid Support Grants | 218                      | 220                    |
| Business Rates                    | 2,580                    | 2,438                  |
| Interest on Balances              | 323                      | 688                    |
| Use of Balances                   | 277                      | -                      |
| <b>Total Funding</b>              | <b>8,985</b>             | <b>8,933</b>           |

The main changes from the planned budget relate to:

- There has been a decrease in Community Development budget spending;
- There has been an increase in Planning Fee income and reductions in the professional fees spend;
- 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;
- No spend from the contingency budget,
- There has been a significant decrease in spending on the Local Development Framework during the year and;
- An increase in investment income from increasing interest rates.

### ***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<br>£000 | Actual Spending<br>£000 |
|--|--------------------------|-------------------------|
| Management Services                                      | 2,182                    | 2,210                   |
| Repair Services  | 3,407                    | 3,430                   |
| Cost of Borrowing  | 3,665                    | 3,676                   |
| Capital spending on properties                           | 3,165                    | 7,947                   |
| Provision for Bad Debts                                  | 242                      | 32                      |
| Income set aside in general balances for future spending | -                        | 214                     |
| <b>Total Spending</b>                                    | <b>12,661</b>            | <b>17,509</b>           |

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<br>£000 | Actual Funding<br>£000 |
|---|--------------------------|------------------------|
| Rents from housing, garages and shops                   | 12,505                   | 12,522                 |
| Service charges   | 114                      | 124                    |
| Interest on Balances                                    | 18                       | 163                    |
| New borrowing   | -                        | 4,700                  |
| Income from general balance set aside in previous years | 24                       | -                      |
| <b>Total Funding</b>                                    | <b>12,661</b>            | <b>17,509</b>          |

The main changes from the planned budget relate to:

- An increase in the contributions to capital expenditure needed to fund major refurbishment works on blocks of flats and council housing electrical upgrades;
- New borrowing to fund increased contribution to capital expenditure;
- Good rent collection levels have meant a lower contribution is needed to the bad debt provision; and
- Higher interest rate earned on balances held by the Housing Revenue Account.

### **Revenue Reserves**

At the end of the year our total revenue reserves amounted to £21.212 million. These are shown below:

|   | General Fund<br>£000 | HRA<br>£000  |
|---|----------------------|--------------|
| General balances – held for unexpected future events                | 2,310                | 867          |
| Capital reserves – held for spending on assets with a lasting value | 4,454                | 2,536        |
| Earmarked reserves –held for specific purposes or activities        | 10,309               | 736          |
| <b>Total</b>  | <b>17,073</b>        | <b>4,139</b> |

### **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 2022/23 capital programme shown below includes schemes from 2021/22 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 2023/24.

|  | Capital Programme | Spending in 2022/23 | 2022/23 Commitments to Be Paid in 2023/24 |
|--|-------------------|---------------------|---|
|  | £000              | £000                | £000                                      |
| Council Housing – existing stock                 | 9,354             | 9,205               | -   |
| Council Housing – new build                      | 899               | 694                 | -   |
|  |                   |                     |   |
| General Fund – Materials Recycling Facility      | 1,533             | 1,302               | -   |
| General Fund - vehicles                          | 1,550             | 1,283               | 328                                       |
| General Fund - IT and equipment                  | 754               | 362                 | 218                                       |
| General Fund - buildings                         | 1,173             | 46                  | -   |
| General Fund - Car Parking                       | 700               | -                   | 100                                       |
| General Fund - play areas and recreation grounds | 354               | 303                 | 6   |
| Private sector housing                           | 20                | -                   | -   |
| <b>Total Spending</b>                            | <b>16,337</b>     | <b>13,195</b>       | <b>652</b>                                |

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 2022/23. The remaining funding used in 2022/23 came from reserves earmarked for capital and revenue funding.

### **Collection Fund**

We collected business rates of £53.78 million from businesses within our area in 2022/23, 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 £2.928 million. As at the 31 March 2023, we had 0 appeals (4 appeals 2021) outstanding from the 2010 valuation, and 110 appeals (187 appeals 2021) 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 in the last 12 months has moved from a net liability to a net asset moving by £29.991 million in the year.

The pension fund is valued fully every three years. The last full valuation took place as at March 2023 and showed that the pension fund was fully funded. Our contribution rate is staying constant for the following three years, with the long-term aim of achieving/maintaining a 100% funding level. A further full valuation will take place as at March 2025 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 2022<br>£000 | 31 March 2023<br>£000 |
|--|-----------------------|-----------------------|
| Non current assets   | 221,866               | 232,488               |
| Net current assets – debtors, stock and cash less short term liabilities | 18,597                | 11,582                |
| Long term liabilities and provisions                                     | (67,524)              | (35,183)              |
| <b>Net assets</b>  | <b>172,939</b>        | <b>208,887</b>        |
| Represented by: Useable reserves   | 34,753                | 28,485                |
| Represented by: Unusable reserves  | 138,186               | 180,402               |

Although we sold 15 properties under the Right to Buy legislation, demolished 2 properties and built 6 new properties, there was an increase in non-current assets due to changes in the value of council dwellings.

### **Financial Challenges in 2023/24**

The Medium-Term Financial Strategy was updated during the year. The government previously stated its intention to hold a new Spending Review in 2019, this has not progressed so one-year reviews have been used instead of multi-year settlements.

The financial projections have changed since the last MTFs in October 2022, the main difference in the figures is the level of income from business rates, which provides a short-term gain. A provision of £1 million has been set aside to fund invest to save initiatives. This work will help deliver cost reductions and increased income to be delivered before 2025/26.

The savings targets set within the Strategy are £0.5 million in 2025/26 and 2026/27 and a further reduction of £1 million in 2027/28.

The latest revision of the HRA Business Plan anticipates a surplus of £84.110 million at the end of the 30 years, after capital spending on existing properties and new build of £213.995 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. In order 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 346 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 48%, Female 52%

Age: 24 and under 10%, 25-34 11%, 35-49 29%, 50-64 46%, 65 and over 4%

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 October 2020 and identified no major concerns in relation to the Council's approach.

The top risks from our 2022/23 risk register are shown below:

*Strategic*

| <b>Risk</b>   | <b>Impact</b>   | <b>Mitigation</b>  |
|---|---|--|
| The Council ability to recruit and maintain appropriately qualified staff   | Service delivery would be affected  | Continued good terms and conditions for staff. Use of shared working arrangements and partnerships   |
| Risks around the delivery of the financial savings required in the 2023/24 budget   | Adverse impact on service delivery and service performance  | Use of a medium-term financial strategy, with savings identified in advance and healthy balances maintained  |
| The potential inadequacy of resources to maintain the Council's capital assets, in particular the replacement of the leisure facilities | Reduced services/ lower income, bad publicity and reputation damage   | We have a 10-year capital programme identifying shortfalls. Asset Management Plans for HRA properties and the review of asset usage with asset sales if appropriate. |
| The potential for a cyber incident affecting council systems  | Immediate loss of services for residents and service users. Loss of income and inability to pay creditors / staff. Loss of reputation | Systems are managed, controlled and configured to industry good practice standards where feasible.   |

*Operational*

| <b>Risk</b>   | <b>Impact</b>  | <b>Mitigation</b>   |
|---|--|---|
| 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.  |
| Failure to collect C Tax                                    | Serious impact on the financial status of the authority  | Operating stringent timetable for collection of debt, regular monitoring of collection rates  |
| Failure to collect NNDR                                     | Possible loss of income for the authority, WCC and Central Government  | Corporate debt approach used and pooling arrangements in place to share risk/reward,  |
| 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.               |

## 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 2023. 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 2022/23, 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 electoral 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.

**Alison Turner CPFA**

Interim Corporate Director – Resources (Section 151 Officer), 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 Interim Corporate Director – Resources (Section 151 Officer) 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 2022/23 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 2023.

All known material events that have occurred up to and including this date, which relate to 2022/23 or before have been reflected in the accounts.

Signed: 

Date: 4.9.2024

Alison Turner CPFA, Interim Corporate Director – Resources (Section 151 Officer)

## 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 | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants / Conts Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves |
|---|----------------------|---------------------------------|-------------------------|------------------------|--------------------------|-----------------------|----------------------------------|-----------------------|-------------------|------------------------|
|   | £000                 | £000                            | £000                    | £000                   | £000                     | £000                  | £000                             | £000                  | £000              | £000                   |
| <b>Balance at 1 April 2021</b>  | <b>2,491</b>         | <b>16,610</b>                   | <b>3,661</b>            | <b>3,997</b>           | <b>3,898</b>             | <b>1,536</b>          | <b>1,036</b>                     | <b>33,229</b>         | <b>100,626</b>    | <b>133,855</b>         |
| <u>Movement in reserves during 2021/22</u>  |                      |                                 |                         |                        |                          |                       |                                  |                       |                   |                        |
| Total Comprehensive Income and Expenditure  | 15,921               | -                               | 4,449                   | -                      | -                        | -                     | -                                | 20,370                | 18,714            | 39,084                 |
| Adjustments between accounting basis and funding basis under regulations (note 5) | (8,170)              | 16                              | (3,353)                 | -                      | 802                      | -                     | (436)                            | (11,141)              | 11,141            | -                      |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>7,751</b>         | <b>16</b>                       | <b>1,096</b>            | <b>-</b>               | <b>802</b>               | <b>-</b>              | <b>(436)</b>                     | <b>9,229</b>          | <b>29,855</b>     | <b>39,084</b>          |
| Transfers to/from Earmarked Reserves (note 6)                                     | (8,146)              | 5,500                           | (4,104)                 | (1,455)                | 22                       | -                     | 478                              | (7,705)               | 7,705             | -                      |
| <b>(Decrease)/ Increase in Year</b>   | <b>(395)</b>         | <b>5,516</b>                    | <b>(3,008)</b>          | <b>(1,455)</b>         | <b>824</b>               | <b>-</b>              | <b>42</b>                        | <b>1,524</b>          | <b>37,560</b>     | <b>39,084</b>          |
| <b>Balance at 31 March 2022 carried forward</b>                                   | <b>2,096</b>         | <b>22,126</b>                   | <b>653</b>              | <b>2,542</b>           | <b>4,722</b>             | <b>1,536</b>          | <b>1,078</b>                     | <b>34,753</b>         | <b>138,186</b>    | <b>172,939</b>         |
| <b>Balance at 1 April 2022</b>  | <b>2,096</b>         | <b>22,126</b>                   | <b>653</b>              | <b>2,542</b>           | <b>4,722</b>             | <b>1,536</b>          | <b>1,078</b>                     | <b>34,753</b>         | <b>138,186</b>    | <b>172,939</b>         |
| <u>Movement in reserves during 2022/23</u>  |                      |                                 |                         |                        |                          |                       |                                  |                       |                   |                        |
| Total Comprehensive Income and Expenditure  | 29,156               | -                               | (1,830)                 | -                      | -                        | -                     | -                                | 27,326                | 8,622             | 35,948                 |
| Adjustments between accounting basis and funding basis under regulations (note 5) | (31,139)             | -                               | 5,240                   | -                      | 819                      | (800)                 | (101)                            | (25,981)              | 25,981            | -                      |
| <b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>               | <b>(1,983)</b>       | <b>-</b>                        | <b>3,410</b>            | <b>-</b>               | <b>819</b>               | <b>(800)</b>          | <b>(101)</b>                     | <b>1,345</b>          | <b>34,603</b>     | <b>35,948</b>          |
| Transfers to/from Earmarked Reserves (note 6)                                     | 2,197                | (6,865)                         | (3,196)                 | (6)                    | 11                       | -                     | 246                              | (7,613)               | 7,613             | -                      |
| <b>(Decrease)/ Increase in Year</b>   | <b>214</b>           | <b>(6,865)</b>                  | <b>214</b>              | <b>(6)</b>             | <b>830</b>               | <b>(800)</b>          | <b>145</b>                       | <b>(6,268)</b>        | <b>42,216</b>     | <b>35,948</b>          |
| <b>Balance at 31 March 2023 carried forward</b>                                   | <b>2,310</b>         | <b>15,261</b>                   | <b>867</b>              | <b>2,536</b>           | <b>5,552</b>             | <b>736</b>            | <b>1,223</b>                     | <b>28,485</b>         | <b>180,402</b>    | <b>208,887</b>         |

# North Warwickshire Borough Council

## Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2023

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).

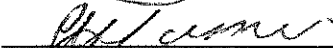
| 2021/22           | 2021/22         | 2021/22         |   | 2022/23           | 2022/23         | 2022/23         |
|-------------------|-----------------|-----------------|---|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |   | Gross Expenditure | Gross Income    | Net Expenditure |
| £000              | £000            | £000            |   | £000              | £000            | £000            |
| 742               | (10)            | 732             | Executive Board   | 780               | (46)            | 734             |
| 11,411            | (3,386)         | 8,025           | Community and Environment Board   | 12,325            | (3,544)         | 8,781           |
| 1,653             | (1,433)         | 220             | Planning and Development Board  | 1,497             | (1,530)         | (33)            |
| 150               | (98)            | 52              | Licensing Committee   | 129               | (105)           | 24              |
| 16,268            | (18,165)        | (1,897)         | Resources Board – Services  | 18,221            | (12,608)        | 5,613           |
| 1,235             | (943)           | 292             | Resources Board – Recharged Services  | 701               | (594)           | 107             |
| 15,799            | (16,350)        | (551)           | Resources Board – Housing Revenue Account   | 13,992            | (16,906)        | (2,914)         |
| <b>47,258</b>     | <b>(40,385)</b> | <b>6,873</b>    | <b>COST OF SERVICES</b>   | <b>47,645</b>     | <b>(35,333)</b> | <b>12,312</b>   |
| 1,837             | -               | 1,837           | Other Operating expenditure (Note 7)  | 1,131             | (179)           | 952             |
| 2,843             | (2,189)         | 654             | Financing and investment income and expenditure (Note 8)  | 3,555             | (3,807)         | (252)           |
| 9,494             | (20,475)        | (10,981)        | Taxation and non-specific grant income (Note 9)   | 6,357             | (20,206)        | (13,849)        |
| <b>61,432</b>     | <b>(63,049)</b> | <b>(1,617)</b>  | <b>Deficit /(Surplus) on Provision of Services</b>  | <b>58,688</b>     | <b>(59,525)</b> | <b>(837)</b>    |
| -                 | (4,612)         | (4,612)         | Surplus or Deficit on revaluation of Property, Plant and Equipment (note 10)                                      | 5,639             | -               | 5,639           |
| -                 | -               | -               | Surplus or Deficit on revaluation of Available for Sale Financial Assets (Note 14 and 23)                         | -                 | -               | -               |
| 99                | -               | 99              | Surplus or Deficit on financial assets measured at fair value through other comprehensive income (Note 14 and 23) | 250               | -               | 250             |
| -                 | (14,241)        | (14,241)        | Remeasurement of the net defined benefit pension liabilities/ (assets) (Note 39)                                  | -                 | (32,378)        | (32,378)        |
| <b>99</b>         | <b>(18,853)</b> | <b>(18,754)</b> | <b>Other Comprehensive Income and Expenditure</b>   | <b>5,889</b>      | <b>(32,378)</b> | <b>(26,489)</b> |
| <b>61,531</b>     | <b>(81,902)</b> | <b>(20,371)</b> | <b>Total Comprehensive Income and Expenditure</b>   | <b>64,577</b>     | <b>(91,903)</b> | <b>(27,326)</b> |

# North Warwickshire Borough Council

## Balance Sheet as at 31 March 2023

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<br>2022<br>£000 |                               | Note  | 31 March<br>2023<br>£000 |
|--------------------------|-------------------------------|-------|--------------------------|
| 212,596                  | Property, Plant and Equipment | 10    | 222,821                  |
| 986                      | Heritage Assets               | 11    | 1,064                    |
| 8,106                    | Investment Property           | 12    | 8,220                    |
| 178                      | Intangible Assets             | 13    | 383                      |
| -                        | Long Term Debtors             | 14    | -                        |
| <b>221,866</b>           | <b>LONG TERM ASSETS</b>       |       | <b>232,488</b>           |
| 28,582                   | Short Term Investments        | 14/40 | 27,418                   |
| -                        | Assets held for Sale          | 19    | -                        |
| 64                       | Inventories                   | 15    | 87                       |
| 5,896                    | Short Term Debtors            | 14/17 | 3,616                    |
| 4,956                    | Cash and Cash Equivalents     | 18    | 2,321                    |
| <b>39,498</b>            | <b>CURRENT ASSETS</b>         |       | <b>33,442</b>            |
| (1,727)                  | Provisions                    | 21    | (1,171)                  |
| (2,000)                  | Short Term Temporary Loans    | 40    | (4,500)                  |
| (2,260)                  | Short term PWLB Loans         | 40    | (2,350)                  |
| (14,914)                 | Short Term Creditors          | 14/20 | (13,839)                 |
| <b>(20,901)</b>          | <b>CURRENT LIABILITIES</b>    |       | <b>(21,860)</b>          |
| (41,979)                 | Long Term PWLB Loans          | 40    | (39,629)                 |
| (25,545)                 | Pension Fund Liabilities      | 39    | 4,446                    |
| <b>(67,524)</b>          | <b>LONG TERM LIABILITIES</b>  |       | <b>(35,183)</b>          |
| <b>172,939</b>           | <b>NET ASSETS</b>             |       | <b>208,887</b>           |
| 34,753                   | Usable Reserves               | 22    | 28,485                   |
| 138,186                  | Unusable Reserves             | 23    | 180,402                  |
| <b>172,939</b>           | <b>TOTAL RESERVES</b>         |       | <b>208,887</b>           |

Signed 

Date 4.9.2024

Alison Turner CPFA, Interim Corporate Director – Resources (Section 151 Officer)

## North Warwickshire Borough Council

### Cash Flow Statement for the Year Ended 31 March 2023

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.

| 2021/22<br>£000 |   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| (1,617)         | Net deficit or (surplus) on the provision of services   | (837)           |
| (1,534)         | Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)   | 1,000           |
| (744)           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24) | 179             |
| (3,895)         | Net cash flows from Operating Activities  | 342             |
| 6,061           | Investing Activities (Note 25)  | 8,217           |
| 7,817           | Financing Activities (Note 26)  | (5,924)         |
| 9,983           | Net Increase or decrease in cash and cash equivalents   | 2,635           |
| (14,939)        | Cash and Cash Equivalents at the beginning of the reporting year  | (4,956)         |
| <b>(4,956)</b>  | <b>Cash and Cash Equivalents at the end of the reporting year (Note 18)</b>   | <b>(2,321)</b>  |



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

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

It is not expected that any of the amendments will have a material impact on the Council's financial statements.

### 2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 70 - 84, 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.

The Council faces significant cost pressures including inflation, increasing demand for services and new burdens. These cost pressures have been exacerbated by the Covid-19 pandemic, both in the Council's response to the crisis and the fall in income as a result of the economic situation. The Council has a control environment that will help to manage risks inherent in its budgets for future years, including a robust approach to financial planning and regular reporting to members and senior officers.

### 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 2023 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 £407,855.87 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% increase in the discount rate assumption would result in an increase in the pension liability of £14.400 million. A 1% increase in the salary increase would result in an increase in the pension liability of £1.844 million and a 1% increase in the Pension (CPI) increase would result in an increase in the pension liability of £12.750 million.</p> <p>However, the assumptions interact in complex ways. During 2022/23, the Council's actuaries advised that the net pension's liability had increased by £43.183 million attributable to updating the assumptions.</p> |

|                          |   |   |
|--------------------------|---|---|
| Provisions – NDR Appeals | Local Authorities are liable for successful appeals against business rates charged to businesses in 2022/23 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 2023. 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 2023. The Council's share of the balance of business rate appeals provisions at this date amounted to £1.171m this has decreased by £0.556m from the previous year. | If successful appeals increased by 10%, this would require an additional £292,779. This Council's share would be £117,112 to be set aside as a provision. |
|--------------------------|---|---|

| Item    | Uncertainties   | Effect if Actual Results Differ from Assumptions  |
|---------|---|---|
| Arrears | <p>At 31 March 2023, we had a balance of sundry debtors of £458,015, whilst our share of council tax and NDR arrears amounted to £2,118,028.</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"> <li>- sundry debtors 11.65% (£53,384)</li> <li>- council tax 25.60% (£215,273)</li> <li>- NDR 47.56% (£607,510).</li> </ul> <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 £876,167 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 £0.729 million went to the Housing Revenue Account. There were also some small losses on other properties across the Borough, of £0.653 million.

##### 4a. 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 period and the date when the Final Statement of Accounts is authorised for issue in May 2024. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Financial Statements 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 final authorisation for issue in May 2024 are not reflected in the Financial Statements or notes.

## **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.

| 2022/23  | Usable Reserves      |                         |                          |                       |                   |                          |          | Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------|--------------------------|----------|-------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Earmarked Reserve | Capital Grants Unapplied |          |                   |
|  | £000                 | £000                    | £000                     | £000                  | £000              | £000                     | £000     |                   |
| <b>Adjustments to Revenue Resources</b>  |                      |                         |                          |                       |                   |                          |          |                   |
| 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)  | 30,424               | (433)                   | -                        | -                     | -                 | -                        | -        | (29,991)          |
| • Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)  | 4,386                | -                       | -                        | -                     | -                 | -                        | -        | (4,386)           |
| • Holiday pay (transferred to the Accumulated Absences Account)  | 1                    | (13)                    | -                        | -                     | -                 | -                        | -        | 12                |
| • Financial Instruments (transferred to the Financial Instruments Revaluation Reserve)   | (250)                | -                       | -                        | -                     | -                 | -                        | -        | 250               |
| • 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)                 | (3,761)              | (6,187)                 | (16)                     | -                     | -                 | 101                      | -        | 9,863             |
| <b>Total Adjustments to Revenue Resources</b>  | <b>30,800</b>        | <b>(6,633)</b>          | <b>(16)</b>              | <b>-</b>              | <b>-</b>          | <b>101</b>               | <b>-</b> | <b>(24,252)</b>   |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                         |                          |                       |                   |                          |          |                   |
| Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve   | 39                   | 1,396                   | (1,435)                  | -                     | -                 | -                        | -        | -                 |
| Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)   | -                    | (3)                     | 3                        | -                     | -                 | -                        | -        | -                 |
| Payments to the government housing receipts pool (funded by a contribution from the Capital Receipts Reserve)  | -                    | -                       | -                        | -                     | -                 | -                        | -        | -                 |
| Posting of HRA resources from revenue to the Major Repairs Reserve   | -                    | -                       | -                        | (4,009)               | -                 | -                        | -        | 4,009             |
| Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 300                  | -                       | -                        | -                     | -                 | -                        | -        | (300)             |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | -                    | -                       | -                        | -                     | -                 | -                        | -        | -                 |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>339</b>           | <b>1,393</b>            | <b>(1,432)</b>           | <b>(4,009)</b>        | <b>-</b>          | <b>-</b>                 | <b>-</b> | <b>3,709</b>      |
| <b>Adjustments to Capital Resources</b>  |                      |                         |                          |                       |                   |                          |          |                   |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                       | 629                      | -                     | -                 | -                        | -        | (629)             |
| Use of the Major Repairs Reserve to finance capital expenditure  | -                    | -                       | -                        | 4,809                 | -                 | -                        | -        | (4,809)           |
| Application of capital grants to finance capital expenditure   | -                    | -                       | -                        | -                     | -                 | -                        | -        | -                 |
| <b>Total Adjustments to Capital Resources</b>  | <b>-</b>             | <b>-</b>                | <b>629</b>               | <b>4,809</b>          | <b>-</b>          | <b>-</b>                 | <b>-</b> | <b>(5,438)</b>    |
| <b>Total Adjustments</b>   | <b>31,139</b>        | <b>(5,240)</b>          | <b>(819)</b>             | <b>800</b>            | <b>-</b>          | <b>101</b>               | <b>-</b> | <b>(25,981)</b>   |

| 2021/22  | Usable Reserves      |                         |                          |                       |                   |                          |                 | Unusable Reserves |
|--|----------------------|-------------------------|--------------------------|-----------------------|-------------------|--------------------------|-----------------|-------------------|
|  | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Earmarked Reserve | Capital Grants Unapplied |                 |                   |
|  | £000                 | £000                    | £000                     | £000                  | £000              | £000                     | £000            |                   |
| <b>Adjustments to Revenue Resources</b>  |                      |                         |                          |                       |                   |                          |                 |                   |
| 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)  | 12,033               | (494)                   | -                        | -                     | -                 | -                        | (11,539)        |                   |
| • Council tax and NDR (transfers to or from the Collection Fund Adjustment Account)  | (559)                | -                       | -                        | -                     | -                 | -                        | 559             |                   |
| • Holiday pay (transferred to the Accumulated Absences Account)  | 42                   | 8                       | -                        | -                     | -                 | -                        | (50)            |                   |
| • Financial Instruments (transferred to the Financial Instruments Revaluation Reserve)   | (99)                 | -                       | -                        | -                     | -                 | -                        | 99              |                   |
| • 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)                 | (3,272)              | 1,796                   | -                        | -                     | -                 | 436                      | 1,040           |                   |
| <b>Total Adjustments to Revenue Resources</b>  | <b>8,145</b>         | <b>1,310</b>            | <b>-</b>                 | <b>-</b>              | <b>-</b>          | <b>436</b>               | <b>(9,891)</b>  |                   |
| <b>Adjustments between Revenue and Capital Resources</b>   |                      |                         |                          |                       |                   |                          |                 |                   |
| Transfer of non-current asset sale proceeds from revenue to Capital Receipts Reserve   | 3                    | 2,053                   | (2,040)                  | -                     | (16)              | -                        | -               |                   |
| 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)  | (354)                | -                       | 354                      | -                     | -                 | -                        | -               |                   |
| Posting of HRA resources from revenue to the Major Repairs Reserve   | -                    | -                       | -                        | (3,288)               | -                 | -                        | 3,288           |                   |
| Statutory Provision for the repayment of debt (transfer from the Capital Adjustment Account)   | 376                  | -                       | -                        | -                     | -                 | -                        | (376)           |                   |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | -                    | -                       | -                        | -                     | -                 | -                        | -               |                   |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>25</b>            | <b>2,043</b>            | <b>(1,676)</b>           | <b>(3,288)</b>        | <b>(16)</b>       | <b>-</b>                 | <b>2,912</b>    |                   |
| <b>Adjustments to Capital Resources</b>  |                      |                         |                          |                       |                   |                          |                 |                   |
| Use of the Capital Receipts Reserve to finance capital expenditure   | -                    | -                       | 874                      | -                     | -                 | -                        | (874)           |                   |
| Use of the Major Repairs Reserve to finance capital expenditure  | -                    | -                       | -                        | 3,288                 | -                 | -                        | (3,288)         |                   |
| Application of capital grants to finance capital expenditure   | -                    | -                       | -                        | -                     | -                 | -                        | -               |                   |
| <b>Total Adjustments to Capital Resources</b>  | <b>-</b>             | <b>-</b>                | <b>874</b>               | <b>3,288</b>          | <b>-</b>          | <b>-</b>                 | <b>(4,162)</b>  |                   |
| <b>Total Adjustments</b>   | <b>8,170</b>         | <b>3,353</b>            | <b>(802)</b>             | <b>-</b>              | <b>(16)</b>       | <b>436</b>               | <b>(11,141)</b> |                   |

## 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 2020/21.

|   | Balance at<br>31<br>March<br>2021 | Transfers<br>Out<br>2021/22 | Transfers<br>in<br>2021/22 | Balance at<br>31<br>March<br>2022 | Transfers<br>Out<br>2022/23 | Transfers<br>in<br>2022/23 | Balance at<br>31<br>March<br>2023 |
|---|-----------------------------------|-----------------------------|----------------------------|-----------------------------------|-----------------------------|----------------------------|-----------------------------------|
|   | £000                              | £000                        | £000                       | £000                              | £000                        | £000                       | £000                              |
| <b>General Fund</b>   |                                   |                             |                            |                                   |                             |                            |                                   |
| External funding received towards the provision of council services                                     | 1,845                             | 399                         | 562                        | 2,008                             | 138                         | 245                        | 2,115                             |
| One off funding set aside to progress specific council priorities                                       | 105                               | 32                          | 18                         | 91                                | 30                          | -                          | 61                                |
| Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates | 12,096                            | 7,808                       | 4,351                      | 8,639                             | 3,934                       | 2,378                      | 7,083                             |
| Other reserves held for revenue purposes to cover timing issues on spending                             | 1,643                             | 610                         | 225                        | 1,258                             | 246                         | 37                         | 1,049                             |
| Reserves Held for Capital Spending  | 921                               | 2,278                       | 7,780                      | 6,423                             | 1,992                       | 23                         | 4,454                             |
| <b>Total General Fund Reserves</b>  | <b>16,610</b>                     | <b>11,127</b>               | <b>12,936</b>              | <b>18,419</b>                     | <b>6,340</b>                | <b>2,683</b>               | <b>14,762</b>                     |
| <b>HRA</b>  |                                   |                             |                            |                                   |                             |                            |                                   |
| Housing Repairs Reserve   | 1,174                             | 3,586                       | 3,860                      | 1,448                             | 3,684                       | 3,430                      | 1,194                             |
| Reserves held for Capital spending  | 2,822                             | 11,919                      | 10,190                     | 1,093                             | 8,904                       | 9,153                      | 1,342                             |
| <b>Total HRA Reserves</b>   | <b>3,996</b>                      | <b>15,505</b>               | <b>14,050</b>              | <b>2,541</b>                      | <b>12,588</b>               | <b>12,583</b>              | <b>2,536</b>                      |
| <b>Total Earmarked Reserves</b>   | <b>20,606</b>                     | <b>26,632</b>               | <b>26,986</b>              | <b>20,960</b>                     | <b>18,928</b>               | <b>15,266</b>              | <b>17,298</b>                     |

## 7. Other Operating Expenditure

| 2021/22      |  | 2022/23    |
|--------------|--|------------|
| £000         |  | £000       |
| 1,093        | Parish council precepts                                  | 1,131      |
| 354          | Payments to the Government Housing Capital Receipts Pool | -          |
| 390          | (Gains)/Losses on the disposal of non-current assets     | (179)      |
| <b>1,837</b> | <b>Total</b>   | <b>952</b> |

## 8. Financing and Investment Income and Expenditure

| 2021/22    |   | 2022/23      |
|------------|---|--------------|
| £000       |   | £000         |
| 39         | Interest payable and similar charges  | 165          |
| 760        | Pensions interest and expected return on pension assets                                     | 725          |
| (66)       | Interest receivable and similar income  | (688)        |
| (79)       | Income and expenditure in relation to investment properties and changes in their fair value | (454)        |
| <b>654</b> | <b>Total</b>  | <b>(252)</b> |

## 9. Taxation and Non-specific Grant Income and Expenditure

| 2021/22         |  | 2022/23         |
|-----------------|--|-----------------|
| £000            |  | £000            |
| (5,802)         | Council tax income **                                | (5,941)         |
| -               | Other Non-Ring Fenced Grants                         | (237)           |
| (3,257)         | Non-Domestic rates – Collection Fund adjustments *** | (5,750)         |
| (1,922)         | Non-Domestic rates                                   | (1,922)         |
|                 | Non-ring fenced government grants *                  |                 |
| <b>(10,981)</b> | <b>Total</b>   | <b>(13,850)</b> |

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

\*\* Council Tax income includes £79,720 contribution from the collection fund in 2022/23 (a contribution to the fund of £9,109 was included in 2021/22). The Council's share of the deficit residual balance of £54,318 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2023/24 (£140,183 adjustment in 2021/22).

\*\*\* 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 2022/23:

|   | 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                               |
| <b>Cost or Valuation</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2022  | 188,283           | 18,135                   | 6,963                                    | 87                     | 153              | 4,310                     | 66             | 217,997                            |
| Additions   | 9,371             | 90                       | 1,617                                    | -                      | -                | 1,304                     | -              | 12,382                             |
| Donations   | 4                 | -                        | 5  | -                      | -                | -                         | -              | 9                                  |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                                | 8,100             | 1,468                    | -  | -                      | -                | -                         | -              | 9,568                              |
| Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services     | (6,550)           | (45)                     | -  | -                      | -                | -                         | -              | (6,595)                            |
| De-recognition – disposals  | (1,231)           | -                        | (1,268)                                  | -                      | -                | -                         | -              | (2,499)                            |
| Other movements in Cost or Valuation  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>As at 31 March 2023</b>  | <b>197,977</b>    | <b>19,648</b>            | <b>7,317</b>                             | <b>87</b>              | <b>153</b>       | <b>5,614</b>              | <b>66</b>      | <b>230,862</b>                     |
| <b>Accumulated Depreciation and Impairment</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2022  | (361)             | (82)                     | (4,907)                                  | (33)                   | (1)              | (16)                      | -              | (5,400)                            |
| Depreciation charge   | (3,907)           | (1,694)                  | (599)                                    | (3)                    | (1)              | -                         | -              | (6,204)                            |
| Depreciation written out on revaluations recognised in the Revaluation Reserve                          | 2,729             | (1,340)                  | -  | -                      | -                | -                         | -              | 1,389                              |
| Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services | 922               | 6                        | -  | -                      | -                | -                         | -              | 928                                |
| Impairment loss / (reversal) recognised in the Revaluation Reserve                                      | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Impairment loss/ (reversal) recognised in the Surplus / Deficit on the Provision of Services            | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| De-recognition – disposals  | 6                 | -                        | 1,240                                    | -                      | -                | -                         | -              | 1,246                              |
| Other movements in Depreciation and Impairment  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>At 31 March 2023</b>   | <b>(611)</b>      | <b>(3,110)</b>           | <b>(4,266)</b>                           | <b>(36)</b>            | <b>(2)</b>       | <b>(16)</b>               | <b>-</b>       | <b>(8,041)</b>                     |
| <b>Net Book Value</b>   |                   |                          |  |                        |                  |                           |                |                                    |
| <b>At 31 March 2022</b>   | <b>187,922</b>    | <b>18,053</b>            | <b>2,056</b>                             | <b>54</b>              | <b>152</b>       | <b>4,294</b>              | <b>66</b>      | <b>212,597</b>                     |
| <b>At 31 March 2023</b>   | <b>197,366</b>    | <b>16,538</b>            | <b>3,051</b>                             | <b>51</b>              | <b>151</b>       | <b>5,598</b>              | <b>66</b>      | <b>222,821</b>                     |

Comparative movements in balances in 2021/22:

|   | 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                               |
| <b>Cost or Valuation</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2021  | 165,861           | 17,908                   | 6,872                                    | 87                     | 153              | 2,150                     | 66             | 193,097                            |
| Additions   | 8,967             | 111                      | 253                                      | -                      | -                | 2,160                     | -              | 11,491                             |
| Donations   | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve                            | 11,261            | 1,679                    | -  | -                      | -                | -                         | -              | 12,940                             |
| Revaluation increases/ (decreases) recognised in the Surplus / Deficit on the Provision of Services | 4,585             | (1,563)                  | -  | -                      | -                | -                         | -              | 3,022                              |
| De-recognition – disposals  | (2,391)           | -                        | (162)                                    | -                      | -                | -                         | -              | (2,553)                            |
| Other movements in Cost or Valuation  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>As at 31 March 2022</b>  | <b>188,283</b>    | <b>18,135</b>            | <b>6,963</b>                             | <b>87</b>              | <b>153</b>       | <b>4,310</b>              | <b>66</b>      | <b>217,997</b>                     |
| <b>Accumulated Depreciation and Impairment</b>  |                   |                          |  |                        |                  |                           |                |                                    |
| As at 1 April 2021  | (290)             | (88)                     | (4,341)                                  | (30)                   | (1)              | (16)                      | -              | (4,766)                            |
| Depreciation charge   | (3,190)           | (1,776)                  | (685)                                    | (3)                    | -                | -                         | -              | (5,654)                            |
| Depreciation written out on revaluations recognised in the Revaluation Reserve                      | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| Impairment loss / (reversal) recognised in the Revaluation Reserve                                  | 3,101             | 1,782                    | -  | -                      | -                | -                         | -              | 4,883                              |
| Impairment loss/ (reversal) recognised in the Surplus / Deficit on the Provision of Services        | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| De-recognition – disposals  | 18                | -                        | 119                                      | -                      | -                | -                         | -              | 137                                |
| Other movements in Depreciation and Impairment  | -                 | -                        | -  | -                      | -                | -                         | -              | -                                  |
| <b>At 31 March 2022</b>   | <b>(361)</b>      | <b>(82)</b>              | <b>(4,907)</b>                           | <b>(33)</b>            | <b>(1)</b>       | <b>(16)</b>               | <b>-</b>       | <b>(5,400)</b>                     |
| <b>Net Book Value</b>   |                   |                          |  |                        |                  |                           |                |                                    |
| <b>At 31 March 2022</b>   | <b>187,922</b>    | <b>18,053</b>            | <b>2,056</b>                             | <b>54</b>              | <b>152</b>       | <b>4,294</b>              | <b>66</b>      | <b>212,597</b>                     |
| <b>At 31 March 2021</b>   | <b>165,571</b>    | <b>17,820</b>            | <b>2,531</b>                             | <b>57</b>              | <b>152</b>       | <b>2,134</b>              | <b>66</b>      | <b>188,331</b>                     |

## Depreciation

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

|   | <b>Building</b>           | <b>Assumed Life<br/>(Years)</b> |
|---|---------------------------|---------------------------------|
|   | Council Dwellings         | 40 - 50                         |
| Other Land and Other Buildings:-            |                           |                                 |
|   | Leisure Centres           | 5 – 50                          |
|   | Other arts/leisure venues | 0 - 2                           |
|   | Community Centres         | 1 - 50                          |
|   | Pavilions                 | 10 – 43                         |
|   | Hostels                   | 50                              |
|   | Shops                     | 3 – 50                          |
|   | Public Conveniences       | 20                              |
|   | Offices and Depot         | 20 – 50                         |
|   | Garages                   | 20 - 20                         |
| Vehicles, Plant, Furniture and Equipment :- |                           |                                 |
|   | Vehicles                  | 5 - 20                          |
| Infrastructure Assets :-                    |                           |                                 |
|   | Infrastructure            | 30-50                           |

## Capital Commitments

At 31 March 2023 the capital commitments outstanding totalled approximately £0.652m. The major commitments were:

- £0.005m for the play equipment and pitch repair/replace programme,
- £0.015m for gym equipment and
- £0.100m for Car Parks and
- £0.171m for the financial management system and
- £0.028m for the planning system and
- £0.004m for computer software and
- £0.329m for the vehicle replacement 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 2022/23. The financial effect of any changes is detailed in the table below.

| <b>Asset Description</b> | <b>Original End Date</b> | <b>Revised End Date</b> | <b>Financial effect on Depreciation Charges<br/>£</b> |
|--------------------------|--------------------------|-------------------------|---|
| Council House Dwellings  | 31/03/2071               | 31/03/2072              | 57,195  |
| Garages                  | 31/03/2041               | 31/03/2042              | 5,509   |
| <b>Total</b>             |                          |                         | <b>62,704</b>   |

## 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 valuers; Bridgehouse and Howkins and Harrison, who are RICS Registered Valuers. 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     | -                              | -                        | 7,317                                    | 87                     | 153              | 5,614                     | 66             | 13,237         |
|                                | Valued at current value as at: |                          |  |                        |                  |                           |                |                |
| 31 March 2023                  | 197,977                        | 19,648                   | -  | -                      | -                | -                         | -              | 217,625        |
| 31 March 2022                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| 31 March 2021                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| 31 March 2020                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| 31 March 2019                  | -                              | -                        | -  | -                      | -                | -                         | -              | -              |
| <b>Total Cost or Valuation</b> | <b>197,977</b>                 | <b>19,648</b>            | <b>7,317</b>                             | <b>87</b>              | <b>153</b>       | <b>5,614</b>              | <b>66</b>      | <b>230,862</b> |

## 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.

| 2021/22<br>£000 | Civic Regalia                 | 2022/23<br>£000 |
|-----------------|-------------------------------|-----------------|
|                 | Cost or Valuation             |                 |
| <b>829</b>      | <b>Balance as at 1 April</b>  | <b>986</b>      |
| 157             | Revaluations                  | 78              |
| <b>986</b>      | <b>Balance as at 31 March</b> | <b>1,064</b>    |

## Five-Year Summary of Transactions

|               | 2018/19<br>£'000 | 2019/20<br>£'000 | 2020/21<br>£'000 | 2021/22<br>£'000 | 2022/23<br>£'000 |
|---------------|------------------|------------------|------------------|------------------|------------------|
| Civic Regalia | 664              | 851              | 829              | 986              | 1,064            |

## 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:

| 2021/22<br>£'000 |  | 2022/23<br>£'000 |
|------------------|--|------------------|
| (551)            | Rental income from investment property                     | (569)            |
| 178              | Direct operating expenses arising from investment property | 191              |
| 295              | Change in fair value of investment property                | (76)             |
| <b>(78)</b>      | <b>Net gain</b>  | <b>(454)</b>     |

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:

| 2021/22<br>£'000 |  | 2022/23<br>£'000 |
|------------------|--|------------------|
| <b>8,314</b>     | <b>Balance at start of the year</b>  | <b>8,106</b>     |
| 107              | Expenditure during the year  | 38               |
| (20)             | Disposals  | -                |
| (295)            | Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement | 76               |
| <b>8,106</b>     | <b>Balance at the end of the year</b>  | <b>8,220</b>     |

### 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 2023 and 2022 are as follows:

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31 March 2023<br>£000 |
|--|--|---|---|--|
| Residential properties                   | -  | 476   | -   | <b>476</b>                             |
| Commercial units                         | -  | 5,933   | -   | <b>5,933</b>                           |
| Shops and Restaurants                    | -  | 1,085   | -   | <b>1,085</b>                           |
| Land                                     | -  | 726   | -   | <b>726</b>                             |
| <b>Total</b>                             | -  | <b>8,220</b>  | -   | <b>8,220</b>                           |

## 2022 Comparative Figures

| Recurring fair value measurements using: | Quoted prices in active markets for identical assets (Level 1)<br>£000 | Other significant observable inputs (Level 2)<br>£000 | Significant unobservable inputs (Level 3)<br>£000 | Fair value as at 31 March 2022<br>£000 |
|--|--|---|---|--|
| Residential properties                   | -  | 203   | -   | 203                                    |
| Commercial units                         | -  | 6,512   | -   | 6,512                                  |
| Shops and Restaurants                    | -  | 1,120   | -   | 1,120                                  |
| Land                                     | -  | 271   | -   | 271                                    |
| <b>Total</b>                             | -  | <b>8,106</b>  | -   | <b>8,106</b>                           |

### 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 £38,766.14 charged to revenue in 2022/23 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:

|   | 2021/22                   | 2022/23                   |
|---|---------------------------|---------------------------|
|   | Software Licences<br>£000 | Software Licences<br>£000 |
| <i>Balance at start of year</i>             |                           |                           |
| Gross carrying amounts                      | 1,972                     | 1,989                     |
| Accumulated amortisation                    | (1,753)                   | (1,811)                   |
| <b>Net carrying amount at start of year</b> | <b>219</b>                | <b>178</b>                |
| <i>Additions:</i>                           |                           |                           |
| Expenditure in the year                     | 17                        | 244                       |
| Amortisation for the year                   | (58)                      | (39)                      |
| Net Disposals in the year                   | -                         | -                         |
| <b>Net carrying amount at end of year</b>   | <b>178</b>                | <b>383</b>                |
| <i>Comprising:</i>                          |                           |                           |
| ▪ Gross carrying amounts                    | 1,989                     | 2,233                     |
| ▪ Accumulated amortisation                  | (1,811)                   | (1,850)                   |
| <b>Net carrying amount at end of year</b>   | <b>178</b>                | <b>383</b>                |

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,
- 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.
- Idox Cloud Planning System. This was Purchased in 2022/23 costing £51,540 and is being amortised over 10 years till 2032/33.
- Environmental Health Cloud System. This was Purchased in 2022/23 costing £49,506. The cost is being amortised over 10 years till 2032/33.
- Unit 4 Agresso - Financial Management System. This was initially purchased in 2022/23 at an initial cost in year of £118,907 with further costs incurred in future years. This is being amortised over 10 years till 2032/33.

## 14. Financial Instruments

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

- **Financial Assets**

| As at 31 March 2023                       | Non-Current           |                       | Current               |                       |                       | Total         |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|   | Investments           | Debtors               | Investments           | Cash                  | Debtors               |               |
|   | 31 March 2023<br>£000 | 31 March 2023<br>£000 | 31 March 2023<br>£000 | 31 March 2023<br>£000 | 31 March 2023<br>£000 |               |
| <b>Amortised Cost</b>                     |                       |                       |                       |                       |                       |               |
| Loans and Receivables                     | -                     | -                     | 19,851                | -                     | -                     | 19,851        |
| Cash and Cash Equivalents                 | -                     | -                     | -                     | 2,321                 | -                     | 2,321         |
| Debtors                                   | -                     | -                     | -                     | -                     | 2,970                 | 2,970         |
| <b>Fair Value through Profit and Loss</b> |                       |                       |                       |                       |                       |               |
| Certificates of Deposit                   | -                     | -                     | 1,520                 | -                     | -                     | 1,520         |
| Ultra Short Dated Bond Funds              | -                     | -                     | 6,000                 | -                     | -                     | 6,000         |
| Sherbourne Recycling Shares               | -                     | -                     | 47                    | -                     | -                     | 47            |
| <b>Total Financial Assets</b>             | -                     | -                     | <b>27,418</b>         | <b>2,321</b>          | <b>2,970</b>          | <b>32,709</b> |

| As at 31 March 2022                       | Non-Current           |                       | Current               |                       |                       | Total         |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|   | Investments           | Debtors               | Investments           | Cash                  | Debtors               |               |
|   | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 |               |
| <b>Amortised Cost</b>                     |                       |                       |                       |                       |                       |               |
| Loans and Receivables                     | -                     | -                     | 18,024                | -                     | -                     | 18,024        |
| Cash and Cash Equivalents                 | -                     | -                     | -                     | 4,956                 | -                     | 4,956         |
| Debtors                                   | -                     | -                     | -                     | -                     | 5,553                 | 5,553         |
| <b>Fair Value through Profit and Loss</b> |                       |                       |                       |                       |                       |               |
| Certificates of Deposit                   | -                     | -                     | 4,511                 | -                     | -                     | 4,511         |
| Ultra Short Dated Bond Funds              | -                     | -                     | 6,000                 | -                     | -                     | 6,000         |
| Sherbourne Recycling Shares               | -                     | -                     | 47                    | -                     | -                     | 47            |
| <b>Total Financial Assets</b>             | -                     | -                     | <b>28,582</b>         | <b>4,956</b>          | <b>5,553</b>          | <b>39,091</b> |

- **Financial Liabilities**

| As at 31 March 2023                | Non-Current           |                       | Current               |                       | Total         |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|                                    | Borrowing (PWLB)      | Creditors             | Borrowing (PWLB)      | Creditors             |               |
|                                    | 31 March 2023<br>£000 | 31 March 2023<br>£000 | 31 March 2023<br>£000 | 31 March 2023<br>£000 |               |
| Amortised Cost                     | 41,979                | -                     | -                     | 13,838                | 55,817        |
| <b>Total Financial Liabilities</b> | <b>41,979</b>         | -                     | -                     | <b>13,838</b>         | <b>55,817</b> |

| As at 31 March 2022                | Non-Current           |                       | Current               |                       | Total         |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|
|                                    | Borrowing (PWLB)      | Creditors             | Borrowing (PWLB)      | Creditors             |               |
|                                    | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 | 31 March 2022<br>£000 |               |
| Amortised Cost                     | 44,239                | -                     | -                     | 14,914                | 59,153        |
| <b>Total Financial Liabilities</b> | <b>44,239</b>         | -                     | -                     | <b>14,914</b>         | <b>59,153</b> |



## 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:

| <b>Financial Instruments</b>                                   | (Surplus) or Deficit on the Provision of Services 2021/22<br>£000 | Other Comprehensive Income 2021/22<br>£000 | (Surplus) or Deficit on the Provision of Services 2022/23<br>£000 | Other Comprehensive Income 2022/23<br>£000 |
|--|---|--|---|--|
| Financial Assets Measured at Fair Value Through Profit or Loss | -   | 99   | -   | 250  |
| <b>Total net (gains)/losses</b>                                | -   | <b>99</b>                                  | -   | <b>250</b>                                 |
| Financial Assets Measured at Amortised Cost                    | (66)  | -  | (688)   | -  |
| <b>Total interest revenue</b>                                  | <b>(66)</b>   | -  | <b>(688)</b>  | -  |
| PWLB Loan interest expense                                     | 1,460   | -  | 1,415   | -  |
| <b>Total fee expense</b>                                       | <b>1,460</b>  | -  | <b>1,415</b>  | -  |

## 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 2022,
- No early repayment or impairment is recognised in the accounts.

The fair values are calculated as follows:

| 31 March 2022                            | 31 March 2022                  |                             | 31 March 2023                            | 31 March 2023                  |
|--|--------------------------------|-----------------------------|--|--------------------------------|
| Carrying Amount on Balance Sheet<br>£000 | Fair Value Calculation<br>£000 |                             | Carrying Amount on Balance Sheet<br>£000 | Fair Value Calculation<br>£000 |
| 44,239                                   | 47,256                         | PWLB Debt                   | 41,979                                   | 38,690                         |
| <b>44,239</b>                            | <b>47,256</b>                  | <b>Total Borrowings</b>     | <b>41,979</b>                            | <b>38,690</b>                  |
| 4,511                                    | 4,511                          | Money Market Funds < 1 year | 1,520                                    | 1,520                          |
| <b>4,511</b>                             | <b>4,511</b>                   | <b>Total Investments</b>    | <b>1,520</b>                             | <b>1,520</b>                   |

*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 2023. This shows a notional loss (based on economic conditions at 31 March 2023) 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 2022/23 the Council granted Decent Homes Standard loans to 5 private owner occupiers totalling £42,389.83 and granted Disabled Facilities loans to 30 private owner occupiers totalling £334,429.02. 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     |
|--------------------------------------|-------------------|-------------------|-----------------------|-----------------------|----------------------------------|----------------------------------|-----------|-----------|
|                                      | 2021/22           | 2022/23           | 2021/22               | 2022/23               | 2021/22                          | 2022/23                          | 2021/22   | 2022/23   |
|                                      | £000              | £000              | £000                  | £000                  | £000                             | £000                             | £000      | £000      |
| <b>Balance at start of year</b>      | <b>24</b>         | <b>41</b>         | <b>24</b>             | <b>23</b>             | -                                | -                                | <b>48</b> | <b>64</b> |
| Purchases                            | 370               | 432               | 411                   | 447                   | -                                | -                                | 781       | 879       |
| Recognised as an expense in the year | (353)             | (422)             | (412)                 | (434)                 | -                                | -                                | (765)     | (856)     |
| <b>Balance at year end</b>           | <b>41</b>         | <b>51</b>         | <b>23</b>             | <b>36</b>             | -                                | -                                | <b>64</b> | <b>87</b> |

### 16. Construction Contracts

At 31 March 2023 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 2023/24.

### 17. Short Term Debtors

| 31 March 2022<br>£000 |                    | 31 March 2023<br>£000 |
|-----------------------|--------------------|-----------------------|
| 1,081                 | Trade Receivables  | 1,129                 |
| 343                   | Prepayments        | 646                   |
| 4,131                 | Local Taxation     | 1,664                 |
| 302                   | Council Rents      | 275                   |
| 1,057                 | Other Receivables  | 1,012                 |
| (1,018)               | Bad debt provision | (1,110)               |
| <b>5,896</b>          | <b>TOTAL</b>       | <b>3,616</b>          |

## 18. Cash and Cash Equivalents

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

| 31 March 2022<br>£000 |  | 31 March 2023<br>£000 |
|-----------------------|--|-----------------------|
| 2                     | Cash held by the Council               | 2                     |
| 4,954                 | Bank current accounts                  | 2,319                 |
| -                     | Short term deposits                    | -                     |
| <b>4,956</b>          | <b>Total Cash and Cash Equivalents</b> | <b>2,321</b>          |

## 19. Assets Held for Sale

There were no assets held for sale at 31 March 2023.

## 20. Short Term Creditors

| 31 March 2022<br>£000 |                     | 31 March 2023<br>£000 |
|-----------------------|---------------------|-----------------------|
| 3,326                 | Trade Payables      | 2,824                 |
| 2,599                 | Receipts in advance | 2,732                 |
| 913                   | Other Payables      | 489                   |
| 7,701                 | Local Taxation      | 7,324                 |
| 375                   | Council Rents       | 470                   |
| <b>14,914</b>         | <b>TOTAL</b>        | <b>13,839</b>         |

## 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. An decrease in provision of 1.390 million has been made in the Collection Fund at 31 March 2023 (Increase of £2.120 million at 31 March 2022), to cover possible refunds. Of the £4.318 million set aside at 31 March 2023, we have settled claims of £0 million from that sum. Our share of the decrease in provision is £0.556 million (40%) (increase £0.848 million at 31 March 2022), with the remaining 60% falling to central government and Warwickshire County Council.

| 31 March<br>2022<br>£000 |  | 31 March<br>2023<br>£000 |
|--------------------------|--|--------------------------|
| 2,310                    | Opening Balance set aside as at 31 <sup>st</sup> March                       | 1,727                    |
| 3,465                    | Add back - share to Central Government and Warwickshire County Council (60%) | 2,591                    |
| (3,577)                  | Settled claims in year   | -                        |
| <b>2,198</b>             | <b>Sub Total</b>   | <b>4,318</b>             |
| 2,120                    | Additional provision made in year  | (1,390)                  |
| <b>4,318</b>             | <b>Sub Total</b>   | <b>2,928</b>             |
| (2,591)                  | Less - share to Central Government and Warwickshire County Council (60%)     | (1,757)                  |
| <b>1,727</b>             | <b>TOTAL</b>   | <b>1,171</b>             |

## 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 2022<br>£000 |  | 31 March 2023<br>£000 |
|-----------------------|--|-----------------------|
| (40,210)              | Revaluation Reserve                              | (48,653)              |
| (125,171)             | Capital Adjustment Account                       | (124,830)             |
| 25,545                | Pensions Reserve                                 | (4,446)               |
| (114)                 | Collection Fund Adjustment Account - CT          | (59)                  |
| 1,551                 | Collection Fund Adjustment Account - NDR         | (2,889)               |
| 202                   | Accumulated Absences Account                     | 214                   |
| -                     | Available for Sale Financial Instruments Reserve | -                     |
| 11                    | Financial Instruments Revaluation Reserve        | 261                   |
| <b>(138,186)</b>      | <b>Total Unusable Reserves</b>                   | <b>(180,402)</b>      |

### 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.

| 2021/22<br>£000 |  | 2022/23<br>£000 |
|-----------------|--|-----------------|
| <b>(24,740)</b> | <b>Balance at 1 April</b>  | <b>(40,210)</b> |
| (16,464)        | (Upward)/Downward revaluation of assets not posted to the Surplus/Deficit on the Provision of Services | (11,036)        |
| 362             | Accumulated gains on assets sold   | 281             |
| -               | Difference between fair value depreciation and historical cost depreciation                            | -               |
| 632             | Amount written off to the Capital Adjustment Account   | 2,312           |
| <b>(40,210)</b> | <b>Balance at 31 March</b>   | <b>(48,653)</b> |

### 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.

| 2021/22<br>£000 |                  |  | 2022/23<br>£000 |                  |
|-----------------|------------------|--|-----------------|------------------|
|                 | (114,013)        | <b>Balance at 1 April</b>  |                 | (125,171)        |
|                 |                  | <i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>                        |                 |                  |
| 5,654           |                  | ▪ Charges for depreciation and impairment of non-current assets  | 6,231           |                  |
| (4,536)         |                  | ▪ Revaluation (gains) / losses on Property, Plant and Equipment  | 4,328           |                  |
| 58              |                  | ▪ Amortisation of intangible assets  | 39              |                  |
| 64              |                  | ▪ Revenue expenditure funded from capital under statute  | 576             |                  |
| 2,119           |                  | ▪ 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 | 972             |                  |
|                 | <b>3,359</b>     | <b>Sub Total</b>   |                 | <b>12,146</b>    |
| (677)           |                  | Adjusting amounts written out of the Revaluation Reserve   | (1,001)         |                  |
| 294             | (383)            | Movements in the market value of Investment Property   | (76)            | (1,077)          |
|                 |                  | <i>Capital financing applied in the year:</i>  |                 |                  |
| (888)           |                  | ▪ Use of the Capital Receipts Reserve to finance new capital expenditure   | (614)           |                  |
| -               |                  | ▪ Use of the Major Repairs Reserve to finance new capital expenditure  |                 |                  |
| (1,348)         |                  | ▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | (85)            |                  |
| -               |                  | ▪ Application of grants to capital financing from the Capital Grants Unapplied Account   |                 |                  |
| (2,626)         |                  | ▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances  | 2,140           |                  |
| (9,272)         | (14,134)         | ▪ Capital expenditure charged against the General Fund and HRA balances  | (12,169)        | (10,8728)        |
|                 | <b>(125,171)</b> | <b>Balance at 31 March</b>   |                 | <b>(124,830)</b> |

## 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.

| <b>2021/22<br/>£000</b> |  | <b>2022/23<br/>£000</b> |
|-------------------------|--|-------------------------|
| <b>37,084</b>           | <b>Balance at 1 April</b>  | <b>25,545</b>           |
| (14,241)                | Re measurement of the net defined benefit liability/(asset)  | (32,378)                |
| 4,727                   | 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 | 4,363                   |
| (2,025)                 | Employer's pensions contributions and direct payments to pensioners payable in the year  | (1,976)                 |
| <b>25,545</b>           | <b>Balance at 31 March</b>   | <b>(4,446)</b>          |

## 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.

| <b>Council Tax<br/>2021/22<br/>£000</b> | <b>Non Domestic Rates<br/>2021/22<br/>£000</b> |  | <b>Council Tax<br/>2022/23<br/>£000</b> | <b>Non Domestic Rates<br/>2022/23<br/>£000</b> |
|---|--|--|---|--|
| <b>27</b>                               | <b>852</b>                                     | <b>Balance at 1 April</b>  | <b>(114)</b>                            | <b>1,551</b>                                   |
| (141)                                   | 699  | 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 | 55                                      | (4,441)  |
| <b>(114)</b>                            | <b>1,551</b>                                   | <b>Balance at 31 March</b>   | <b>(59)</b>                             | <b>(2890)</b>                                  |

### 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.

| 2021/22<br>£000 |   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| 252             | <b>Balance at 1 April</b>                                 | 202             |
| (252)           | Reversal of accrual made at the end of the preceding year | (202)           |
| 202             | Amounts accrued at the end of the current year            | 214             |
| 202             | <b>Balance at 31 March</b>                                | 214             |

### 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.

| 2021/22<br>£000 |   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| (88)            | <b>Balance at 1 April</b>   | (11)            |
| 77              | (Upward)/Downward revaluation of investments  | (250)           |
| -               | Downward/ Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | -               |
| (11)            | <b>Balance at 31 March</b>  | (261)           |

## 24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| 2021/22<br>£000 |  | 2022/23<br>£000 |
|-----------------|--|-----------------|
| (66)            | Interest Received  | (688)           |
| 11              | Interest Paid  | 12              |
| (55)            | <b>Net interest included within the surplus on the provision of services</b> | <b>(676)</b>    |

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

| 2021/22<br>£000 |  | 2022/23<br>£000 |
|-----------------|--|-----------------|
| 6,147           | Depreciation and Amortisation of Asset               | 6,734           |
| 2,702           | Movement in pension liability                        | 2,387           |
| 274             | (Contribution to) / Use of Housing Repairs Reserve   | (254)           |
| (6,306)         | Contributions to reserves                            | (7,097)         |
| 558             | Reversal of Collection Fund Adjustments – CT and NDR | (4,386)         |
| (50)            | Accumulated Absences                                 | 12              |
| (583)           | Increase / (Decrease) in Provisions                  | (556)           |
| (304)           | Increase / (Decrease) in Creditors                   | (748)           |
| (920)           | (Increase) / Decrease in Debtors                     | 2,885           |
| 16              | (Increase) / Decrease in Stocks and WIP              | 23              |
| <b>1,534</b>    | <b>Adjustments for non cash movements</b>            | <b>(1,000)</b>  |

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

| 2021/22<br>£000 |  | 2022/23<br>£000 |
|-----------------|--|-----------------|
| 390             | (Surplus) / Loss on sale of Assets                       | (179)           |
| 354             | Payment of housing receipts to Housing Pool              | -               |
| <b>744</b>      | <b>Adjustment for investing and financing activities</b> | <b>(179)</b>    |

## 25. Cash Flow Statement – Investing Activities

| 2021/22<br>£000 |  | 2022/23<br>£000 |
|-----------------|--|-----------------|
| 12,243          | Purchase of property, plant and equipment, investment property and intangible assets               | 13,685          |
| 487             | Other payments for investing activities  | 826             |
| (2,039)         | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (1,396)         |
| (4,630)         | Other receipts from investing activities   | (4,898)         |
| <b>6,061</b>    | <b>Net cash flows from investing activities</b>  | <b>8,217</b>    |

## 26. Cash Flow Statement – Financing Activities

| 2021/22<br>£000 |   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| (4,250)         | Cash receipts of short and long term borrowing  | (4,760)         |
| 12,067          | Other receipts from financing activities        | (1,164)         |
| <b>7,817</b>    | <b>Net cash flows from financing activities</b> | <b>(5,924)</b>  |



## 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.

| 2021/22   | 2021/22  | 2021/22   | Expenditure and Funding Analysis   | 2022/23   | 2022/23  | 2022/23   |
|---|--|---|--|---|--|---|
| 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  |
| 636   | 96   | 732   | Executive Board  | 646   | 88   | 734   |
| 4,999   | 3,026  | 8,025   | Community and Environment Board  | 6,043   | 2,738  | 8,781   |
| 153   | 67   | 220   | Planning and Development Board   | (141)   | 108  | (33)  |
| 37  | 15   | 52  | Licensing Committee  | 13  | 11   | 24  |
| (3,063)   | 1,166  | (1,897)   | Resources Board – Services   | 3,853   | 1,760  | 5,613   |
| 85  | 207  | 292   | Resources Board – Recharged Services   | (150)   | 257  | 107   |
| (1,098)   | 547  | (551)   | Resources Board – Housing Revenue Account  | (3,411)   | 497  | (2,914)   |
| <b>1,749</b>  | <b>5,124</b>   | <b>6,873</b>  | <b>NET COST OF SERVICES</b>  | <b>6,853</b>  | <b>5,459</b>   | <b>12,312</b>   |
| (10,597)  | (16,647)   | (27,244)  | Other Comprehensive Income and Expenditure   | (8,280)   | (31,358)   | (39,638)  |
| <b>(8,848)</b>  | <b>(11,523)</b>                                      | <b>(20,371)</b>   | <b>Total Comprehensive Income and Expenditure</b>  | <b>(1,427)</b>  | <b>(25,899)</b>                                      | <b>(27,326)</b>   |
| (26,759)  |  |   | Opening General Fund and HRA Balances  | (27,417)  |  |   |
| 7,705   |  |   | Use of Reserves to fund Capital Expenditure (Surplus) / Deficit on Provision of Services | 7,613   |  |   |
| (8,363)   |  |   |  | (1,170)   |  |   |
| <b>(27,417)</b>   |  |   | <b>Closing General Fund and HRA Balances</b>   | <b>(20,974)</b>   |  |   |

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

| <b>Expenditure and Funding Analysis - adjustments between the funding and accounting basis</b> |  |  |                          | <b>2022/23</b>           |
|--|--|--|--------------------------|--------------------------|
|  | <b>Adjustment for Capital Purposes</b> | <b>Net charge for Pensions Adjustments</b> | <b>Other Differences</b> | <b>Total Adjustments</b> |
|  | <b>£000</b>                            | <b>£000</b>                                | <b>£000</b>              | <b>£000</b>              |
| Executive Board  | -                                      | 88   | -                        | 88                       |
| Community and Environment Board  | 2,048                                  | 690  | -                        | 2,738                    |
| Planning and Development Board   | -                                      | 108  | -                        | 108                      |
| Licensing Committee  | -                                      | 11   | -                        | 11                       |
| Resources Board – Services   | 1,459                                  | 302  | (1)                      | 1,760                    |
| Resources Board – Recharged Services   | 228                                    | 29   | -                        | 257                      |
| Resources Board – Housing Revenue Account  | 51                                     | 433  | 13                       | 497                      |
| <b>COST OF SERVICES</b>  | <b>3,786</b>                           | <b>1,661</b>                               | <b>12</b>                | <b>5,459</b>             |
| Other Comprehensive Income and Expenditure   | 4,431                                  | (31,653)                                   | (4,136)                  | (31,358)                 |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>8,217</b>                           | <b>(29,992)</b>                            | <b>(4,124)</b>           | <b>(25,899)</b>          |

| <b>Expenditure and Funding Analysis – adjustments between the funding and accounting basis</b> |  |  |                          | <b>2021/22</b>           |
|--|--|--|--------------------------|--------------------------|
|  | <b>Adjustment for Capital Purposes</b> | <b>Net charge for Pensions Adjustments</b> | <b>Other Differences</b> | <b>Total Adjustments</b> |
|  | <b>£000</b>                            | <b>£000</b>                                | <b>£000</b>              | <b>£000</b>              |
| Executive Board  | -                                      | 96   | -                        | 96                       |
| Community and Environment Board  | 2,187                                  | 839  | -                        | 3,026                    |
| Planning and Development Board   | 1                                      | 66   | -                        | 67                       |
| Licensing Committee  | -                                      | 15   | -                        | 15                       |
| Resources Board – Services   | 818                                    | 390  | (42)                     | 1,166                    |
| Resources Board – Recharged Services   | 165                                    | 42   | -                        | 207                      |
| Resources Board – Housing Revenue Account  | 61                                     | 494  | (8)                      | 547                      |
| <b>COST OF SERVICES</b>  | <b>3,232</b>                           | <b>1,942</b>                               | <b>(50)</b>              | <b>5,124</b>             |
| Other Comprehensive Income and Expenditure   | (3,824)                                | (13,481)                                   | 658                      | (16,647)                 |
| <b>Total Comprehensive Income and Expenditure</b>  | <b>(592)</b>                           | <b>(11,539)</b>                            | <b>608</b>               | <b>(11,523)</b>          |

## 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:-

|   | 2021/22              | 2022/23              |
|---|----------------------|----------------------|
|   | Income from Services | Income from Services |
| Board                                     | £000                 | £000                 |
| Executive Board                           | 10                   | 46                   |
| Community and Environment Board           | 3,386                | 3,544                |
| Planning and Development Board            | 1,433                | 1,530                |
| Licensing Committee                       | 98                   | 105                  |
| Resources Board – Services                | 17,663               | 12,271               |
| Resources Board – Recharged Services      | 916                  | 601                  |
| Resources Board – Housing Revenue Account | 13,564               | 12,730               |
| Other (*)                                 | 11,036               | 14,757               |
|   | <b>48,106</b>        | <b>45,584</b>        |

(\*) 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:-

| 2021/22<br>£000 | Expenditure and Income                                | 2022/23<br>£000 |
|-----------------|---|-----------------|
|                 | Expenditure   |                 |
| 11,568          | Employee Expenses                                     | 11,772          |
| 10,610          | Other Service Expenses                                | 11,104          |
| 8,810           | Rent Allowances and Housing Benefit Payments          | 8,424           |
| 5,757           | Depreciation, Amortisation and Impairment             | 6,919           |
| 2,702           | Retirement Benefits                                   | 2,387           |
| 1,495           | Revenue Expenditure Funded from Capital Under Statute | 826             |
| -               | Use of Government Grants                              | 3,209           |
| 3,710           | HRA – Debt Repayment and interest                     | (1,025)         |
| 354             | Payment to Housing Capital Receipts Pool              | -               |
| 1,093           | Parish Precepts                                       | 1,131           |
| 390             | Loss on Disposal of Assets                            | -               |
| <b>46,489</b>   | <b>Total Expenditure</b>                              | <b>44,747</b>   |
|                 | Income  |                 |
| (24,211)        | Fees, Charges and Other Service Income                | (21,423)        |
| (55)            | Interest and Investment Income                        | (686)           |
| (8,268)         | Income from Council Tax and NDR                       | (8,964)         |
| (15,572)        | Government Grants and Contributions                   | (14,332)        |
| -               | Gain on Disposal of Assets                            | (179)           |
| <b>(48,106)</b> | <b>Total Income</b>                                   | <b>(45,584)</b> |
| <b>(1,617)</b>  | <b>(Surplus)/Deficit on Provision of Services</b>     | <b>(837)</b>    |

## 28. Agency Services

Coventry City Council provided a payroll service to the Council in 2022/23, for which we paid a charge of £12,993. (£12,738 in 2021/22)

## 29. Pooled Budgets

### Building Control Partnership

From April 2019, the Council has been a member of the Central Building Control Partnership. The 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 2022/23 the authority made a payment to the larger partnership of £35,200 (in 2021/22 we paid £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, Nuneaton and Bedworth Borough Council, Stratford District Council and Warwick District 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 2022/23.

| 2021/22<br>£ |  | 2022/23<br>£ |
|--------------|--|--------------|
| 700,537      | Balance of funding retained by the Heart Shared Service to be carried forward to 2021/22 to spend in the North Warwickshire area           | 1,008,056    |
| 794,560      | Budget – Disabled Facilities Grant   | 771,304      |
| (487,041)    | Spend by the Heart Shared Service on behalf of NWBC  | (825,923)    |
| 1,008,056    | <b>Balance of funding retained by the Heart Shared Service to be carried forward to 2022/23 to spend in the North Warwickshire area(*)</b> | 953,437      |

(\*) 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.

|              | 2021/22<br>£000 | 2022/23<br>£000 |
|--------------|-----------------|-----------------|
| Allowances   | 236             | 242             |
| Expenses     | 1               | 2               |
| <b>Total</b> | <b>237</b>      | <b>244</b>      |

### 31. Officers' Remuneration

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

| 2022/23   | Salaries, Fees and Allowances | Expenses Allowances | Pensions | Total   |
|---|-------------------------------|---------------------|----------|---------|
| Job Title   | (£)                           | (£)                 | (£)      | (£)     |
| Chief Executive                                   | 112,739                       | 3,456               | 22,660   | 138,855 |
| Corporate Director - Resources                    | 79,504                        | 3,456               | 15,980   | 98,940  |
| Corporate Director – Streetscape                  | 67,979                        | 3,003               | 13,170   | 84,152  |
| Corporate Director – Streetscape (Interim Agency) | 35,387                        | 0                   | 0        | 35,387  |

| 2021/22                          | Salaries, Fees and Allowances | Expenses Allowances | Pensions | Total   |
|----------------------------------|-------------------------------|---------------------|----------|---------|
| Job Title                        | (£)                           | (£)                 | (£)      | (£)     |
| Chief Executive                  | 108,207                       | 3,456               | 21,750   | 133,413 |
| Corporate Director - Resources   | 77,579                        | 3,456               | 15,593   | 96,628  |
| Corporate Director - Streetscape | 73,469                        | 3,456               | 14,767   | 91,692  |

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 | 2021/22 staff numbers | 2022/23 staff numbers |
|--------------------|-----------------------|-----------------------|
| £50,000-£54,999    | 4                     | 2                     |
| £55,000-£59,999    | 1                     | 3                     |
| £60,000-£64,999    | -                     | -                     |
| £65,000-£69,999    | -                     | -                     |
| £70,000-£74,999    | 2                     | 2                     |

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 |                   |
|-------------------------|-----------------------------------|----------|--|-------------------|
|                         | 2021/22                           | 2022/23  | 2021/22  | 2022/23           |
|                         |                                   |          | £  | £                 |
| £0 – £20,000            | 15                                | 5        | 96,826.62  | 14,944.43         |
| £20,001 - £40,000       | 10                                | -        | 240,768.31   | -                 |
| £40,001 - £60,000       | 3                                 | -        | 151,567.99   | -                 |
| £60,001 - £80,000       | 1                                 | -        | 63,963.69  | -                 |
| £80,001 - £100,000      | -                                 | -        | -  | -                 |
| £100,001 - £120,000     | -                                 | -        | -  | -                 |
| £120,001 - £140,000     | -                                 | -        | -  | -                 |
| <b>Total</b>            | <b>29</b>                         | <b>5</b> | <b>553,126.61</b>  | <b>£14,944.43</b> |

The total costs of £14,944.43 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 2022/23 are Ernst Young LLP, with the exception of the Housing Benefit claim, for which Grant Thornton were appointed.

The table below indicates the costs incurred, or to be incurred, on the audit of the 2022/23 accounts.

| Type of Audit Work  | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| Fees payable to Ernst Young LLP with regard to external audit services carried out for the year   | 33              | 37              |
| Fees payable to Ernst Young LLP/Grant Thornton for the certification of grant claims and returns for the year – Pooling of Capital Receipts and Housing Benefit | 36              | 29              |
| Additional fees payable to Ernst Young LLP for work on 2019/20 accounts   | -               | 53              |
| <b>Total</b>  | <b>69</b>       | <b>119</b>      |

### 33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| <b>Credited to Taxation and Non Specific Grant Income</b> |                 |                 |
| Revenue Support Grant                                     | -               | 306             |
| Non Domestic Rates  | 1922            | 1,922           |
| <b>Total</b>  | <b>1922</b>     | <b>2,228</b>    |

|   |       |     |
|---|-------|-----|
| <b>Credited to Services</b>                     |       |     |
| New Burdens – Geo place Grant                   | -     | 2   |
| New Burdens – BR reliefs and licences           | -     | 31  |
| UK Health SA                                    | -     | 46  |
| Lower Tier Services Grant                       | 82    | 88  |
| Service Grant                                   | -     | 132 |
| Section S31 Determination Grant                 | 10    | -   |
| New Burdens – Funding S5/2021                   | 13    | -   |
| New Burdens – Pavement Licence                  | 4     | 2   |
| New Burdens – Council Tax Discounts for Annexes | 5     | -   |
| New Burdens                                     | 8     | -   |
| Redmond Review Implementation                   | 17    | 18  |
| BEIS New Burdens 4 Restart                      | 73    | 12  |
| Small Business and Empty Property Rate Relief   | 2,869 | -   |
| UKSPF - Revenue                                 | -     | 176 |
| UKSPF - Capital                                 | -     | 83  |
| New Burdens stage 1                             | 58    | -   |
| Covid Fees and Charges Support Grant            | 458   | -   |
| Tax Income Compensation Grant                   | 50    | -   |
| Self Isolation Administration Grant             | 58    | -   |
| Covid Outbreak Management Grant (COMF)          | 93    | -   |
|   |       |     |

| <b>Credited to Services - Continued</b>          | <b>2021/22</b> | <b>2022/23</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Electoral Reform Services Grant                  | -              | 11             |
| DWP – New Burdens Grant                          | 167            | 13             |
| DWP – Resource management                        | -              | 3              |
| DWP – HBAAI funding                              | -              | 6              |
| DWP – Single housing Benefit                     | -              | 6              |
| DWP – Supported and temporary accommodation      | -              | 1              |
| DWP – Lads Funding                               | -              | 4              |
| DWP – Verify Earnings & Pensions Alert Service   | 6              | 6              |
| DWP – HBMS                                       | 1              | -              |
| DWP – PDVR                                       | 1              | -              |
| DWP - SDP  | 1              | -              |
| DWP – Savings credit                             | 1              | -              |
| Leader Project Grant                             | 8              | -              |
| Stronger and Safer Communities Funding           | 22             | 8              |
| New Burdens - Transparency Code Set Up           | -              | 9              |
| Benefits Grant (DHP)                             | 84             | 60             |
| Benefits Administration Grant                    | 136            | 135            |
| Council Tax Support Admin Grant                  | 176            | 144            |
| New Homes Bonus Scheme                           | 578            | 723            |
| Rent Allowances Subsidy                          | 4,568          | 3,755          |
| National Non Domestic Rates Administration Grant | 110            | 111            |
| Housing Rent Rebates                             | 4,004          | 4,491          |
| Homelessness Reduction and Support Grant         | 253            | 228            |
| Reopening the High Street                        | 78             | -              |
| Neighbourhood Planning Grant                     | -              | 20             |
| BEIS Green Homes Grant                           | 171            | 63             |
| Homes England – New Homes Build Grant            | 894            | 35             |
| New Burdens 7 payment                            | -              | 31             |
| <b>Total</b>                                     | <b>15,057</b>  | <b>10,453</b>  |

## **Covid Grants**

The government provided a range of financial support packages throughout the COVID-19 pandemic. The Council received some funding towards its own costs and to offset loss of income. We also received financial support for the additional costs of administering other support packages, to both businesses and individuals.

The Council distributed both Business Grants and Test and Trace payments on behalf of the government. A number of business grant schemes which commenced in 2020/21 continued in 2021/22, including multiple Local Restrictions grant schemes i.e. open, closed, sector, additional. Billing authorities were responsible for paying over the grants to local businesses and were then reimbursed by government using a grant under Section 31 of the Local Government Act 2003 (S31). The majority of schemes are fully reimbursed, but for some, authorities received a set allocation.

Accounting for these grant schemes varies depending on whether the Council is acting as an agent for the Government or is acting as a principal in the distribution of the grant. The Council considered the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) in 2022/23 with regard to the general principle of whether the authority is acting as the principal or agent.

The Council considers that accounting for the grant schemes as an agent is appropriate where: the Council is administering the distribution of the grant; is fully reimbursed for



delivering that funding (and the authority is not liable for any overpayments); and the amount of the award is predetermined based on business rate relief or rateable value. This indicates that the authority is acting as an intermediary for the Department for Business, Energy and Industrial Strategy (BEIS) and does not have 'control'. Similarly, this is also the case for the Test and Trace grants awarded for the Department for Work and Pensions (DWP).

Where the Council has acted as an agent, the grant has not been reported as income and expenditure, and balances relate only to sums due to or from the authority. Where the Council has discretion over the businesses to support and the amount of the award, it is acting as a principal as opposed to acting as an agent, and transactions have been included in the financial statements.

The following table summarises the final position for each of the grant support schemes in remaining active 2022/23.

| Grant  | Government Funding Remaining | Grant Repaid to Government | Balance Due from Government |
|--|------------------------------|----------------------------|-----------------------------|
|  | £'000                        | £'000                      | £'000                       |
| Additional Restrictions Grant - Restart  | (523)                        | 523                        | -                           |
| Reconciliation of all Grants 20-21 & 21-22 – BEIS has agreed to pay in 2024-25 | 41                           | -                          | 41                          |
| Omicron  | (143)                        | 143                        | -                           |
| <b>Total Agent (BEIS)</b>  | <b>(625)</b>                 | <b>666</b>                 | <b>41</b>                   |

### 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 2022/23 is shown in Note 30.

#### 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.

Six Borough Councillors were also Warwickshire County Councillors in 2022/23. During the year, we paid £2,603,178 (£2699,658 in 2021/22) to Warwickshire County Council for services including: pensions, land charges, broadband, arboriculture services, trade refuse

disposal, Tree Officer works, contribution to the costs of Lower House Farm recycling facility and leisure facilities. Income of £538,273 (£618,310 in 2021/22) was received from the County Council for grass cutting, schools trade refuse, School Swimming Lessons, one public estate project management, funding for a hospital liaison officer post, Health improvement grant, part occupation of Council Offices, Homeless Project, one off contribution to Water Orton Car Park maintenance and recycling activities.

Seven Borough Councillors were also on Atherstone Town Council in 2022/23. Income of £50,525 (£47,930 in 2021/22) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, hire of the Council House Offices for use by the Town Council and for some grounds maintenance work. Payments of £20,950 (£21,600 in 21-22) were made to Atherstone Town Council towards for some Community Grants.

Two Borough Councillors were also on Coleshill Town Council in 2022/23. Income of £1,799 (£21,761 in 2021/22 for the provision of a trade refuse service and two town council by-elections) was received from Coleshill Town Council, for the provision of a trade refuse service and a Pavement Licence. Payments of £160 (£3,708 in 2021/22 for a grant towards Coleshill Hall project and hire of premises for elections) were made to Coleshill Town Council towards reopening the High Street (grants) and hire of rooms for WCC and PCC Elections.

During the year a payment of £56,100 (£97,000 in 2021/22) 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 (WMCA). The WMCA is a group of councils across the region that is working together to seek greater decision-making powers from the government in a process known as devolution. In the Scheme sent to Government only constituent members have voting rights. Now the WMCA is established, constituent members could give voting rights to non-constituent members, for example, allowing them to vote on matters to do with economic development. Constituent members may only be signed up to one combined authority, whilst non-constituent members can be signed up to one or more combined authorities. In 2022/23 North Warwickshire Borough Council paid the WMCA a £30,000 contribution to help fund its programmes and initiatives (£50,000 in 2021/22).

**Sherbourne recycling** – Sherbourne Recycling was established in 2021 to develop and operate a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council). In 2021/22 the council purchased shares of £46,700 and has made further loan advances of £1.302m in 2022/23.

### 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.

| <b>Capital Expenditure and Financing</b>              |                         |                         |
|---|-------------------------|-------------------------|
|   | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> |
| <i>Capital Investment</i>                             |                         |                         |
| Property, Plant and Equipment                         | 11,858                  | 13,463                  |
| Investment properties                                 | 107                     | 244                     |
| Intangible Assets                                     | 17                      | 38                      |
| Revenue Expenditure Funded from Capital Under Statute | 795                     | 771                     |
| <b>Total Expenditure</b>                              | <b>12,777</b>           | <b>14,516</b>           |
| <i>Sources of Finance</i>                             |                         |                         |
| Capital receipts                                      | (1,132)                 | (304)                   |
| Government grants and other contributions             | (2,138)                 | (856)                   |
| Revenue Contribution to Capital                       | (64)                    | (561)                   |
| Section 106 contributions                             | (19)                    | (307)                   |
| Earmarked Capital Reserve                             | (74)                    | (2,956)                 |
| Major Repairs Reserve/HRA RCCO                        | (8,882)                 | (8,708)                 |
| Capital Creditors                                     | (468)                   | (824)                   |
| Prudential Borrowing                                  | -                       | -                       |
| <b>Total Financing</b>                                | <b>(12,777)</b>         | <b>(14,516)</b>         |

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.

|                                      | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> |
|--------------------------------------|-------------------------|-------------------------|
| Long Term Assets                     | 221,866                 | 232,489                 |
| Revaluation Reserve                  | (40,210)                | (48,653)                |
| Capital Adjustment Account           | (125,171)               | (124,831)               |
| <b>Capital Financing Requirement</b> | <b>56,485</b>           | <b>59,005</b>           |

### 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 2022<br>£000 |                        | 31 March 2023<br>£000 |  |
|-----------------------|------------------------|-----------------------|--|
| 121                   | Minimum lease payments | 121                   |  |
| (145)                 | Contingent rents       | (128)                 |  |
| <b>(24)</b>           | <b>Total</b>           | <b>(7)</b>            |  |

### 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 2022<br>£000 |   | 31 March 2023<br>£000 |  |
|-----------------------|---|-----------------------|--|
| 402                   | Not later than one year                           | 407                   |  |
| 204                   | Later than one year and not later than five years | 204                   |  |
| 5,015                 | Later than five years                             | 5,015                 |  |
| <b>5,621</b>          | <b>Total</b>                                      | <b>5,626</b>          |  |

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 2022/23, £103,863.85 contingent rents were receivable by the Council (£87,756.59 in 2021/22).

### **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 2022/23 (none 2021/22).

### **38. Termination Benefits**

The Council terminated the contracts of 5 employees in 2022/23, incurred liabilities of £14,944.43 (£553,127.61 in 2021/22) – see Note 31 for the number of exit packages and total cost per band. Payments were made to 1 employee from Housing Repairs, 1 Leisure Centre, 1 Development Control, 1 Facilities Management and 1 Ground Maintenance.

## 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:

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| <b>Comprehensive Income and Expenditure Statement</b>   |                 |                 |
| <i>Cost of Services</i>   |                 |                 |
| • Current service cost  | (3,853)         | (3,638)         |
| • Past Service Cost and Curtailments  | (114)           | -               |
| <i>Financing and Investment Income and Expenditure</i>  |                 |                 |
| • Interest cost   | (2,493)         | (3,239)         |
| • Expected return on scheme assets  | 1,733           | 2,514           |
| Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services                                  | (4,727)         | (4,363)         |
| <i>Re measurement of the net defined benefit liability comprising</i>   |                 |                 |
| • Return on plan assets   | 5,300           | (3,484)         |
| • Actuarial (losses)/gains arising on changes in demographic assumptions  | 1,173           | 2,731           |
| • Actuarial (losses)/gains arising on changes in financial assumptions  | 7,679           | 41,082          |
| • Other   | 89              | (7,461)         |
| <i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>                            | 14,241          | 32,868          |
| <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 | 4,727           | 4,363           |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i>                                       |                 |                 |
| • Employers contributions payable to scheme   | 2,025           | 1,976           |
| Retirement benefits payable to pensioners   | (3,089)         | (3,009)         |

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 £32,868,000 at 31 March 2023 (a loss of £14,241,000 at 31 March 2022).

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

|  | Funded Liabilities |                 |
|--|--------------------|-----------------|
|  | 2021/22<br>£000    | 2022/23<br>£000 |
| <b>Opening balance at 1 April – Funded liabilities</b>           | <b>122,398</b>     | <b>117,433</b>  |
| <b>Opening balance at 1 April – Unfunded liabilities</b>         | <b>1,669</b>       | <b>1,505</b>    |
| Current service cost   | 3,853              | 3,638           |
| Past Service Cost  | 114                | -               |
| Interest Cost  | 2,493              | 3,239           |
| Contributions by scheme participants                             | 491                | 523             |
| Actuarial losses arising from changes in demographic assumptions | (1,173)            | (2,731)         |
| Actuarial losses arising from changes in financial assumptions   | (7,679)            | (41,366)        |
| Other  | (139)              | 7,929           |
| Benefits paid - funded   | (2,970)            | (2,583)         |
| Benefits paid - unfunded   | (119)              | (119)           |
| <b>Closing balance at 31 March – Funded liabilities</b>          | <b>117,433</b>     | <b>86,193</b>   |
| <b>Closing balance at 31 March – Unfunded liabilities</b>        | <b>1,505</b>       | <b>1,275</b>    |

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

|  | Funded Assets   |                 |
|--|-----------------|-----------------|
|  | 2021/22<br>£000 | 2022/23<br>£000 |
| <b>Opening fair value of scheme assets at 1 April</b>  | <b>86,983</b>   | <b>93,393</b>   |
| Expected rate of return - Interest                     | 1,733           | 2,514           |
| Actuarial gains – Return on plan assets                | 5,300           | (3,484)         |
| Other Experience                                       | (50)            | 1               |
| Contributions by scheme participants                   | 491             | 523             |
| Employer contributions                                 | 1,906           | 1,857           |
| Contributions in respect of unfunded benefits          | 119             | 119             |
| Benefits/transfers paid                                | (2,970)         | (2,890)         |
| Unfunded Benefits/transfers paid                       | (119)           | (119)           |
| <b>Closing fair value of scheme assets at 31 March</b> | <b>93,393</b>   | <b>91,914</b>   |

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 (£0.970) million (£7.033 million in 2021/22).

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

|  | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2021<br>£000 | 31 March<br>2022<br>£000 | 31 March<br>2023<br>£000 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Present value of the defined benefit obligation                        | (111,286)                | (96,746)                 | (124,067)                | (118,938)                | (87,468)                 |
| Fair value of Plan assets  | 75,441                   | 69,369                   | 86,983                   | 93,393                   | 91,914                   |
| <b>Net Asset / (liability) arising from defined benefit obligation</b> | <b>(35,845)</b>          | <b>(27,377)</b>          | <b>(37,084)</b>          | <b>(25,545)</b>          | <b>4,446</b>             |

The Assets / (liabilities) show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total asset of £4.446 million has an impact on the net worth of the Council as recorded in the Balance Sheet. This surplus would impact upon our reserves only if it all fell due at the same time. However, statutory arrangements for funding the surplus mean that the financial position of the Council remains healthy – the surplus on the scheme will be made good by decreasing contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

In 2023/24 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,826,000

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 2023. 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:

|  | 2021/22           | 2021/22     | 2022/23           | 2022/23     |
|--|-------------------|-------------|-------------------|-------------|
|  | Beginning of year | End of Year | Beginning of year | End of Year |
| <b>Allowance for Admin Expenses</b>            |                   |             |                   |             |
| Expenses Deducted (p.a.)                       | 0.7%              | 0.7%        | 0.7%              | 0.7%        |
| Mortality assumptions:                         |                   |             |                   |             |
| <b>Longevity at 65 for current pensioners:</b> |                   |             |                   |             |
| Men  | 21.6              | 21.6        | 21.0              | 21.0        |
| Women  | 24.1              | 24.1        | 23.9              | 23.9        |
| <b>Longevity at 65 for future pensioners:</b>  |                   |             |                   |             |
| Men  | 22.7              | 22.7        | 21.6              | 21.6        |
| Women  | 25.9              | 25.9        | 25.7              | 25.7        |
| Rate of Inflation (CPI)                        | 2.85%             | 3.20%       | 3.20%             | 3.00%       |
| Rate of Increase in salaries                   | 3.65%             | 4.00%       | 4.00%             | 4.00%       |
| Rate of increase in pensions                   | 2.85%             | 3.20%       | 3.20%             | 3.00%       |
| Rate of discounting scheme liabilities         | 2.00%             | 2.70%       | 2.70%             | 4.75%       |

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.

|   | 2021/22           | 2021/22     | 2022/23           | 2022/23     |
|---|-------------------|-------------|-------------------|-------------|
|   | 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.

|   | 2021/22         | 2021/22        | 2022/23         | 2022/23        |
|---|-----------------|----------------|-----------------|----------------|
|   | £ 000           | %              | £ 000           | %              |
| <b>Equity Securities:-</b>                |                 |                |                 |                |
| • Consumer                                | -               | 0.00%          | -               | 0.00%          |
| • Manufacturing                           | -               | 0.00%          | -               | 0.00%          |
| • Energy and Utilities                    | -               | 0.00%          | -               | 0.00%          |
| • Financial Institutions                  | -               | 0.00%          | -               | 0.00%          |
| • Health and Care                         | -               | 0.00%          | -               | 0.00%          |
| • Information Technology                  | -               | 0.00%          | -               | 0.00%          |
| • Other                                   | 39.8            | 0.04%          | 39.1            | 0.04%          |
| <b>Debt Securities:-</b>                  |                 |                |                 |                |
| • Corporate Bonds (investment grade)      | 5,783.1         | 6.19%          | 6,115.6         | 6.65%          |
| • Corporate Bonds (non-investment grade)  | 1,899.0         | 2.03%          | 1,972.8         | 2.15%          |
| • UK Government                           | 4,385.2         | 4.70%          | 3,217.0         | 3.50%          |
| • Other                                   | 2,783.8         | 2.98%          | 3,400.8         | 3.70%          |
| <b>Private Equity:-</b>                   |                 |                |                 |                |
| • All                                     | 6,637.6         | 7.11%          | 6,801.7         | 7.40%          |
| <b>Real Estate:-</b>                      |                 |                |                 |                |
| • UK Property                             | 9,166.7         | 9.82%          | 8,456.1         | 9.20%          |
| • Overseas Property                       | 31.2            | 0.03%          | -               | 0.00%          |
| <b>Investment Funds and Unit Trusts:-</b> |                 |                |                 |                |
| • Equities                                | 47,547.8        | 50.91%         | 46,101.6        | 50.16%         |
| • Bonds                                   | 8,435.8         | 9.03%          | 8,272.3         | 9.00%          |
| • Hedge Funds                             | -               | 0.00%          | -               | -              |
| • Infrastructure                          | 4,724.4         | 5.06%          | 6,434.0         | 7.00%          |
| • Other                                   | -               | 0.00%          | -               | -              |
| <b>Cash and Cash Equivalents:-</b>        |                 |                |                 |                |
| • All                                     | 1,958.6         | 2.10%          | 1,103.0         | 1.20%          |
| <b>Total</b>                              | <b>93,393.0</b> | <b>100.00%</b> | <b>91,914.0</b> | <b>100.00%</b> |

#### 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 agreed in 2021/22 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 2024.

#### **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 2023 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 £549,346 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

|                                 | <b>31 March 2022</b><br>£000 | <b>31 March 2023</b><br>£000 |
|---------------------------------|------------------------------|------------------------------|
| Less than three months          | 270                          | 433                          |
| Between three and six months    | 21                           | 28                           |
| Between six months and one year | 19                           | 18                           |
| More than one year              | 56                           | 70                           |
| <b>TOTAL</b>                    | <b>366</b>                   | <b>549</b>                   |

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 2023 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:

|                                  | <b>31 March<br/>2022<br/>£000</b> | <b>31 March<br/>2023<br/>£000</b> |
|----------------------------------|-----------------------------------|-----------------------------------|
| Less than one year               | 2,260                             | 2,350                             |
| Between one years and two years  | 2,350                             | 2,350                             |
| Between two and five years       | 7,400                             | 8,150                             |
| Between five and ten years       | 18,280                            | 19,129                            |
| Between ten and fifteen years    | 3,949                             | -                                 |
| Between fifteen and twenty years | 10,000                            | 10,000                            |
| More than twenty years           | -                                 | -                                 |
| <b>Total</b>                     | <b>44,239</b>                     | <b>41,979</b>                     |

In addition to the longer-term debt above we have some short term debt of £4,500,000 borrowed from one Local Authority repayable on the 4<sup>th</sup> April 2023.

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 and Shares in Sherbourne Recycling. 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 2023 were held with banks and building societies. At 31 March 2023 the Council had short-term investments of £27.418 million.

|                        | <b>31 March 2022<br/>£000</b> | <b>31 March 2023<br/>£000</b> | <b>Change in year<br/>£000</b> |
|------------------------|-------------------------------|-------------------------------|--------------------------------|
| Short Term Investments | 28,582                        | 27,418                        | (1,164)                        |
| <b>Total</b>           | <b>28,582</b>                 | <b>27,418</b>                 | <b>(1,164)</b>                 |

#### ➤ *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:

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

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 last published revision of the Medium-Term Financial Strategy was undertaken in February 2024. The Council continues to review its Medium-Term Financial Strategy, with a further update due in November 2024. General reserves are held to provide a contingency for unavoidable or unforeseen expenditure and also gives 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 £1.2 million. The Medium-Term Financial Strategy is based on balances being retained at this level over the period of the plan.

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.**

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

- ◆ Those that provide evidence of conditions that existed at 31 March 2023 – the Accounts are adjusted to reflect such events

- ◆ Those that are indicative of conditions that arose after the 31 March 2023 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

The Statement of Accounts was authorised for issue by the Interim Corporate Director Resources on 4<sup>th</sup> September 2024. 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 2023, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Materials Recycling Facility

On the 1 April 2021, the Council entered into a number of key legal agreements including but not limited to the Shareholders Agreement and Loan Facility Agreement in relation to Sherbourne Recycling Limited - this is a cross-authority owned Materials Recycling Facility designed to process each authority's kerbside collected recycle. As one of 8 shareholders, North Warwickshire Borough Council made an equity investment of £46,700 for their 4.7% share in Sherbourne Recycling Limited (SRL).

Over the course of the next 24 months, SRL will draw down the loan facility with the Council for a maximum amount of £2.818m, scheduled based on the payment of milestones by civils, process equipment and other contractors involved in the construction and operation of the company.

All interest accrued during this construction phase will be capitalised and added to the principal at the end of construction phase. Once operational the principal and interest will be repaid over the next 25 years in line with the terms of the Loan Facility Agreement. The facility to be operational from October-2023.

Coventry City Council has entered into a Financial Payment Guarantee with each contractor on behalf of Sherbourne Recycling Limited (the "Company"); to guarantee the company's obligation to pay each contractor for the works to be provided under each respective contract. Each Partner Council has agreed by entering into the Shareholder's Agreement, that they will indemnify Coventry City Council for any loss or liability arising under or in connection with the Financial Payment Guarantee in proportion with their respective shareholding.

# 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<br>2021/22<br>£000 | Actual<br>2021/22<br>£000 |   | Actual<br>2022/23<br>£000 | Actual<br>2022/23<br>£000 | Note  |
|---------------------------|---------------------------|---|---------------------------|---------------------------|-------|
|                           |                           | <b>EXPENDITURE</b>  |                           |                           |       |
| 3,384                     |                           | Repairs and Maintenance   | 3,913                     |                           | 5     |
|                           |                           | Supervision and Management  |                           |                           |       |
| 1,715                     |                           | - General   | 1,817                     |                           |       |
| 436                       |                           | - Special Services  | 472                       |                           |       |
| 3,349                     |                           | Depreciation, Impairment and revaluation losses of non-current assets   | 4,060                     |                           | 9     |
| 3,710                     |                           | Debt Management Costs   | 3,675                     |                           | 14    |
| 56                        |                           | Movement in the allowance for bad debts   | 32                        |                           | 13    |
| -                         |                           | Repayment of grants   | 63                        |                           |       |
|                           | 12,650                    | <b>TOTAL EXPENDITURE</b>  |                           | 14,032                    |       |
|                           |                           | <b>INCOME</b>   |                           |                           |       |
| (11,661)                  |                           | Dwelling rent   | (12,121)                  |                           | 12    |
| (385)                     |                           | Non-dwelling rent   | (401)                     |                           |       |
| (112)                     |                           | Charges for Services and Facilities   | (124)                     |                           |       |
| -                         |                           | Grant for New Build   | (35)                      |                           |       |
| -                         |                           | Debt Management New Borrowing   | (4,700)                   |                           |       |
|                           | (12,158)                  | <b>TOTAL INCOME</b>   |                           | (17,381)                  |       |
|                           | <b>492</b>                | <b>Net Expenditure/ (Income) of HRA Service as included in the Comprehensive Income and Expenditure Statement</b>       |                           | <b>(3,349)</b>            |       |
|                           | 76                        | HRA service share of Corporate and Democratic Core  |                           | 81                        |       |
|                           | <b>568</b>                | <b>Net Income/cost for HRA Services</b>   |                           | <b>(3,268)</b>            |       |
|                           |                           | <b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b> |                           |                           |       |
|                           | 355                       | Gain on sale of HRA non-current assets  |                           | (167)                     |       |
|                           | 358                       | Interest payable and similar charges  |                           | (729)                     | 10/15 |
|                           | (28)                      | Interest and Investment Income  |                           | (163)                     | 15    |
|                           | (4,612)                   | Deficit or (Surplus) on Revaluation of Property, Plant and Equipment  |                           | 5,639                     | 10    |
|                           | <b>(3,359)</b>            | <b>(Surplus) or Deficit for the year on HRA Services</b>  |                           | <b>1,312</b>              |       |

## 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.

| 2021/22<br>£000 |   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| (3,661)         | <b>Balance on the HRA at the end of the previous year</b>                   | <b>(653)</b>    |
| (3,359)         | (Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement | 1,312           |
| 3,397           | Adjustments between accounting basis and funding basis under statute        | (5,163)         |
| <b>38</b>       | <b>Net (Increase) or decrease before transfers to or from reserves</b>      | <b>(3,851)</b>  |
| 2,970           | Transfers to or (from) reserves   | 3,637           |
| <b>3,008</b>    | <b>(Increase) or decrease in year on the HRA</b>                            | <b>(214)</b>    |
| <b>(653)</b>    | <b>Balance on the HRA at the end of the current year</b>                    | <b>(867)</b>    |

#### Adjustments between accounting basis and funding basis under statute:

| 2021/22<br>£000 |  | 2022/23<br>£000 | Note |
|-----------------|--|-----------------|------|
|                 | <b>Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year</b>   |                 |      |
| 4,612           | Reversal of Impairment losses and revaluations   | (5,639)         | 10   |
| (355)           | Gain on sale of HRA Property, Plant and Equipment  | 167             |      |
| (494)           | Net charges made for retirement benefits in accordance with IAS 26   | (433)           | 11   |
| (8)             | (Increase)/Reduction in accrual for employee benefits  | 13              |      |
| <b>3,755</b>    | <b>Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year</b> | <b>(5,892)</b>  |      |
| (358)           | Transfer to Capital Adjustment Account   | 729             | 15   |
| <b>3,397</b>    | <b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b>                   | <b>(5,163)</b>  |      |

#### Transfers to or from reserves

| 2021/22<br>£000 |  | 2022/23<br>£000 | Note |
|-----------------|--|-----------------|------|
| 274             | Transfer to/(from) the Housing Repairs Reserve | (254)           | 5    |

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2023

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 2,588.5 dwellings during 2022/23, consisting of the following:

| 2021/22      |                                     | 2022/23      |
|--------------|-------------------------------------|--------------|
| 1,348        | Houses                              | 1,337        |
| 629          | Flats                               | 629          |
| 617          | Bungalows                           | 617          |
| <b>2,594</b> | <b>Total at 31 March</b>            | <b>2,583</b> |
|              | The change in stock was as follows: |              |
| 2,599        | Stock at 1st April                  | 2,594        |
| (25)         | less Sales                          | (15)         |
| -            | Demolitions                         | (2)          |
| 20           | New Build                           | 6            |
| <b>2,594</b> | <b>Stock at 31 March</b>            | <b>2,583</b> |

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £208.024million as at 31 March 2023. The value of each type of asset and the split between operational and non-operational assets are set out below.

| Balance as at<br>31 March 2022<br>£000 | Asset Type                     | Balance as at<br>31 March 2023<br>£000 |
|--|--------------------------------|--|
| 3,446                                  | Land                           | 4,175                                  |
| 187,922                                | Council Dwellings              | 197,726                                |
| 186                                    | Plant and Vehicles             | 134                                    |
| 5,535                                  | Other Property                 | 5,989                                  |
| <b>197,089</b>                         | <b>Total</b>                   | <b>208,024</b>                         |
| 135,799                                | Operational Assets – Dwellings | 142,241                                |
| 52,123                                 | - Land                         | 55,485                                 |
| 5,535                                  | - Other Buildings              | 5,989                                  |
| 186                                    | - Plant and Vehicles           | 134                                    |
| 3,446                                  | Non-operational Assets         | 4,175                                  |
| <b>197,089</b>                         | <b>Total</b>                   | <b>208,024</b>                         |



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 £486.525 million. This is different to the gross book value of the assets included within the balance sheet of £194.610 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.

| <b>2021/22<br/>£000</b> |                                       | <b>2022/23<br/>£000</b> |
|-------------------------|---------------------------------------|-------------------------|
| (1,536)                 | Balance as at 1 April                 | (1,536)                 |
| (3,288)                 | Transfer into Reserve – Depreciation  | (4,009)                 |
| 3,288                   | Transfer into Reserve – Appropriation | 4,009                   |
| -                       | To finance Capital Expenditure        | 800                     |
| <b>(1,536)</b>          | <b>Balance as at 31 March</b>         | <b>(736)</b>            |

#### 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 £254,464 and is detailed below:

| <b>2021/22<br/>£000</b> |                               | <b>2022/23<br/>£000</b> |
|-------------------------|-------------------------------|-------------------------|
| 1,174                   | Balance as at 1 April         | 1,448                   |
| 3,367                   | Contributions from HRA        | 3,430                   |
| (3,093)                 | Use of Fund                   | (3,684)                 |
| <b>1,448</b>            | <b>Balance as at 31 March</b> | <b>1,194</b>            |

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 pension's 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:

| <b>2021/22<br/>£000</b> |                               | <b>2022/23<br/>£000</b> |
|-------------------------|-------------------------------|-------------------------|
| (2,459)                 | Balance as at 1 April         | (940)                   |
| (4,790)                 | Contributions from HRA        | (6,699)                 |
| -                       | Contributions from MRR        | (800)                   |
| -                       | Other Receipts                | -                       |
| 6,309                   | Use of Reserve                | 8,434                   |
| <b>(940)</b>            | <b>Balance as at 31 March</b> | <b>(5)</b>              |

## 7. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2022/23, spent £10,246,801 (£10,291,247 in 2021/22). This expenditure was used to fund work on council houses, garages and community centres of £9,518,146 (£6,752,437 in 2021/22) and new housing of £728,661 (£3,538,610 in 2021/22). Capital spending during the year has been paid for from a number of sources and these are shown below:

| 2021/22<br>£000 | Source of Funding            | 2022/23<br>£000 |
|-----------------|------------------------------|-----------------|
| (3,288)         | Major Repairs Reserve        | (4,809)         |
| (874)           | Capital Receipts             | (160)           |
| (1,772)         | Capital Receipts – New Build | (96)            |
| -               | Deminimus & Deferred Charges | (491)           |
| (2,715)         | Earmarked Reserves           | (3,643)         |
| -               | Section 106 Funding          | (240)           |
| (1,329)         | Grants and Contributions     | (35)            |
| (313)           | Capital Creditors            | (773)           |
| <b>(10,291)</b> | <b>Total</b>                 | <b>(10,247)</b> |

## 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 2022/23 capital income of £1,395,616 was received from the sale of 15 council houses and £0 from the sale investment property. (£1,996,150 for 25 houses and £43,605 from the sale of 8 Cornish Close Ansley a part equity investment property in 2021/22).

## 9. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2022/23 the amount of depreciation charged is as follows.

| 2021/22<br>Operational<br>assets<br>£000 |                   | 2022/23<br>Operational<br>assets<br>£000 |
|--|-------------------|--|
| 3,190                                    | Council Dwellings | 3,907                                    |
| 98                                       | Other Property    | 102                                      |
| 61                                       | Vehicles          | 54                                       |
| -  | Plant & Equipment | -  |
| <b>3,349</b>                             | <b>Total</b>      | <b>4,063</b>                             |

## 10. Revaluations / Impairment charges

There were no impairment charges during the year. Some land and properties held as investment assets increased in value by £728,638 (see note 12, page 28), however there were revaluation Losses of £5.639 million on the Council's housing stock. In overall terms revaluation Losses of £6.638 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 £433,165 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 of 1.19% lettable properties were vacant (1.81% in 2021/22). Average rents were £98.80 a week in 2022/23 (excluding service charges) on a 48-week basis, an increase of £3.57 or 3.75% over the previous year.

## 13. Rent Arrears

At 31 March 2023 the total rent in arrears was £244,982, which represents 2.16% of collectable rent income (2.49% in 2021/22). The rent arrears figures are detailed below: -

| 2021/22<br>£000 |   | 2022/23<br>£000 |
|-----------------|---|-----------------|
| 129             | Arrears at 31st March: -<br>Present Tenants | 98              |
| 161             | Former Tenants                              | 147             |
| <b>290</b>      | <b>TOTAL ARREARS</b>                        | <b>245</b>      |

The allowance for bad debts at 31 March 2023 was £194,270 (£227,065 at 31 March 2022). £63,521 of debts were written off during the year (£3,552 of debts were written off in 2021/22) and an additional provision was made of £30,726 (£53,701 in 2021/22). In addition, the Council has increased the provision for the non-collection of leaseholder service charges relating to maintenance works undertaken on leasehold properties by £815 (£1,809 increase in 2021/22). The movement on the bad debt provision in 2022/23 is £31,541 (£55,510 in 2021/22).

## 14. Charges for Borrowing

The Housing Revenue Account repaid £2,260,000 of the long-term borrowing it took out as part of the move to the Housing Self Financing system and £1,415,319 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 2022/23.

## 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 2022/23 this amounted to £162,995 (£28,035 in 2021/22).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 2 parcels of land during the year showed an increase in the asset valuations of £455,038 (£385,000 increase in 2021/22 (4 parcels of land). In addition, we hold 9 shared ownership properties in Thorncliffe Way, Cornish Close & Digby Road as investment properties. During the year there was an increase in their valuations of £273,600 (£27,420 increase in 2021/22). 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 2023

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).

| 2021/22<br>Council<br>Tax<br>£000       | 2021/22<br>NDR<br>£000 | 2021/22<br>Total<br>£000 |  | 2022/23<br>Council<br>Tax<br>£000 | 2022/23<br>NDR<br>£000 | 2022/23<br>Total<br>£000 |
|---|------------------------|--------------------------|--|-----------------------------------|------------------------|--------------------------|
| 44,476                                  | -                      | 44,476                   | <b>INCOME</b>  |                                   |                        |                          |
|   |                        |                          | Income from Council Tax<br>(net of benefits and transitional relief) | 46,806                            | -                      | 46,806                   |
| -                                       | 47,627                 | 47,627                   | Income Collectable from Business<br>Ratepayers                       | -                                 | 53,779                 | 53,779                   |
| <b>44,476</b>                           | <b>47,627</b>          | <b>92,103</b>            |  | <b>46,806</b>                     | <b>53,779</b>          | <b>100,585</b>           |
|   |                        |                          | <b>EXPENDITURE</b>   |                                   |                        |                          |
|   |                        |                          | Precepts and Demands-Council Tax :                                   |                                   |                        |                          |
| 32,313                                  | -                      | 32,313                   | - Warwickshire County Council  | 34,237                            | -                      | 34,237                   |
| 5,330                                   | -                      | 5,330                    | - Warwickshire Police Authority                                      | 5,654                             | -                      | 5,654                    |
| 5,671                                   | -                      | 5,671                    | - North Warwickshire BC  | 5,915                             | -                      | 5,915                    |
| 43,314                                  | -                      | 43,314                   |  | 45,806                            | -                      | 45,806                   |
|   |                        |                          | Distribution of Surpluses-Council Tax :                              |                                   |                        |                          |
| (52)                                    | -                      | (52)                     | - Warwickshire County Council  | 454                               | -                      | 454                      |
| (8)                                     | -                      | (8)                      | - Warwickshire Police Authority                                      | 75                                | -                      | 75                       |
| (9)                                     | -                      | (9)                      | - North Warwickshire BC  | 80                                | -                      | 80                       |
| (69)                                    | -                      | (69)                     |  | 609                               | -                      | 609                      |
|   |                        |                          | Business Rate Payments:  |                                   |                        |                          |
| -                                       | 25,011                 | 25,011                   | - Government   | -                                 | 21,800                 | 21,800                   |
| -                                       | 20,009                 | 20,009                   | - North Warwickshire BC  | -                                 | 17,440                 | 17,440                   |
| -                                       | 5,002                  | 5,002                    | - Warwickshire County Council  | -                                 | 4,360                  | 4,360                    |
| -                                       | 51                     | 51                       | Transition Protection payment<br>to/(from) Government                | -                                 | 28                     | 28                       |
| -                                       | 110                    | 110                      | Cost of collection   | -                                 | 111                    | 111                      |
| -                                       | 50,183                 | 50,183                   |  | -                                 | 43,739                 | 43,739                   |
|   |                        |                          | Bad and doubtful debts/appeals :                                     |                                   |                        |                          |
| 16                                      | 1                      | 17                       | - Arrears Written Off  | 143                               | 259                    | 402                      |
| 141                                     | 645                    | 786                      | -Provision for uncollectable amounts                                 | 661                               | 70                     | 731                      |
| -                                       | (1,456)                | (1,456)                  | - Provision for Appeals  | -                                 | (1,390)                | (1,390)                  |
| 1,074                                   | (1,746)                | (672)                    | Increase/(Decrease) in Fund Balance                                  | (413)                             | 11,101                 | 10,688                   |
| <b>44,476</b>                           | <b>47,627</b>          | <b>92,103</b>            |  | <b>46,806</b>                     | <b>53,779</b>          | <b>100,585</b>           |
| <b>MOVEMENTS ON THE COLLECTION FUND</b> |                        |                          |  |                                   |                        |                          |
| (203)                                   | (2,131)                | (2,334)                  | Balance at 1 April   | 871                               | (3,877)                | (3,006)                  |
| 1,074                                   | (1,746)                | (672)                    | <b>Surplus/(Deficit) for the Year</b>                                | (413)                             | 11,101                 | 10,688                   |
| <b>871</b>                              | <b>(3,877)</b>         | <b>(3,006)</b>           | <b>Balance at 31 March 2023</b>                                      | <b>458</b>                        | <b>7,224</b>           | <b>7,682</b>             |

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

| <b>Precept /Demand</b> | <b>Share of 31 March 2022 Surplus</b> | <b>2021/22 Total</b> | <b>Authority</b>                   | <b>Precept /Demand</b> | <b>Share of 31 March 2023 Surplus</b> | <b>2022/23 Total</b> |
|------------------------|---------------------------------------|----------------------|------------------------------------|------------------------|---------------------------------------|----------------------|
| <b>£000</b>            | <b>£000</b>                           | <b>£000</b>          |                                    | <b>£000</b>            | <b>£000</b>                           | <b>£000</b>          |
| 32,313                 | 652                                   | 32,965               | Warwickshire County Council        | 34,237                 | 342                                   | 34,579               |
| 5,330                  | 104                                   | 5,434                | Warwickshire Police Authority      | 5,654                  | 57                                    | 5,711                |
| 5,671                  | 115                                   | 5,786                | North Warwickshire Borough Council | 5,915                  | 59                                    | 5,974                |
| <b>43,314</b>          | <b>871</b>                            | <b>44,185</b>        | <b>Total</b>                       | <b>45,806</b>          | <b>458</b>                            | <b>46,264</b>        |

***NDR (Business Rates) on the Collection Fund***

| <b>Business Rates 2021/22</b> | <b>Share of 31 March 2022 Deficit</b> | <b>2021/22 Total</b> | <b>Authority</b>                   | <b>Business Rates 2022/23</b> | <b>Share of 31 March 2023 Surplus</b> | <b>2022/23 Total</b> |
|-------------------------------|---------------------------------------|----------------------|------------------------------------|-------------------------------|---------------------------------------|----------------------|
| <b>£000</b>                   | <b>£000</b>                           | <b>£000</b>          |                                    | <b>£000</b>                   | <b>£000</b>                           | <b>£000</b>          |
| 20,009                        | (1,551)                               | 18,458               | North Warwickshire Borough Council | 17,440                        | 2,890                                 | 20,330               |
| 5,002                         | (387)                                 | 4,615                | Warwickshire County Council        | 4,360                         | 722                                   | 5,082                |
| 25,011                        | (1,939)                               | 23,072               | Government                         | 21,800                        | 3,612                                 | 25,412               |
|                               |                                       |                      |                                    |                               |                                       |                      |
| <b>50,022</b>                 | <b>(3,877)</b>                        | <b>46,145</b>        | <b>Total</b>                       | <b>43,600</b>                 | <b>7,224</b>                          | <b>50,824</b>        |

## Notes to the Collection Fund for the year ended 31 March 2023

### 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 2022/23 the base was calculated as follows:

| Band   | Estimated number of taxable properties after effect of discounts | Ratio | Band D equivalent Dwellings |
|--|--|-------|-----------------------------|
| A  | 4,530.45   | 6/9   | 3,018.61                    |
| B  | 5,751.22   | 7/9   | 4,473.17                    |
| C  | 5,498.67   | 8/9   | 4,887.70                    |
| D  | 3,572.71   | 9/9   | 3,572.71                    |
| E  | 2,354.17   | 11/9  | 2,877.32                    |
| F  | 1,252.44   | 13/9  | 1,809.08                    |
| G  | 707.47   | 15/9  | 1,179.12                    |
| H  | 70.96  | 18/9  | 141.92                      |
| Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding. |  |       | 21,959.63                   |
| <b>COUNCIL TAX BASE 2022/23</b>  |  |       | <b>21,520.41</b>            |

On the basis of an average £2075.94 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £44.675 million (£2075.94 x 21,520.41). 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 31 March 2023 are accounted for in the following year to allow the system to be rolled forward and future bills prepared. We were notified of changes of £0 after the 31 March 2023, due to changes to the valuations of properties, which will be included within the 2023/24 accounts.

The total non-domestic rateable value at the year-end was £123,486,784 (£119,820,568 in 2021/22). The national non-domestic rate for small businesses was 49.9 pence (49.9 pence in 2021/22) and the rate for other businesses was 51.2 pence (51.2 pence in 2021/22).

# Statement of Accounting Policies

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 accrual's 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 accrual's 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

|  |   |
|--|---|
| <b>ACCRUALS</b>  | Income and expenditure that is recognised as it is earned or incurred rather than as the money is actually received or paid.  |
| <b>ACTUARIAL GAIN / LOSS</b>                             | 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'. |
| <b>AMORTISATION</b>                                      | The drop in value of intangible assets as they become out of date.  |
| <b>ASSET</b>   | An item, which is intended to be used for several years such as a building or a vehicle.  |
| <b>BUDGET</b>  | A statement of a Council's plans for expenditure over a specified period of time.   |
| <b>BUSINESS RATES<br/>(Non-domestic rates –<br/>NDR)</b> | 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.   |
| <b>CAPITAL CHARGES</b>                                   | A charge to service revenue accounts to reflect the cost of property, plant and equipment used in the provision of services.  |
| <b>CAPITAL EXPENDITURE</b>                               | 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.  |
| <b>CAPITAL RECEIPTS</b>                                  | Income from the sale of Council assets, e.g. land and buildings.  |
| <b>CENTRAL SUPPORT SERVICES</b>                          | The cost of central departments, which are apportioned over the various services.   |
| <b>CIPFA (CPFA)</b>                                      | The Chartered Institute of Public Finance and Accountancy   |
| <b>COMMUNITY ASSETS</b>                                  | 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).   |
| <b>CONTINGENCY</b>                                       | 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.  |
| <b>CORPORATE AND DEMOCRATIC CORE COSTS</b>               | Spending relating to the need to co-ordinate and account for the many services we provide to the public.  |
| <b>CREDITORS</b>   | 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.  |

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



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| <b>NON-OPERATIONAL ASSETS</b>                       | 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).                        |
| <b>OPERATIONAL ASSETS</b>                           | 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) |
| <b>POOLED BUDGETS</b>                               | This refers to services operated by the Council in conjunction with other local authorities, for example, the Building Control Service.  |
| <b>PRECEPT</b>                                      | The amount each Council in the area asks us to collect from council tax on their behalf each year.   |
| <b>REVENUE CONTRIBUTIONS TO CAPITAL EXPENDITURE</b> | The financing of capital expenditure directly from revenue.  |
| <b>REVENUE EXPENDITURE</b>                          | Spending on the day-to-day running of services, mainly staff, running expenses of buildings and equipment and debt charges.  |
| <b>SOLACE</b>                                       | Society of Local Authority Chief Executives  |
| <b>SORP</b>   | Statement of Recommended Practice.   |
| <b>TEMPORARY LOANS</b>                              | Money borrowed for an initial period of less than one year.  |
| <b>UK GAAP</b>                                      | UK Generally Accepted Accounting Practice  |

# NORTH WARWICKSHIRE BOROUGH COUNCIL

## 2022/23 Annual Governance Statement

### Executive Summary

#### Responsibility for Governance

The 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, it puts arrangements in place for the governance of its affairs, which include 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.

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.

#### Commitment to Review Governance Arrangements

The Council has a 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. As part of that review, work has been undertaken by the Council's statutory officers.

Service Boards use Task and Finish Groups or Working Groups to review and scrutinise individual areas, such as Housing.

#### Overall Opinion on the Level of Assurance Provided by Governance Arrangements

The Annual Governance Statement has confirmed that the controls in place have largely continued to operate as intended. The Council continued to operate alternative controls introduced on a temporary basis as part of management arrangements during the pandemic for much of 2021/22. Where these have resulted in process improvements, they are now being incorporated into normal procedures. Otherwise, we are returning to previous controls and processes as we return to more normal conditions.

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.

## Significant Governance Issues Identified

We propose over the coming year to address a number of 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.

These include:

- A review of the Financial Regulations;
- Further work on compliance with the Financial Management Code;
- Continuing to progress workforce planning;
- The continued use of virtual meetings where appropriate and efficient;
- Increased reporting to Resources Board on risk management;
- A review of the revised corporate plan and performance indicators;
- Replacement of four key computer systems to improve functionality and also maintain security compliance.



Signed:.....  
Leader of the Council



Signed:.....  
Chief Executive

## **Introduction**

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.

## **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 2023 and up to the date of approval of the statement of accounts.

## **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 normally 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.

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.

## **Statutory Officers**

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 – Head of Legal Services

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.

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. 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 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.

### **Management Team**

Two of the statutory officers, the Head of Paid Service and CFO, are members of the Senior Management Team of the Council and the third statutory officer attends as required. The Corporate Director Streetscape is also a member of the Senior Management Team which meets on a weekly basis.

The Council also had two Service Directors during the year covering: 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. The Head of Legal Services attends meetings of the Extended Management Team.

### **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 is 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 throughout the year.

### **Performance Management**

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. Services are monitored and discussed on a monthly basis at Extended Management Team meetings.

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.

Normally progress against Corporate Plan targets is reported regularly to senior managers, Management Team and to service boards, 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. Reduced reporting took place in some areas during 2022/23, partly due to the ongoing pandemic situation and partly due to the ongoing review of the format of the Corporate Plan which was introduced for 2022/23.

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. As the Council had taken part in a virtual LGA facilitated Recovery Panel review in March 2022, further review was not undertaken in year.

Targeted feedback on Council activity was obtained in specific areas and general feedback on the Council was obtained on council services during calls to residents. Feedback through the complaints and compliments process was reviewed as normal.

## **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 maintenance and updating of systems is key, and some preparatory work for updating key systems commenced during the year, which will both improve functionality and also maintain security compliance. Following these changes arrangements will be made to carry out testing to confirm compliance. The Council also continues to actively work with the Warwickshire LRF Cyber Resilience Working Group.

## **Financial Management**

The Chief Financial Officer is responsible for the proper administration of the Council's financial affairs. 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 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 generally 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. Whilst the revised format for reporting to Management continued during 2022/23, financial updates continued to be discussed regularly. Service Boards received financial monitoring reports, and the MTFs was updated in September in line with usual practice.

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 not reviewed during the year, so this will be carried out during 2023/24.

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.

The annual report for 2021/22 was provided during the year, and included information on the strategic risks for 2022/23, as well as the more significant operational 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 normally receive a mid-year update on risk management activity, but this did not happen in 2022/23 due to the ongoing pressures of the pandemic. The requirement for increased oversight of risk management activity has been raised by the Resources Board.

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 Council's Internal Audit team has demonstrated compliance with the Public Sector Internal Audit standards. The team use a risk based approach to formulate audit plans and determine the scope of audit reviews.

The Council has a zero tolerance to all forms of fraud 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. 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 have highlighted the need to review and update workforce plans. Work was undertaken in a number of areas, but this was not progressed fully across the Council due to capacity issues.

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. Appraisals were temporarily suspended during the pandemic but reinstated in 2022/23. In addition, team meetings continued to be used to monitor performance. The annual staff survey was used to assess the working arrangements and barriers to performance. Greater use of electronic mediums continued with regard to communication with employees, where this was appropriate.

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 fairly regular sessions being arranged.

### **Impact of Covid on the Council and its Governance Arrangements**

The Council continued with the revised working arrangements introduced in response to Covid. Office based staff continued to work from home where possible, and those staff who needed to attend the offices, worked in line with adapted office processes in order to comply with Covid guidance. Revised procedures were also maintained for front line services, to enable social distancing wherever possible and to ensure appropriate PPE was available and used. Arrangements were revised during the year for some front-line services, in response to changes in Government guidance.

Alternative control measures continued to be used in many areas, for example, the electronic procedure for authorisation of documents and meetings of the Emergency Management Team in place of Health and Safety Group meetings. Whilst the majority of meetings continued to take place virtually, the ability to hold virtual Board and Council meetings did not extend beyond May 2022, and physical meetings resumed. All possible precautions were taken to ensure those attending could do so safely.

The Council continued to administer a variety of business grant schemes throughout the year, advised businesses on required Covid measures and assisted with the enforcement of business closures. The Council also supported the roll out of the vaccination programme by making part of its building available as a vaccination clinic when other premises were not available.

The Council's finances continued to be affected as a result of the pandemic. The increases in some service costs due to new working arrangements continued, together with a continued loss of income, particularly in leisure services. Compensation for lost income was received from the Government but only for the April to June 2022 period.

CIPFA brought out a Financial Management Code in October 2019. Local Authorities were required to comply with the Code from April 2022, with 2021/22 used to supplement any shortfalls against the Code. The difficulties posed by the pandemic were recognised and whilst CIPFA still required compliance with the Code, it was accepted that full compliance from 1 April may not be achievable. Instead, the requirement was for full compliance to be achieved during the year. An assessment against



the Financial Management Code was considered by the Executive Board in July 2022, and identified a few areas where work was needed. These included:

- A review of consultation arrangements
- The consolidation of asset management planning information
- Use of the CIPFA resilience index in financial planning and a review to ensure that all key balance sheet items are included in budget monitoring.

### **Evaluation of the Effectiveness of Governance Arrangements**

Progress has been made with the implementation of the Corporate Governance Action Plan approved last year:

- The revised of the 2022/23 Corporate Plan has been reviewed by the Executive Board, who have also received progress reports against current priorities;
- Although Board and Council meetings went back to physical meetings, they continued to be broadcast virtually, so that the public benefits of broadcasting could be evaluated;
- The use of virtual meetings continued in most areas, to enable compliance with Government guidance and in the interests of efficiency;
- The staff appraisal process recommenced towards the end of the year;
- Workforce planning continued. Current economic conditions impacted on some areas of the workforce, and these were taken into account when looking at service requirements;
- Some internal working groups have been resumed where this is appropriate;
- Whilst an assessment was made of the work required under the Financial Management Code, only limited progress against the action plan was achieved. This will need to be completed in 2023/24.

Despite the ongoing challenges of the pandemic during the year, the governance arrangements of the Council largely returned to pre pandemic levels over the course of the year. Management Team continued to provide corporate monitoring across the organisation as an alternative to some officer working groups, but internal groups restarted covering areas such as transport.

Internal audit work continued to be affected due to both the restrictions of the pandemic and a reduction in staff resources. However, the Corporate Director considers that sufficient work was undertaken to provide an opinion on the Council's control environment. The work undertaken by Internal Audit has enabled the Corporate Director Resources to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda.

## **Agenda Item No 9**

### **Executive Board**

**25 November 2024**

**Report of the  
Interim Corporate Director -Resources  
(Section 151 Officer)**

**External Auditors Completion  
Report for Those Charged with  
Governance 2021/22 & 2022/23**

#### **1 Summary**

- 1.1 The Financial Statements for 2021/22 and 2022/23 have been completed and published, they are presented to members in a separate report on this agenda. The accounts had not been presented at the September meeting as we were waiting for clarification from our external auditors Ernst & Young LLP as to whether either year would be audited.
- 1.2 This report attached at Appendix A explains the approach and outcomes of both the 2021/22 and 2022/23 audits. The Government have imposed the backstop date 13 December 2024 for all accounts up to and including 2022/23 to be audited and an opinion on the financial statements issued.
- 1.3 The opinion of EY as detailed in Appendix A is as a result of the system wide implementation of backstop dates they expect to disclaim the opinion on the 2021/22 and 2022/23 financial statements.

#### **Recommendation to the Board**

- **To approve the Completion Report presented as Appendix A; and**
- **It is requested that Members give the Section 151 Officer in consultation with the Chair of The Executive Board delegated authority to sign off the Letter of Representation for 2021/22 and 2022/23.**

#### **2 Introduction**

- 2.1 The publication of the Financial Statements is a statutory requirement, with a statutory timetable. This Council has not met the statutory deadlines for publishing the accounts or completion of the audit for several years, due to delays in previous years preparation of the annual accounts and then resourcing the audit impacting on the capacity within the finance team.

2.2 The Council’s external auditors have advised that as a result of the system wide implementation of backstop dates they expect to disclaim the opinion on the Authority’s 2021/22 and 2022/23 financial statements, attached at Appendix A.

### 3 Report Implications

#### 3.1 Finance and Value for Money Implications

3.1.1 Budget provision for external audit costs has been made currently as detailed in the report the fees for 2021/22 and 2022/23 need to be determined as the work to complete the disclaimed opinion will be different to a full audit. The auditors review the financial arrangements of the Council, including an assessment of the value for money achieved by the Council in terms of economy, efficiency and effectiveness.

3.1.2 The ongoing delays in signing the accounts negatively impact decision making by the Council as it is making key decisions on spending and saving without the benefit of audit assurance.

#### 3.2 Risk Management Implications

3.2.1 An external audit process provides some assurance over the Council’s internal control system and highlights any areas where improvements could be made. The 2021/22 and 2022/23 financial statements will not be audited due to meeting the backstop deadline and that does present a risk for the 2023/24 Accounts and audit process.

The Contact Officer for this report is Alison Turner (719374).

### Background Papers

Local Government Act 1972 Section 100D

| Background Paper No | Author        | Nature of Background Paper       | Date      |
|---------------------|---------------|----------------------------------|-----------|
| Executive Board     | Alison Turner | Update on External Audit Backlog | Sept 2024 |

# North Warwickshire Borough Council

Completion Report for Those Charged with Governance

Years ended 31 March 2022 and 31 March 2023

Report issued - 12 November 2024





Executive Board  
North Warwickshire Borough Council  
Council House  
South Street  
Atherstone  
CV9 1DE

12 November 2024

Dear Executive Board

**North Warwickshire Borough Council - Completion Report for Those Charged With Governance - 2021/22 and 2022/23 financial years**

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Executive Board of North Warwickshire Borough Council (the Council) with a detailed complete report covering our approach and outcomes of both the 2021/22 and 2022/23 audits.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2022 and 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for these audit years we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024", Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, against this backdrop we have also considered the Committee's service expectations.



This report considers the impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The joint statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Executive Board, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit.

We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Executive Board in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Executive Board members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Executive Board, and Management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

*MARK HODGSON*

Partner

For and on behalf of Ernst & Young LLP

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# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Executive Board and management of North Warwickshire Borough Council. Our work has been undertaken so that we might state to the Executive Board and management of North Warwickshire Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Executive Board and management of North Warwickshire Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary



# Executive Summary – System wide context

## Context for the audit – Department for Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays


Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. The Department for Housing, Communities and Local Government (MHCLG) (initially as DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ MHCLG has enacted through Parliament Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024”, to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has amended the Code of Audit Practice to:
  - ▶ Require auditors to issue audit opinions according to statutory backstop dates for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
  - ▶ Allow auditors to produce a single Value for Money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of Councils and residents.

As a result of the system wide implementation of backstop dates we expect to *disclaim the opinion on the Authority's 2022/23 financial statements*. The proposed disclaimer of the Council's 2021/22 and 2022/23 accounts will impact both the audit procedures to be undertaken to gain assurance on the 2023/24 financial statements and the form of the Audit Report in 2023/24 and subsequent years during the 'Recovery phase' of the Government's proposals.



# Executive Summary – Council responsibilities

## Responsibilities of Authority management and those charged with governance

For the planned measures to be successful and the current backlog to be addressed it is vital that all stakeholders properly discharge their responsibilities.

The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Executive Board, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix E, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

# Executive Summary - Local context

## Local Background and Context

The position at this Council has developed over the past few years resulting in unaudited financial statements for 31 March 2023.

The main reasons for the Council's financial statements not being prepared, audited and signed to date include:

- ▶ During the pandemic Council staff were required to prioritise the maintenance of key processes and service delivery and therefore had less capacity to respond to the audit requirements, remote working and illness in both the Council and EY audit teams resulted in slower progress with the audit.
- ▶ Following the pandemic the Council teams were working on current year priorities and the EY team were available at times when the finance team were dealing with current priorities e.g. budget preparation.
- ▶ There were a number of new technical issues and challenges to address during this period, including accounting for infrastructure assets and taking into account the updated pension fund valuations.
- ▶ Due to significant issues in staffing in the finance team and issues with the records and information to support the figures within the financial statements, the audit of the Council's 2019/20 financial statements was significantly delayed.
- ▶ A clear plan was agreed with the Council's finance team for delivery of the 2020/21 financial statement audit, however as reported to the Executive Board in our Audit Results Report for 2020/21, the issues around staff capacity, delays in responses to audit queries and poor and incomplete information provided continued.
- ▶ As a result of the above, the 2020/21 audit was only concluded on the 28<sup>th</sup> November 2023.
- ▶ The Council has subsequently produced their Draft 2021/22 Financial Statements on the 3<sup>rd</sup> July 2024 almost two years after the statutory publication deadline and 7 months subsequent to the audit opinion on the 2020/21 Statement of Accounts.
- ▶ The Council then produced and published their Draft 2022/23 Financial Statements on the 4<sup>th</sup> September 2024, over one year after the statutory publication deadline.
- ▶ As a result, and taken together, with acknowledgement of the wider reset proposals to move to the most recent year of audit (which at that point in time was 2023/24), we concluded it was not practical to schedule the 2021/22 audit due to a lack of capacity to be able to commence the 2021/22 or 2022/23 audit year with sufficient time to be able to complete the audit.

# Executive Summary - Report structure and work completed

## Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 - Executive Summary - this section, setting out the national and local context and the structure of our report.

Section 2 - Work Plan - we have completed the following planning tasks

- ▶ Completed required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including review of responses to inquiry letters, internal team meeting, minute review, etc.
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators, or which may result in a modification to the audit report e.g. Non-compliance with laws and regulations (NOCLAR), Objections, Significant weaknesses in arrangements for Value for Money, or any other matters that may result in the use of the auditor's powers etc.

Section 3 - Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, and report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. Non-compliance with laws and regulations, (NOCLAR), Objections, Significant weaknesses in arrangements for Value for Money, any matters that may result in the use of the etc.

Section 4 - Audit Report

- ▶ The draft audit opinions.

Section 5 - Value for Money reporting

- ▶ The Value for Money report covering the year to 31 March 2023.

Section 6 - Appendices





BOARDROOM

# 02 Work Plan

# Work Plan – Audit Scope

## Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on Value for Money in Section 4.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

Given that Statutory Instrument (2024) No. 907 - The Accounts and Audit (Amendment) Regulations 2024 imposes a backstop date of the 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

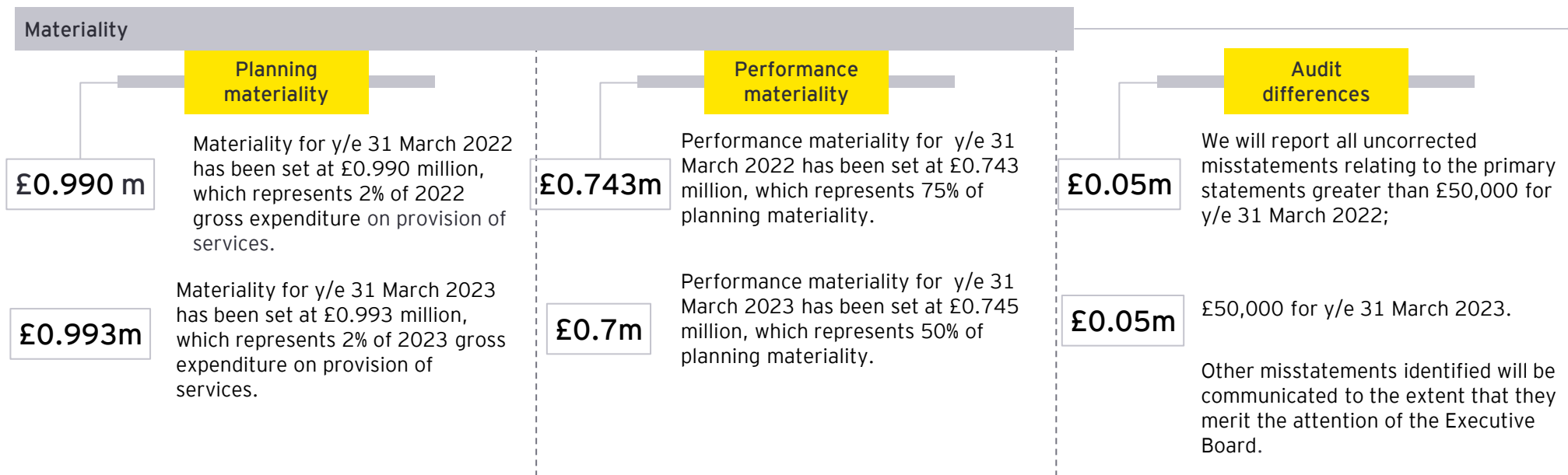
This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the years ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.



# Work Plan - Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the respective 2021/22 and 2022/23 audit years. These materiality levels have been set based on the main Council financial statements. These levels are being used to assess our response to any issues identified in the Council's financial statements.

# Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the respective audit years.

## Audit risks and areas of focus

| Risk/area of focus  | Applicable years                 | Risk identified  | Change from PY             | Details  |
|---|----------------------------------|------------------|----------------------------|--|
| Misstatement due to fraud or error (management override)  | All years covered by this report | Fraud risk       | No change in risk or focus | There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.  |
| Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure | All years covered by this report | Fraud Risk       | No change in risk or focus | Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.<br><br>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.   |
| Valuation of Land and Buildings in Plant Property and Equipment, Investment Properties, and surplus assets        | All years covered by this report | Significant risk | No change in risk or focus | Local authorities have a statutory duty to balance their annual budget and are operating in a financially challenged environment with reducing levels of government funding and increasing demand for services. Achievement of budget is critical to minimizing the impact and usage of the Council's usable reserves and provides a basis for the following year's budget. Any deficit outturn against the budget is therefore not a desirable outcome for the council and management, and therefore this desire to achieve budget increases the risk that the financial statements may be materially misstated. As such it is not considered appropriate to rebut the presumed risk as there is an inherent risk of manipulation of revenue and financial performance. |
| Pension Liability Valuation   | All years covered by this report | Inherent risk    | No change in risk or focus | The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme.<br><br>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.   |



# Work Plan - Independence

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

## Required communications

### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Executive Board/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

# Work Plan - Independence

## Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your Audit Engagement Partner and the audit engagement team have not been compromised.

## Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in your company; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately nil:nil. No additional safeguards are required.

## Self review threats

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self-interest threats at the date of this report.

## Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

## Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

## EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



## 03 Results and findings





# Results and findings

## Status of the audit

Our audit work in respect of the Council opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

### Final Closing procedures:

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion, a current draft of which is included later in this section.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 5 of this report. We identified one risk of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did identify a significant weakness in the Council's arrangements. See Section 5 of the report for further details.

## Audit differences

We have not identified any audit differences, either adjusted or unadjusted, as part of our audit. The Council should ensure that in approving the Statement of Accounts, that all sets cast correctly, all prior year comparatives agree to the final set of prior year Statement of Accounts, or explanations for prior year adjustments have been set out by the Section 151 Officers. The Council should also seek explanations for any material variances between years to fully understand the Statement of Accounts.

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We have no matters to report as a result of this work.

We did not receive any questions or objections to the Council's financial statements from any member of the public following the inspection period.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



# Results and findings

## Areas of audit focus

In our Audit Plan section we identified a number of key areas of focus for our audit of the financial report of North Warwickshire Borough Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues;
- ▶ You concur with the resolution of the issue; and
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of Management, the Executive Board, or full Council.

## Control observations

During the audit, we did not identify any significant deficiencies in internal control.

## Independence

Further to our review of independence in Section 2 of this report we have not identified any issues to bring to your attention..



# Results and findings

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern; and
- ▶ Consideration of laws and regulations.

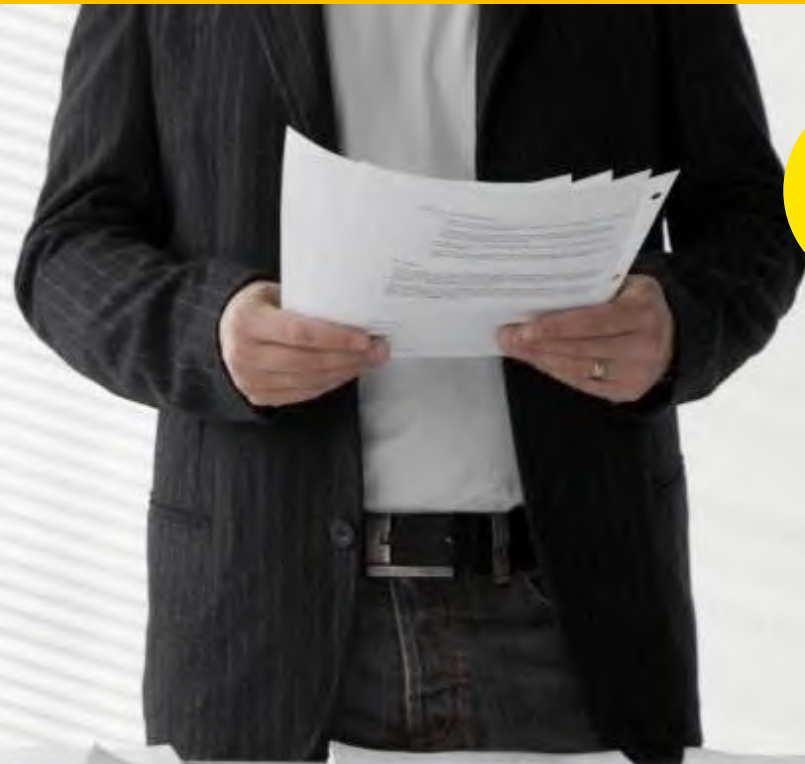


# Results and findings

## Summary of audit differences

We have not identified any audit differences, either adjusted or unadjusted, as part of our audit.

The Council should ensure that in approving the Statement of Accounts, that all sets cast correctly, all prior year comparatives agree to the final set of prior year Statement of Accounts, or explanations for prior year adjustments have been set out by the Section 151 Officers. The Council should also seek explanations for any material variances between years to fully understand the Statement of Accounts.



# 04 Audit Reports

**DRAFT**



## Our opinion financial statements

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

#### Disclaimer of Opinion

We were engaged to audit the financial statements of North Warwickshire Borough Council ('the Council') for the year ended 31 March 2022. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 43 including the Statement of Accounting Policies,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 15, and
- Collection Fund and the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13<sup>th</sup> December 2024.

We completed the audit of the 2020/21 financial statements and issued our audit opinion on 28 November 2023.

The Council has subsequently produced their 2021/22 on 3rd July 2024, almost three years after the statutory publication deadline and 7 months subsequent to the audit opinion on the 2020/21 Statement of Accounts.

The backstop date and the wider requirements of the local audit system reset, meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2021/22 financial statements.

Therefore, we are disclaiming our opinion on the financial statements.

#### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

## Our opinion on the financial statements

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

### **Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

We report to you, if we are not satisfied that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Authority's arrangements for the year ended 31 March 2022.

### **Significant weaknesses in arrangements**

In relation to governance

Our judgement on the nature of the weakness identified:

In the 2021/22 financial year the Authority did not publish its statement of accounts by 31 July 2022 as required by the Accounts and Audit Regulations 2015. The unaudited statements were published on 3 July 2024. The Council has experienced capacity issues within the finance team for a number of years, which has impacted their ability to publish the draft financial statements by the target date of July 2022 set by the Accounts and Audit Regulations 2015 and their ability to support the external audit.

The evidence on which our view is based is:

- Publication date of the 2021/22 draft financial statements.
- Executive Board papers from 27th November 2023 setting out continued delays and the impact of these for the Council.

## Our opinion on the financial statements

The issues have been discussed by the Executive Board at its meeting on 27 November 2023 where it was reported the delays were caused by staff shortages, issues with obtaining audit evidence in a timely way and the change of s151 officer during this period.

### The impact on North Warwickshire Borough Council:

Failure to improve on the Council's processes to report financial information timely will impact its ability to meet statutory financial reporting deadlines, make informed decisions and deploy resources sustainably and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024

### The action North Warwickshire Borough Council needs to take to address the weakness:

The Council needs to continue to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

### **Responsibility of the Section 151 Officer**

As explained more fully in the '*Statement of Responsibilities, Issue and Approval date*' set out on page 11, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Our opinion on the financial statements

### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether North Warwickshire Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Warwickshire Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We certify that we have completed the audit of the accounts of North Warwickshire Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of North Warwickshire Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Our opinion on the financial statements

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

#### Disclaimer of opinion

We were engaged to audit the financial statements of North Warwickshire Borough Council ('the Council') for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement
- the related notes 1 to 41 including a summary of significant accounting policies
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 15,
- Collection Fund and the related notes 1 to 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

The audit of the 2021/22 financial statements for North Warwickshire Borough Council was not completed for the reasons set out in our opinion on those financial statements dated X December 2024.

In addition, the Council has subsequently produced their 2022/23 financial statements on 4th September 2024, over one year after the statutory publication deadline.

As a result of the delays to the previous year's audit together with the wider requirements of the local audit system reset, we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements before the 13<sup>th</sup> December 2024 backstop date.

Therefore, we are disclaiming our opinion on the financial statements.



## Our opinion on the financial statements

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

### Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weakness in the Authority's arrangements for the year ended 31 March 2023.

### Significant weaknesses in arrangements

In relation to governance

Our judgement on the nature of the weakness identified:

In the 2022/23 financial year the Authority did not publish its statement of accounts by 31 May 2023. The unaudited statements were published on the 4 September 2024. This is the second year in which the Authority has not met the publication date. The Council has experienced capacity issues within the finance team for a number of years, which has impacted their ability to publish the draft financial statements by the target date of July 2023 set by the Accounts and Audit Regulations 2015 and their ability to support the external audit.

The evidence on which our view is based is:

- Publication date of the 2021/22 and 2022/23 draft financial statements.
- Executive Board papers from 27<sup>th</sup> November 2023 setting out continued delays and the impact of these for the Council.

## Our opinion on the financial statements

The issues have been discussed by the Executive Board at its meeting on 27 November 2023 where it was reported the delays were caused by staff shortages, issues with obtaining audit evidence in a timely way and the change of s151 officer during this period.

### The impact on North Warwickshire Borough Council:

Failure to improve on the Council's processes to report financial information timely will impact its ability to meet statutory financial reporting deadlines, make informed decisions and deploy resources sustainably and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024

### The action North Warwickshire Borough Council needs to take to address the weakness:

The Council needs to continue to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

### **Responsibility of the Section 151 Officer**

As explained more fully in the '*Statement of Responsibilities, Issue and Approval date*' set out on page 11, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## Our opinion on the financial statements

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether North Warwickshire Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether North Warwickshire Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We certify that we have completed the audit of the accounts of North Warwickshire Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of North Warwickshire Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.





# 05 Value for Money



# VFM - Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements, which we have within our Interim VFM Arrangements Report - 4 November 2024. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken in respect of the periods - 1 April 2021 to 31 March 2022 and 1 April 2022 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) as it was at the time, worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation stated that where auditors had begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report Value for Money (VFM) in line with our full responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and

The detailed arrangements and processes underpinning the reporting criteria were reported within our Interim VFM Arrangements Report - 4 November 2024.



# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Executive and Director of Corporate Services;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and have identified one significant weaknesses in the Council's VFM arrangements in relation to governance specifically:

- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The risk was identified due to the untimely preparation and submission of the financial statements for the financial years 2021/22 and 2022/23. Please refer to pages 33 for a detailed explanation of this weakness.

# Executive Summary (continued)

## Reporting

Our commentary for 2021/22 and 2022/23 is set out over pages 34 to 37. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23.

The detailed arrangements and processes underpinning the reporting criteria were reported within our Interim VFM Arrangements Report - 4 November 2024.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

| Reporting Criteria   | Risks of significant weaknesses in arrangements identified?   | Actual significant weaknesses in arrangements identified?  |
|--|---|--|
| <b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services   | No significant risks identified   | No significant weakness identified   |
| <b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks   | Significant risk and serious weaknesses in final accounts processes leading to failure to meet statutory deadlines. | Yes - Significant weaknesses in final accounts processes leading to failure to meet statutory deadlines. |
| <b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services | No significant risks identified   | No significant weakness identified   |

We completed our risk assessment procedures and did identify a significant weaknesses in the Council's VFM arrangements for both 2021/22 and 2022/23 financial years.

# Value for Money Commentary

**Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services**

**No significant weakness identified**

By proactively developing the MTFS (Medium Term Financial Strategy) and the General Fund Budget, the Council conducts review meetings with its directors, including the management team, to identify any service-related pressures over the medium term. The MTFS provides the framework for revenue and capital spending decisions over a four-year period, demonstrating our preparedness and commitment to sound financial management.

In the face of potentially significant changes to the Council's financial position, the Section 151 Officer is empowered to assess and implement additional updates to the financial strategy, showcasing our adaptability and commitment to navigating financial challenges.

Specifically, for the Council's review of the 2021/22 to 2024/25 MTFS, pressures stemming from the impact of COVID-19 were identified. Pressures such as additional service costs, reduction in investment income, and increased pay costs were anticipated.

The Council has developed a comprehensive budget sustainability programme. This program aims to identify savings, efficiencies, and income-generation opportunities to address future financial pressures and budget gaps. It includes measures such as reducing unnecessary expenditure, improving operational efficiency, and exploring new revenue streams. For the financial year 2021/22, the savings target was £700k, with further savings of £800k in 2022/23. The actual level of savings achieved through the reduction in expenditure budgets, or the identification of additional income totaled £706k. The Council achieved this by reviewing the budgeted spending across each service area and identifying savings through reducing the respective expenditure budgets or identifying additional income.

Budget monitoring is completed each month and reported to management. Demand data or key performance data support any budget variations, and this information is used as the starting point for the following year's budget. The Council produced out-turn reports detailing the financial performance for FY 2021/22 and FY 2022/23. The Council has considered the ongoing implications of COVID-19 and inflation on future resilience and sustainability through reports on the budgets and whether adequate reserves and balances are in place to support the sustainable delivery of services.

The council carefully monitors its finances with regular reports. The Resource Board reviews these reports with the Executive Board in a timely manner and takes corrective action when necessary to address emerging budget pressures. All cost-saving proposals are also regularly reviewed for feasibility and assessed for risk by management throughout the year.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

# Value for Money Commentary (continued)

**Governance: How the Council ensures that it makes informed decisions and properly manages its risks**

## Significant weakness identified

The Council operates using a committee system. This structure involves several Service Boards and Committees, each responsible for their specific areas of activity, ultimately reporting back to the Full Council. There is a meeting cycle of Board and Council meetings typically running five times throughout the year. The remit and responsibilities of the Boards and Committees are set out in the Constitution of the Council and include the Executive Board, the Resources Board, the Community and Environment Board, the Planning and Development Board, and the Licencing Committee. The Council ensures that those making decisions, whether for the Council or the partnership, are provided with information that is fit for the purpose-relevant, timely and clearly explaining the technical issues and implications. Also, the Council ensures that professional advice on legal or financial implications is available, recorded well before the decision-making, and used appropriately.

All key decisions are discussed with the executive board during the meetings. These meetings are open to the public unless confidential matters are being discussed, in which case the public is excluded. All decisions are recorded as minutes and posted on the council's website for all to have access to, reaffirming the council's commitment to transparency and ensuring that the public is well-informed and involved in the council's operations.

All reports presented to the members undergo a rigorous review process to ensure that directors sign off before finance reviews, instilling confidence in the thoroughness of the council's operations. This process ensures that reports are appropriately scrutinized and when given to members, all relevant documentation and information is included, further enhancing the transparency and trust in the council's operations.

The Council has several ways in which employees, members of the Council, or the public can raise concerns of any kind. These include Confidential Reporting arrangements and complaint procedures. Trained investigators will follow up on any problems and act in proven cases. The chief executive and the monitoring officer are responsible for the record-keeping system for all the council's decisions. They also ensure that they develop and maintain a practical scrutiny function that encourages constructive challenge and enhances the authority's overall performance and that of any organisation for which it is responsible.

The Council maintains and regularly reviews its Strategic Risk Register and reports to its members for corrective actions. The strategic risk register shows the various risks facing the Council, their likelihood of occurring, impact, score and the responsible officer. The risk management system of the Council involves an annual review of the strategic risks by the Senior Management Team and an annual review by senior managers of the operational risks in their service areas. This proactive approach enables all Senior Managers to complete the Annual Statements of Assurance and identify actions needed to manage risk in the coming year, including identifying new threats, thereby ensuring the security of the council's operations.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

## Financial statement preparation and oversight

We completed the 2020/21 financial year audit in November 2023. This was due significant delays in the closure of prior year audits which had a knock-on effect on the following year audits. The finance team at the client is relatively small and struggle to cope with the volume of audit requests, often missing deadlines. Given the capacity constraints of the finance team, management have failed to prepare their financial statements / annual reports and supporting documents on a timely basis which is in breach of the Accounts and Audit regulations 2015, specifically involving preparation of accounts and requirements for public inspection.

During conversations with the client in 2024, we were made aware of further delays in the preparation of the accounts following which the draft 2021/22 financial statements were published on the 3rd July 2024 and the draft 2022/23 financial statements were published on the 4th September 2024. Given the significant delays noted above, which has resulted in a breach of the provisions of the Accounts and Audit Regulations 2015, we have concluded that there is a significant weakness in the Council's arrangements for preparing financial statements.

The issue above is evidence of a weakness in proper arrangements for supporting the statutory reporting requirements of the Council and effective processes and systems for accurate and timely management and financial information.

Our recommendation is that the Council investigates the reasons for these delays and ensures that there is a suitably resourced finance team who can ensure that all legislative requirements regarding financial management and processes are met.

**Conclusion:** Based on the work performed, we have identified a significant weakness in the Council's arrangements that we will be reporting 'by exception' in relation to Council's governance arrangements 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

**Recommendation :** We recommend that the Council re-assesses its arrangements for statutory financial reporting, including an assessment of the adequacy and capacity of the finance support arrangements.



# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council Committees receive performance-based reports yearly to monitor performance continuously. The Annual Report and Governance Statement set out the performance review for the year. Additionally, the CIPFA resilience index is used to identify themes that the Council should consider concerning its financial sustainability and health.

The Narrative Report sets out a review of achievements against the corporate plan. Furthermore, services continually review performance, which is reported on the annual corporate performance and outturn report. In addition, all services use internal audit reports, external inspections, formal and informal benchmarking.

The Corporate plans are approved before the start of each year and identify the headline targets for the coming year, which are supported in greater detail within individual service plans. Services performance are monitored and discussed monthly at extended management team meetings. All senior management team members contribute actively to cross-organizational issues and corporate decision-making to match resources to the authority's objectives. Usually, progress against corporate plan targets is generally reported to senior managers, management teams, and service boards quarterly along with performance indicators information.

The monthly and quarterly performance monitoring process tracks progress against the Council's priorities and highlights any potential risks and issues in achieving these priorities. Performance management information about key objectives is regularly provided to the Executive Board. Variances are analysed and reasons are provided against each indicator, any resulting actions agreed are then put into place by the respective department responsible for the indications in question. Adverse indicator variances are dealt with promptly by the appropriate officer/service line head before reporting to Members.

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. Targeted feedback on Council activity was obtained in specific areas and general feedback on the Council was obtained on council services during calls to residents. Feedback through the complaints and compliments process was reviewed as normal.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**





# 06 Appendices

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

### Ernst & Young

This letter of representations is provided in connection with your audit of the [consolidated and parent] Authority financial statements of [name of entity] (“the [Group and] authority”) for the year ended [balance sheet date]. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of (or ‘present fairly, in all material respects,’) the [Group and] authority financial position of [name of entity] as of [balance sheet date] and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the [Group and] the Authority, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

We understand that the purpose of your audit of our [consolidated and parent] Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the [Group and the parent] Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the [Group and] authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the [consolidated and parent] Authority financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the [Group and parent] Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the [Group and] authority financial statements are appropriately described in the [Group and] authority financial statements.
4. As members of management of the [Group and] authority, we believe that the [Group and] authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [applicable financial reporting framework] for the Group and [applicable financial reporting framework] for the Authority that are free from material misstatement, whether due to fraud or error.



# Appendix A – Management representation letter

## Management representation letter

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## Management Rep Letter

5. *[When there are unadjusted audit differences in the current year]* We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Authority financial statements taken as a whole. We have not corrected these differences because *[specify reasons for not correcting misstatement]*.
6. *[When the comparative figures have been restated]* The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. *[Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.]* There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended *[date]* are solely the result of reclassifications for comparative purposes.
7. We confirm the *[Group and]* authority does not have securities (debt or equity) listed on a recognized exchange.
8. We have confirmed to you any changes in service organizations within the *[Group and]* authority since the last audited financial year.

- B. Non-compliance with laws and regulations, including fraud**
1. We acknowledge that we are responsible to determine that the *[Group and]* authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
  2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
  3. We have disclosed to you the results of our assessment of the risk that the *[consolidated and parent]* Authority financial statements may be materially misstated as a result of fraud.
  4. *[When management is aware of the occurrence of non-compliance with laws or regulations, or has received allegations of non-compliance with laws and regulations.]* We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the *[Group or]* Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
    - Involving financial improprieties
    - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the *[consolidated and parent]* Authority financial statements
    - Related to laws or regulations that have an indirect effect on amounts and disclosures in the *[consolidated and parent]* Authority financial statements, but compliance with which may be fundamental to the operations of the *[Group and]* authority's business, its ability to continue in business, or to avoid material penalties

# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the [consolidated and parent] Authority financial statements.
3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the [Group and] authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the [consolidated and parent] Authority financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the [Group and] authority has complied with, all aspects of contractual agreements that could have a material effect on the [consolidated and parent] Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the [consolidated and parent] Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

# Appendix A – Management representation letter

## Management representation letter

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## Management Rep Letter

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the [consolidated and parent] Authority financial statements, including disclosures.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the [consolidated and parent] Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the consolidated and parent Authority financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note [X] to the consolidated and parent Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than the events described in Note [X] to the [consolidated and parent] Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the [Group and] authority have reflected these in the consolidated and parent financial statements.

*Yours faithfully,*

\_\_\_\_\_  
(Chief Financial Officer/Finance Director)

\_\_\_\_\_  
(Chairman of the Executive Board)

# Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.
- ▶ Note 1 - Due to the reset enacted through Statutory Instrument (2024) No. 907 - The Accounts and Audit (Amendment) Regulations 2024, the above approach is not relevant

|                                | 2022/23      | 2021/22      | 2020/21        |
|--------------------------------|--------------|--------------|----------------|
|                                | £'s          | £'s          | £'s            |
| Scale Fee - Code Work          | 43,782       | 32,618       | 32,618         |
| Determined Scale Fee Variation | TBC - Note 1 | TBC - Note 1 | 86,271         |
| <b>Total audit fee</b>         | <b>TBC</b>   | <b>TBC</b>   | <b>118,889</b> |

*All fees exclude VAT*

Note 1 - PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2021/22 and 2022/23.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.



# Appendix C – Required communications with the Executive Board

We have detailed the communications that we must provide to the Executive Board.

## Our Reporting to you

| Required communications             | What is reported?  | When and where   |
|-------------------------------------|--|--|
| Terms of engagement                 | Confirmation by the Executive Board of acceptance of terms of engagement as written in the engagement letter signed by both parties.   | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities                | Reminder of our responsibilities as set out in the engagement letter   | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach         | <p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>   | This Completion report for Those Charged with Governance   |
| Significant findings from the audit | <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Any other matters considered significant.</li> </ul> | This Completion report for Those Charged with Governance   |

# Appendix C – Required communications with the Executive Board(cont'd)

## Our Reporting to you

| Required communications | What is reported?  | When and where   |
|-------------------------|--|--|
| Going concern           | <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>  | This Completion report for Those Charged with Governance |
| Misstatements           | <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>  | This Completion report for Those Charged with Governance |
| Fraud                   | <ul style="list-style-type: none"> <li>▶ Enquiries of the Executive Board to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management’s process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Executive Board responsibility</li> </ul> | This Completion report for Those Charged with Governance |



# Appendix C – Required communications with the Executive Board(cont'd)

## Our Reporting to you

| Required communications | What is reported?  | When and where   |
|-------------------------|--|--|
| Related parties         | <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>   | This Completion report for Those Charged with Governance |
| Independence            | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:                             <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> </li> </ul> <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> | This Completion report for Those Charged with Governance |

# Appendix C – Required communications with the Executive Board(cont'd)

## Our Reporting to you

| Required communications               | What is reported?   | When and where   |
|---------------------------------------|---|--|
|                                       | <ul style="list-style-type: none"> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The Executive Board should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>  | This Completion report for Those Charged with Governance |
| External confirmations                | <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>  | This Completion report for Those Charged with Governance |
| Consideration of laws and regulations | <ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the Executive Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Executive Board may be aware of</li> </ul> | This Completion report for Those Charged with Governance |
| Internal controls                     | <ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>   | This Completion report for Those Charged with Governance |

# Appendix C – Required communications with the Executive Board(cont'd)

## Our Reporting to you

| Required communications                    | What is reported?  | When and where   |
|--|--|--|
| Representations                            | Written representations we are requesting from management and/or those charged with governance                           | This Completion report for Those Charged with Governance |
| System of quality management               | How the system of quality management (SQM) supports the consistent performance of a quality audit                        | This Completion report for Those Charged with Governance |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | This Completion report for Those Charged with Governance |
| Auditors report                            | Any circumstances identified that affect the form and content of our auditor's report                                    | This Completion report for Those Charged with Governance |

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

### Examples of Non-Compliance with Laws and Regulations (NOCLAR)

#### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

#### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations



# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

# Appendix E – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## ***Preparation of the statement of accounts***

*26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

*27. In preparing their statement of accounts, audited bodies are expected to:*

- › prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- › ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- › assign responsibilities clearly to staff with the appropriate expertise and experience;*
- › provide necessary resources to enable delivery of the plan;*
- › maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- › ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- › ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- › during the course of the audit provide responses to auditor queries on a timely basis.*

*28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*

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ED None

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**Agenda Item No 10**

**Executive Board**

**25 November 2024**

**Report of the  
Interim Corporate Director – Resources  
(Section 151 Officer)**

**External Auditors' Report – Value  
for Money Interim Report 21/22 &  
22/23**

**1 Summary**

- 1.1 This report presents the Value for Money Interim Report for years ended 31 March 2022 and 31 March 2023 received from the Council's external auditors, Ernst & Young LLP. Due to the issue with backlog audits the auditors have taken the decision to report on both years in the same document.

**Recommendation to the Council**

**To note the contents of the Value for Money report in the Appendix.**

**2 Introduction**

- 2.1 The Council's external auditors, Ernst & Young LLP, have included their Value for Money Interim Report for 2021/22 and 2022/23 (Appendix).
- 2.2 This report explains the work undertaken during the year and covers interim findings for both years. It highlights any significant weaknesses and any recommendations for improvement.

**3 Value for Money Assessment**

- 3.1 The External auditors are required in addition to auditing the final accounts to be satisfied that the council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources. The report will identify the following:
- Any identified risks of significant weakness, having regard to the three specified reporting criteria, Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness;
  - An explanation of the planned responsive audit procedures to the significant risks identified;
  - Findings to date from planned procedures;



- Summary of arrangements over the period covered by the report in (Appendix) Appendix A;
- Recommendations and Management response in (Appendix) Appendix B;

### 3.2 Summary of Findings (Appendix A page 7)

| <b>Reporting Criteria</b>                       | <b>Risks of Significant weaknesses in arrangements identified?</b>   | <b>Actual significant weaknesses in arrangements identified?</b>                                     |
|---|--|--|
| Financial Sustainability                        | No significant risks identified  | No significant weakness identified   |
| Governance                                      | Significant risk and serious weakness in final accounts processes leading to failure to meet statutory deadlines | Yes- Significant weakness in final accounts processes leading to failure to meet statutory deadlines |
| Improving Economy, Efficiency and Effectiveness | No significant risks identified  | No significant weakness identified   |

## 4 Report Implications

### 4.1 Finance and Value for Money Implications

4.1.1 Budget provision for external audit costs has been made. The auditors review the financial arrangements of the Council, including an assessment of the value for money achieved by the Council in terms of economy, efficiency and effectiveness.

4.1.2 The ongoing delays in preparing the final accounts and signing the accounts negatively impact decision making by the Council as it is making key decisions on spending and saving without the benefit of audit assurance.

### 4.2 Risk Management Implications

4.2.1 An external audit process provides some assurance over the Council's internal control system and highlights any areas where improvements could be made.

The Contact Officer for this report is Alison Turner (719374).

### **Relevant Legislation**

Local Audit and Accountability Act 2014

Accounts and Audit Regulations 2015

Accounts and Audit (Amendment) Regulations 2021

Local Audit (Public Access to Documents) Act 2017

### **Background Papers**

Local Government Act 1972 Section 100D

| Background Paper No | Author | Nature of Background Paper | Date |
|---------------------|--------|----------------------------|------|
|                     |        |                            |      |

# North Warwickshire Borough Council Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

4 November 2024

4 November 2024



Executive Board  
North Warwickshire Borough Council  
Council House  
South Street  
Atherstone  
CV9 1DE

Dear Executive Board Members

2021/22 Value for Money Report up to and including 2022/23

We are pleased to attach our interim commentary on North Warwickshire Borough Council's Value for Money (VFM) arrangements. This commentary explains the work we have undertaken during the year, highlights any significant weaknesses identified, and any recommendations for improvement. The commentary covers our interim findings for the 2021/22 and 2022/23 financial years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as the incoming shadow system leader, and other system partners to develop measures to address the delay in the local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors in meeting backstop dates and promote more timely reporting of their work on value-for-money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we continue reporting VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Executive Board and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Executive Board meeting at the next meeting.

Yours faithfully

Maria Grindley

Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end and what is expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are recurring. This report is made solely to the Executive Board and management of North Warwickshire Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Executive Board and management of North Warwickshire Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than North Warwickshire Borough Council’s Executive Board and management for this report or for the opinions we have formed. It should not be provided to any third party without our written consent.





BOARDROOM

# 01 Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the year and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures;
- Summary of arrangements over the period covered by this report (Appendix A); and
- Recommendations and management response (Appendix B).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2021/22 and 2022/23.





# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Executive and Director of Corporate Services;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and have identified one significant weaknesses in the Council's VFM arrangements in relation to governance specifically:

- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The risk was identified due to the untimely preparation and submission of the financial statements for the financial years 21/22 and 22/23. Please refer to pages 11 for a detailed explanation of this weakness.



# Executive Summary (continued)

## Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We have recommendations to communicate from the performance of our VFM procedures.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

| Reporting Criteria   | Risks of significant weaknesses in arrangements identified?   | Actual significant weaknesses in arrangements identified?  |
|--|---|--|
| <b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services   | No significant risks identified   | No significant weakness identified   |
| <b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks   | Significant risk and serious weaknesses in final accounts processes leading to failure to meet statutory deadlines. | Yes - Significant weaknesses in final accounts processes leading to failure to meet statutory deadlines. |
| <b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services | No significant risks identified   | No significant weakness identified   |



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



## 02 Value for Money Commentary

# Value for Money Commentary

**Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services**

**No significant weakness identified**

By proactively developing the MTFS (Medium Term Financial Strategy) and the General Fund Budget, the Council conducts review meetings with its directors, including the management team, to identify any service-related pressures over the medium term. The MTFS provides the framework for revenue and capital spending decisions over a four-year period, demonstrating our preparedness and commitment to sound financial management.

In the face of potentially significant changes to the Council's financial position, the Corporate Director-Resources is empowered to assess and implement additional updates to the financial strategy, showcasing our adaptability and commitment to navigating financial challenges.

Specifically, for the Council's review of the 2021/22 to 2024/25 MTFS, pressures stemming from the impact of COVID-19 were identified. Pressures such as additional service costs, reduction in investment income, and increased pay costs were anticipated.

The Council has developed a comprehensive budget sustainability programme. This program aims to identify savings, efficiencies, and income-generation opportunities to address future financial pressures and budget gaps. It includes measures such as reducing unnecessary expenditure, improving operational efficiency, and exploring new revenue streams. For the financial year 2021/22, the savings target was £700k, with further savings of £800k in 2022/23. The actual level of savings achieved through the reduction in expenditure budgets, or the identification of additional income totaled £706k. The Council achieved this by reviewing the budgeted spending across each service area and identifying savings through reducing the respective expenditure budgets or identifying additional income.

Budget monitoring is completed each month and reported to management. Demand data or key performance data support any budget variations, and this information is used as the starting point for the following year's budget. The Council produced out-turn reports detailing the financial performance for FY 2021/22 and FY 2022/23. The Council has considered the ongoing implications of COVID-19 and inflation on future resilience and sustainability through reports on the budgets and whether adequate reserves and balances are in place to support the sustainable delivery of services.

The council carefully monitors its finances with regular reports. The Resource Board reviews these reports with the Executive Board in a timely manner and takes corrective action when necessary to address emerging budget pressures. All cost-saving proposals are also regularly reviewed for feasibility and assessed for risk by management throughout the year.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**



# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

## Significant weakness identified

The Council operates using a committee system. This structure involves several Service Boards and Committees, each responsible for their specific areas of activity, ultimately reporting back to the Full Council. There is a meeting cycle of Board and Council meetings typically running five times throughout the year. The remit and responsibilities of the Boards and Committees are set out in the Constitution of the Council and include the Executive Board, the Resources Board, the Community and Environment Board, the Planning and Development Board, and the Licencing Committee. The Council ensures that those making decisions, whether for the Council or the partnership, are provided with information that is fit for the purpose-relevant, timely and clearly explaining the technical issues and implications. Also, the Council ensures that professional advice on legal or financial implications is available, recorded well before the decision-making, and used appropriately.

All key decisions are discussed with the executive board during the meetings. These meetings are open to the public unless confidential matters are being discussed, in which case the public is excluded. All decisions are recorded as minutes and posted on the council's website for all to have access to, reaffirming the council's commitment to transparency and ensuring that the public is well-informed and involved in the council's operations.

All reports presented to the members undergo a rigorous review process to ensure that directors sign off before finance reviews, instilling confidence in the thoroughness of the council's operations. This process ensures that reports are appropriately scrutinized and when given to members, all relevant documentation and information is included, further enhancing the transparency and trust in the council's operations.

The Council has several ways in which employees, members of the Council, or the public can raise concerns of any kind. These include Confidential Reporting arrangements and complaint procedures. Trained investigators will follow up on any problems and act in proven cases. The chief executive and the monitoring officer are responsible for the record-keeping system for all the council's decisions. They also ensure that they develop and maintain a practical scrutiny function that encourages constructive challenge and enhances the authority's overall performance and that of any organisation for which it is responsible.

The Council maintains and regularly reviews its Strategic Risk Register and reports to its members for corrective actions. The strategic risk register shows the various risks facing the Council, their likelihood of occurring, impact, score and the responsible officer. The risk management system of the Council involves an annual review of the strategic risks by the Senior Management Team and an annual review by senior managers of the operational risks in their service areas. This proactive approach enables all Senior Managers to complete the Annual Statements of Assurance and identify actions needed to manage risk in the coming year, including identifying new threats, thereby ensuring the security of the council's operations.

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified

Financial statement preparation and oversight

We completed the 2020/21 financial year audit in November 2023. This was due significant delays in the closure of prior year audits which had a knock-on effect on the following year audits. The finance team at the client is relatively small and struggle to cope with the volume of audit requests, often missing deadlines. Given the capacity constraints of the finance team, management have failed to prepare their financial statements / annual reports and supporting documents on a timely basis which is in breach of the Accounts and Audit regulations 2015, specifically involving preparation of accounts and requirements for public inspection.

During conversations with the client in 2024, we were made aware of further delays in the preparation of the accounts following which the draft 2021/22 financial statements were published on the 3rd July 2024 and the draft 2022/23 financial statements were published on the 4th September 2024. Given the significant delays noted above, which has resulted in a breach of the provisions of the Accounts and Audit Regulations 2015, we have concluded that there is a significant weakness in the Council's arrangements for preparing financial statements. The issue above is evidence of a weakness in proper arrangements for supporting the statutory reporting requirements of the Council and effective processes and systems for accurate and timely management and financial information.

Conclusion: Based on the work performed, we have identified a significant weakness in the Council's arrangements that we will be reporting 'by exception' in relation to Council's governance arrangements 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

Recommendation : We recommend that the Council re-assesses its arrangements for statutory financial reporting, including an assessment of the adequacy and capacity of the finance support arrangements.

# Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council Committees receive performance-based reports yearly to monitor performance continuously. The Annual Report and Governance Statement set out the performance review for the year. Additionally, the CIPFA resilience index is used to identify themes that the Council should consider concerning its financial sustainability and health.

The Narrative Report sets out a review of achievements against the corporate plan. Furthermore, services continually review performance, which is reported on the annual corporate performance and outturn report. In addition, all services use internal audit reports, external inspections, formal and informal benchmarking.

The Corporate plans are approved before the start of each year and identify the headline targets for the coming year, which are supported in greater detail within individual service plans. Services performance are monitored and discussed monthly at extended management team meetings. All senior management team members contribute actively to cross-organizational issues and corporate decision-making to match resources to the authority's objectives. Usually, progress against corporate plan targets is generally reported to senior managers, management teams, and service boards quarterly along with performance indicators information.

The monthly and quarterly performance monitoring process tracks progress against the Council's priorities and highlights any potential risks and issues in achieving these priorities. Performance management information about key objectives is regularly provided to the Executive Board. Variances are analysed and reasons are provided against each indicator, any resulting actions agreed are then put into place by the respective department responsible for the indications in question. Adverse indicator variances are dealt with promptly by the appropriate officer/service line head before reporting to Members.

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. Targeted feedback on Council activity was obtained in specific areas and general feedback on the Council was obtained on council services during calls to residents. Feedback through the complaints and compliments process was reviewed as normal.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 and 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.





# 03

# Appendices



# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

### Arrangements in place

The Medium-term Financial Strategy (MTFS) and the General Fund budget are developed through review meetings with directors and management teams. These meetings identify any service-related pressures for the authority over the medium term. The Financial Strategy sets out the broad financial framework within which the Council will operate for the next medium-term period. The MTFS provides the framework for revenue and capital spending decisions over four years. It is reviewed and updated annually to consider all significant changes in the financial environment, including external funding.

The budget process operates throughout the year. The budget strategy is proactively updated twice yearly. The financial forecast produced in September provides the context for the more detailed four-year budget, which was approved in February as part of the Council Tax Setting process. If there are potentially significant changes to the Council's financial position, the Corporate Director - resources will assess whether additional updates to the economic strategy are needed to ensure that the plan remains adaptable and responsive.

For the initial financial strategy done in 2021/22 ahead of the 2022/23 period, the council updated its financial plan to include some anticipated ongoing effects of the COVID-19 pandemic. These effects include increased healthcare costs, reduced revenue from specific sectors, and the need for additional support measures, reflecting the central current financial pressures facing the Council.

Per review of the updated 2022-27 MTFS, financial pressures that affected the council were the high cost of living pressures, which significantly impact people. Interest rates impact the affordability of mortgages, and high inflation leads to increased costs of food, fuel, and energy, as well as uncertainties around business rate income.

These pressures are all reflected in the financial strategy. At the beginning of 2022, 2023, and 2024, the MTFS was reviewed and updated. Additional pressures, particularly regarding the impact of pay awards, rising energy costs, additional service costs, and using earmarked reserves to offset the effect of COVID-19, were identified and incorporated into the medium-term plan and the budget.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body plans to bridge its funding gaps and identifies achievable savings

### Arrangements in place

The council has developed a budget sustainability program to identify savings/efficiencies and income generation opportunities to help address future financial pressures and budget gaps each year. The authority has significantly reduced its budget over recent years, taking out £4.7 million since 2011/12. Increased efficiency, streamlining the provision of services and some income generation has minimised the impact on front-line services.

The MTFS set out the budget reductions that would need to be identified over the forthcoming years to enable the Council to continue to provide an adequate level of services within a robust budget. Although growth was limited as far as possible, unavoidable growth around refuse and recycling and increased national insurance contributions were included in the strategy. However, whilst unidentified reductions are built into financial projections over the medium term, only identified reductions are included in the detailed budget for approval for the coming financial year. This is part of managing financial risks and gives greater assurance about the approved budget and the medium-term position.

The council's commitment to financial planning and management is evident in its efforts to find specific reductions before setting the budget for the following year. The work on finding savings for 2022/23 was carried out in 2021 during the production of that budget, and only those found were included. Bringing in the reductions earlier, during 2021/22, had a beneficial impact on balances. The reduction target for 2022/23 in the MTFS is £1.5 million, and if this target is not found, it will need to be reflected in the financial strategy for future years.

For 2022/23, the required budget reduction totalled £1.5 million, with further cuts of £500,000 in 2023/24 and £100,000 in 2024/25. A savings target was not included for 2025/26 at that time. The actual level of savings achieved through the reduction in expenditure budgets or the identification of additional income totalling £525,520.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

### Arrangements in place

The Council proactively identifies several priorities, which are given in its Corporate Plan. The Corporate plan sets out the key actions to deliver on those priorities. External influences, including the Local Strategic Partnership (LSP) aims, are considered in arriving at the priorities. The council sets a balanced budget in line with its corporate priorities, demonstrating a proactive approach to ensuring all spending aligns with its priorities.

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. Services are monitored and discussed monthly at Extended Management Team meetings. All senior management team members contribute actively to cross-organisational issues and corporate decision-making to match resources to the authority's objectives. Typical progress against Corporate Plan targets is reported regularly to senior managers, Management Teams and service boards, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and published on the Council's website.

The Corporate Plan and associated Financial Strategy are reviewed and updated annually before each new financial year starts. A further review of the economic strategy is also carried out throughout the year to ensure that changing circumstances are considered when carrying out the full review. The Council's financial plan is based on maintaining a minimum level of General Fund balances of £1.4 million over the medium term, and growth, reductions, and service budget requirements are all determined by taking this factor into account. The risk assessments supporting these requirements are updated annually in the budget process. This allows detailed consideration of changing economic conditions and other potential high risks.

As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add known unavoidable spending pressures. This is then measured against the projection of available funding to determine affordability—the package of measures required to balance the two form the financial strategy for the budget year.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

### Arrangements in place

The Financial Strategy aims to set out the broad financial framework within which the Council will operate during the next four financial years. The strategy covers all revenue and capital activity, including general fund activities, housing revenue account activities and capital spending. The Council has comprehensive forecasting and budgeting procedures. The 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.

All plans are developed and linked to corporate intends to ensure a golden thread. All plans with financial elements such as the capital strategy, capital programme, investment, and other operating planning have revenue implications that flow from the Summary of General Fund Revenue Estimates, earmarked reserves, risk management, and treasury management. The Council projects its expected resources over both a three and ten-year period. These include receipts from the sale of council assets, revenue funding used to support capital expenditure, anticipated contributions from third parties, settlement funding assessment, business rates, council tax base, and fees.

The Boards are presented with progress reports on achieving the Corporate Strategy and Performance indicator targets. These reports show and track progress for each board over the quarters of the year and the direction of achievement of the target set.

As seen above, the process incorporates different plans across the Council into the financial planning process.

Conclusion: No risk of significant weakness was identified in these arrangements.



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23.

### Reporting criteria considerations

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

### Arrangements in place

There are risks involved with the provision of the council's services, and the Council uses a risk management system to minimise and manage the risks it faces. It does this by identifying strategic and operational risks, looking at existing controls to reduce these, and amending these or bringing in new controls where this is beneficial. This ensures that if there are significant changes in the level of risk to the Council from new legislation or policy changes, they are considered and reported to the Board. Therefore, any substantial increase in financial risks will be addressed during the year. In addition, the economic risks of individual services are considered during the budget preparation process by Service Boards, along with the related budgets.

Annual risk assessments are undertaken on the balances for the General Fund and the Housing Revenue Account and are considered at the same time as the budgets. This ensures that all current issues are included. Risk implications are included in Board reports. A full risk assessment will be included if the report relates to a new service, policy, or significant change in service provision. Implications are identified to assist Members in making informed decisions.

The financial information is provided monthly to the management team and to each Service Board thrice during the year. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all the Council's spending. Financial updates were discussed regularly with the Management Team. Service Boards received financial monitoring reports, and the MTFS was updated in September in line with usual practice. The general fund budgetary control is performed quarterly to compare the budget to actuals. Necessary budget adjustments and MTFS adjustments are made to reflect all changes when certain conditions are known.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

### Arrangements in place

#### Risk Management

The Council maintains and regularly reviews its Strategic Risk Register and reports to its members for corrective actions. The strategic risk register shows the council's various risks, including their likelihood, impact, score, and the responsible officer. The commission's risk management 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 yearly assurance statements and identify actions needed to manage risk in the coming year, including identifying any new dangers.

#### Internal Audit

The Council's constitution specifies its roles and responsibilities, rules and procedures for the council and committees, and codes of conduct and protocols. North Warwickshire Borough Council has its own Internal Audit service. It helps the council accomplish its objectives by taking a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

Internal audit's work programme is set out in an Annual Risk-Based Audit Plan. The plan is prepared in consultation with the Council's senior managers and designed to ensure the highest-risk areas. The plan is approved annually by the Resources Board, which then receives regular progress reports on progress against the plan and a summary of the outcomes of the internal audit's work.

#### Fraud

The Council has zero tolerance for all forms of fraud and corruption. It employs a counter-fraud officer who works closely with the Revenues, Benefits and Housing teams to identify, deter and prevent fraud. The Council has used the current Counter Fraud Officer since June 2018. This is a shared role with Nuneaton and Bedworth Borough Council (NBBC), with the Officers spending 40% of their time investigating fraud allegations at NWBC and 60% at NBBC.

The Council has in place specific mechanisms which help in the prevention and detection of fraud, such as an effective anti-fraud and corruption policy, swift dealing by senior managers of those who attempt to defraud the Council, a register of interests maintained and promoted amongst members, and a whistleblowing policy is currently in place.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body approaches and carries out its annual budget setting process

### Arrangements in place

The Council has comprehensive forecasting and budget procedures. A medium-term business and financial planning process delivers the authority's strategic objectives. It ensures sustainable finances for all other Council services and is updated twice a year, in February and September. The Council also prepares a capital strategy, which is updated annually. The financial forecast produced in September provides the context for the more detailed four-year budget approved in February as part of the Council Tax Setting process.

The Chief Financial Officer is responsible for adequately administrating the Council's financial affairs. In England, the CFO has a statutory duty to report to the authority on the robustness of the budget and the adequacy of financial reserves when the budget is considered, and the council tax is set.

The budget format determines the level of detail to which financial control and management will be exercised. It shapes how the rules around virement operate and sets the level at which funds may be reallocated within budgets. The budget should comply with all legal requirements and CIPFA's Code of Practice and reflect the accountabilities of service delivery.

Before the start of each financial year, the senior officers prepare estimates of income and expenditure on General Fund Revenue accounts and Housing Revenue Accounts in consultation with the Corporate Director - Resources for submission to the appropriate Board. The estimates should agree with the financial plans approved by the Council. They consider all financial implications, including any impact upon Prudential Indicators set by the Council, so that each Board may report on its budget requirement.

After the budget is prepared, it is presented to the executive board for approval. Amounts provided under the various heads of the approved annual revenue estimates will not be used for other purposes by a Board without the approval of the Resources Board, except that approval is not required below £10,000, provided that the expenditure is consistent with approved policy and budgeting decisions and excludes any proposal that would mean additional expenditure in later years.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

### Arrangements in place

Budget management ensures that once the Full Council has approved the budget, the allocated resources are used for their intended purposes and correctly accounted for. Budgetary control is continuous, enabling the Authority to review its budget targets during the financial year. By continuously identifying and explaining variances against the budget, the Authority can identify trends and changes in resource requirements at the earliest opportunity.

All financial information is generally provided to the Management Team monthly and to each service board three times during the year. Periodic and annual reviews of financial reports indicate financial performance against forecasts for all the Council's spending.

The Council has adequate budgetary controls in place. The senior officers are responsible for maintaining fiscal control within their departments according to the agreed principles and ensuring that all income and expenditures are properly recorded and accounted for. They monitor expenditure and income against budgets for which they have responsibility and ensure that budget heads are well-spent by taking appropriate corrective action where variations from the approved budget are forecast. Additionally, they ensure that a monitoring process is in place to review performance levels/ levels of service in conjunction with the budget, that it is operating effectively and that an accountable budget manager is identified, as appropriate, for income and expenditure under their control.

The Corporate Director for Resources also ensures that periodic budgetary monitoring reports are provided to all Boards for review.

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# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

### Arrangements in place

#### Issue:

Our external audit of 20/21 financial year concluded in November 2023. This was due significant delays in the closure of prior year audits which had a knock-on effect on the following year audits. The finance team at the client is relatively small and struggle to cope with the volume of audit requests, often missing deadlines. Given the capacity constraints of the finance team, management have failed to prepare their financial statements / annual reports and supporting documents on a timely basis which is in breach of the Accounts and Audit regulations 2015 act, specifically involving preparation of accounts and requirements for public inspection. During conversations with the client in 2024, we were made aware of further delays in the preparation of the accounts following which the 21/22 financial statements were prepared on 3rd July 2024 and the 22/23 financial statements were prepared on 4th September 2024.

#### Impact on the local body:

The failure to prepare financial statements and relevant supporting records is in breach of the Accounts and Audit regulations 2015 act. Furthermore, not having financial records in place prevents the users of these statements including senior officials at the council from making informed decisions on a timely basis which ultimately has a cost implication as well as a potential service delivery impact.

#### Action the body needs to take to address the weakness:

Our recommendation is that the body to investigate the reasons for these delays and to ensure that there is a suitably resourced finance team who can ensure that all legislative requirements regarding financial management and processes are met. We further propose that senior management have escalation thresholds whereby if short-term hire needs cannot be fulfilled (i.e. hiring of talented staff)- consultants or short-term staff be acquired so that these processes can still be adhered to. Senior management and relevant departments should have KPI's for monitoring and tracking delivery of these requirements.

**Conclusion: Significant weakness in arrangements identified**

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

### Arrangements in place

All reports presented to members have a transparent review process to ensure directors sign off before finance reviews, ensuring reports are appropriately scrutinised. When given to members, all relevant documentation/information is included.

The Council operates using a committee system. This involves several Service Boards/Committees responsible for specific areas of activity, which report back to the full Council. This meeting cycle of Board and Council meetings typically 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 the Executive Board, the Resources Board, the Community and Environment Board, the Planning and Development Board and the Licensing Committee. The council ensures that those making decisions, whether for the Authority or the partnership, are provided with information that is fit for the purpose - relevant, timely and clearly explains technical issues and their implications. Also, the council ensures that professional advice on legal or financial implications is available, recorded well before decision-making, and used appropriately.

All critical decisions are discussed with the executive board during the meetings. These meetings are open to the public unless confidential matters are being discussed, in which case the public is excluded. All decisions are recorded as minutes and posted on the council's website for all to access.

The council has several ways in which employees, members of the committee, or the public can raise concerns of any kind. These include Confidential Reporting arrangements and complaint procedures. Trained investigators will follow up on problems and act in proven cases. The chief executive and the Monitoring Officer are responsible for a record-keeping system for all the Council's decisions. They also ensure that they develop and maintain a practical scrutiny function that encourages constructive challenge and enhances the authority's overall performance and that of any organisation for which it is responsible.

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# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

### Arrangements in place

#### Issue:

Our external audit of 20/21 financial year concluded in November 2023. This was due significant delays in the closure of prior year audits which had a knock-on effect on the following year audits. The finance team at the client is relatively small and struggle to cope with the volume of audit requests, often missing deadlines.

Given the capacity constraints of the finance team, management have failed to prepare their financial statements / annual reports and supporting documents on a timely basis which is in breach of the Accounts and Audit regulations 2015 act, specifically involving preparation of accounts and requirements for public inspection.

During conversations with the client in 2024, we were made aware of further delays in the preparation of the accounts following which the 21/22 financial statements were prepared on 3rd July 2024 and the 22/23 financial statements were prepared on 4th September 2024.

#### Impact on the local body:

The failure to prepare financial statements and relevant supporting records is in breach of the Accounts and Audit regulations 2015 act. Furthermore, not having financial records in place prevents the users of these statements including senior officials at the council from making informed decisions on a timely basis which ultimately has a cost implication as well as a potential service delivery impact.

#### Action the body needs to take to address the weakness:

Our recommendation is that the body to investigate the reasons for these delays and to ensure that there is a suitably resourced finance team who can ensure that all legislative requirements regarding financial management and processes are met. We further propose that senior management have escalation thresholds whereby if short-term hire needs cannot be fulfilled (i.e. hiring of talented staff)- consultants or short-term staff be acquired so that these processes can still be adhered to. Senior management and relevant departments should have KPI's for monitoring and tracking delivery of these requirements.

**Conclusion: Significant weakness in arrangements identified**

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How financial and performance information has been used to assess performance to identify areas for improvement

### Arrangements in place

Financial and service performance is regularly reported to members and the management team at the Resources Board to enable areas of concern to be highlighted and addressed. 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. Services are monitored and discussed every month at extended management team meetings.

Typically, progress against corporate plan targets is reported to senior managers, management teams and service boards quarterly, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and published on the Council's website. On an annual basis, the council issues a performance plan, giving information on the Authority's vision, strategy, plans, and financial statements and information about its outcomes, achievements, and the satisfaction of service users in the previous period.

Variances against outturn are reported and monitored through monthly and quarterly performance reviews. Reasons for variances (both positive and adverse) are provided against each indicator, and the respective department responsible for the indications in question then implements any resulting actions agreed upon. Adverse indicator variances are dealt with promptly by the appropriate officer/service line head before reporting to Members.

Risk implications are included in all Board reports. Complete risk assessments are included if the report relates to a new service, policy or significant change in service provision. Implications are identified to assist Members in making informed decision.

Conclusion: No risk of significant weakness was identified in these arrangements.



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body evaluates the services it provides to assess performance and identify areas for improvement

### Arrangements in place

The monthly and quarterly performance monitoring process tracks progress against the Council's priorities and highlights any potential risks and issues in achieving these. Performance management information about key objectives is also regularly provided to the executive board. The Council also prepares a Corporate Plan that sets out the vision for the Council and its priorities. It includes what the Council will do over the next three years to deliver the vision.

In addition to monitoring the achievement of identified outcomes, the Council wants to ensure that an excellent quality of service is provided. It ensures this in several ways: obtaining user feedback, independent inspection and audit, and system reviews. The Council takes part in Peer Challenge reviews periodically. Peer challenges are improvement-focused and tailored to meet individual councils' needs, complementing and adding value to a council's own performance and improvement focus. Targeted feedback on council activity was obtained in specific areas, and general feedback on council services was obtained during calls to residents. Feedback through the complaints and compliments process was reviewed as usual.

The MTFS links to the Corporate Plan, which drives the spending priorities that inform the MTFS. This will include allocating the overall expenditure budgets for Local Areas. The Corporate Director-Resources is responsible for producing the MTFS with Senior Officers and recommends measures to the Executive Board to support the Corporate Plan. This will be supported by policy options, savings and efficiencies, and both financial and non-financial information to assist decision-making.

The various boards meet monthly to review and discuss the various Council service offerings, including assessing progress against mandates, noting areas of improvement, and establishing remedial actions. Depending on the gravity of the matter(s) discussed, the Council will discuss it further and implement appropriate actions as guided by the Constitution.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

### Arrangements in place

The Council originally had an informal process to set up and monitor partnerships for several years. An internal audit review of governance arrangements suggested that a more formal process would help ensure that all partnerships are assessed consistently, with appropriate controls and a record of the purpose and duration so they are managed appropriately. The council introduced a partnership framework and significance scorecard on 12 October 2022. This defines the nature of partnerships the commission enters into. Some partnerships are statutory, but others are voluntary. For all voluntary partnerships, the lead officer must make a case for involvement and outline the benefits of working in a partnership. It must be clear why the partnership exists and what its aims and objectives are, and these must be consistent with the key aims and priorities of North Warwickshire Borough Council (NWBC).

The Framework sets out areas to be considered in deciding whether to pursue a partnership arrangement and in assessing the potential benefits of the partnership. A methodology for determining the significance of the partnership is set out in the framework using a scorecard approach. The framework sets out minimum arrangements that all partnerships must have in place and suggests areas to be considered when reviewing partnership arrangements. The arrangements cover decision-making and meeting arrangements, financial management, termination arrangements, complaints and compliments, risk management, performance management and agreement.

There is a comprehensive and up-to-date register of partnerships and shared services. Regular reporting is made to the executive board and resources board on the performance of partnerships during council meetings. The annual budget includes allocated revenue and expenditure to the council's partnerships. The governance arrangements about the following shared service partnerships are adequate and operating effectively in practice:

- Home Environment Assessment & Response Team [HEART]
- North Warwickshire Community Safety Partnership (NWCSP)
- Coleshill School - Joint Indoor Leisure Provision Partnership
- Building Control - Local Authority Partnership.

Conclusion: No risk of significant weakness was identified in these arrangements.

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

### Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

### Arrangements in place

The Council has a procurement team responsible for coordinating and advising on the procurement processes throughout the council and establishing contracts and framework agreements for commonly used works, goods and services. The team continually seeks to improve its processes and achieve the best value and actively seeks opportunities to work jointly with other local governments. The team also ensures that all procurement practices are carried out by the council's standing orders and statutory obligations. The Procurement Strategy is a tool that provides a consistent basis for procurement decisions. This strategy is intended to be reviewed regularly to ensure it is current and encompasses any changes to EU or local regulations.

The Council publishes its procurement opportunities using CSW-JETS (Coventry, Solihull, and Warwickshire Joint E-Tendering System). Suppliers register on the portal. This allows the suppliers to express interest in any of the Council's opportunities. Registered suppliers may also be invited to tender when the Council has a requirement. The Procurement Team will advise and guide suppliers on the Council's processes and systems (CSW-Jets) potential or small suppliers. There are principles in the council's constitution that apply to all contracts and procurements.

The Council's Tendering Procedures are based on Legislation and EU Public Procurement Rules, which are regarded as good practice. Whenever possible, an open or restricted tender procurement should be used. The primary open tender process of the council involves the procuring officer producing an advert, notice or tender briefing firms of the council's requirements; the procuring officer then advertises for firms to submit an expression of interest or respond to an invitation to tender by a specified date, the procuring officer can contact firms and invite them to respond, and all firms that express an interest will be asked to submit a response to an invitation to tender.

Conclusion: No risk of significant weakness was identified in these arrangements.



# Appendix B – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 & 2022/23.

All recommendations have been agreed by management.

| Issue   | Recommendation  | Management response  |
|---|---|--|
| <p>Given the capacity constraints of the finance team, management have failed to prepare their financial statements / annual reports and supporting documents on a timely basis which is in breach of the Accounts and Audit regulations 2015 act, specifically involving preparation of accounts and requirements for public inspection. During conversations with the client in 2024, we were made aware of further delays in the preparation of the accounts following which the 21/22 financial statements were prepared on 3rd July 2024 and the 22/23 financial statements were prepared on 4th September 2024.</p> | <p>Our recommendation is that the body to investigate the reasons for these delays and to ensure that there is a suitably resourced finance team who can ensure that all legislative requirements regarding financial management and processes are met.</p> <p>We further propose that senior management have escalation thresholds whereby if short-term hire needs cannot be fulfilled (i.e. hiring of talented staff)- consultants or short-term staff be acquired so that these processes can still be adhered to. Senior management and relevant departments should have KPI's for monitoring and tracking delivery of these requirements.</p> | <p>There were delays in completing the Closure of accounts for 2021/22 and 2022/23. This was in the main due to the significant impact from previous years audits requiring resources to answer audit queries, which is an issue on capacity when you have a small team. The audit for 2020/21 took a very long time and it was difficult to plan resources as communication was lacking between the External auditors and Council. In addition to this the finance service had vacancies which contributed to the capacity issues. An interim was appointed to assist with the accounts but due to the lack of functionality on the old finance system a lot of the work is on paper or spreadsheets which made it difficult to pick up quickly. To address these issues the Council has approval for a Senior Management (Restructure) and this will appoint a permanent Corporate Director of Resources and S151 Officer along with an Assistant Director for Finance and Deputy S151 officer, along with this the finance service will be restructured to ensure the correct capacity and skills are in place for the future needs. In addition from 1st April 2024 the council has a new finance system Unit 4 and the intention is to use this system to create the Statement of accounts as far as possible, making it more efficient and easier for others to pick up if required. These changes will all take time to implement but will ensure that the finance service has the tools and capacity to complete the closure of accounts and production of the statement of Accounts by the statutory deadlines in the future.</p> |

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**Agenda Item 11**

**Executive Board**

**25 November 2024**

**Report of the  
Interim Corporate Director – Resources  
(Section 151 Officer)**

**External Auditors’ Report –  
planning 2023/24 and Rebuilding  
Assurance during the Recovery  
period.**

**1 Summary**

- ...
- 1.1 This report presents the Audit Plan for year ended 31 March 2024 received from the Council’s external auditors, Azets.(Appendix A)
  - 1.2 This report also includes in Appendix B Azets response to rebuilding assurance during the recovery period. The Government made their decision late July on addressing the Local Government Audit backlog which has been a problem for a number of years and this was reported to members at the September board meeting.
  - 1.3 Azets have taken over as the Councils external Auditors from 2023/24 financial year which will be challenging as the financial accounts for 2021/22 and 2022/23 will have a disclaimed opinion from EY as detailed in a separate report on this agenda. The report in Appendix B covers the backlog, measures to address it and the plans for rebuilding assurance

**Recommendation to the Council**

**To note the contents of the Audit Planning report in Appendix A.**

**To note the contents of the Local Audit Backlog- Rebuilding Assurance during the Recovery Period in Appendix B**

**2 Introduction**

- 2.1 The Council’s new external auditors, Azets, will take over from the 2023/24 accounts. Their audit planning report for 2023/24 is attached at Appendix A.
- 2.2 The current external auditors Ernst Young (EY) have a separate report on this agenda ‘Completion Report for those Charged with Governance’ which details their review of the 2021/22 and 2022/23 Accounts. The report states that EY expect the Councils accounts for 2021/22 and 2022/23 to have a disclaimed opinion due to the system wide implementation of a backstop deadline of 13<sup>th</sup> December 2024. This will impact both audit procedures to gain assurance on the 2023/24 financial statements and the form of the Audit Report.

- 2.3 This report also includes as Appendix B Azets paper which covers the background on the backlog, measures to address it and their plans for rebuilding assurance. Its not a detailed plan but outlines what both auditors and clients will need to do.

### 3 Audit Plan 2023/24

- 3.1 The plan attached at Appendix A has the following key deadlines. If these are met this will ensure that the backstop date 28 February 2025 is met.

| TASK  | DATE                |
|---|---------------------|
| Planning and risk assessment  | Oct 2023 – Nov 2024 |
| Reporting of plan to Executive Board  | November 2024       |
| Year end audit  | Nov – Dec 2024      |
| Reporting of Audit Findings (ISA260)  | Jan / Feb 2025      |
| Auditor’s Annual Report (AAR)   | Feb / Mar 2025      |
| Target date of approval of accounts – Executive Board                                   | 10 Feb 2025         |
| Accounts publication deadline (as specified in the Accounts and Audit Regulations 2015) | TBC (Feb 2025)      |

### 4 Audit Backlog – Rebuilding Assurance during the Recovery Period

- 4.1 At the Executive Board in September 2024 the Governments approach to the significant backlog of audits was presented. The first backstop date would clear all outstanding audits up to 2022/23 and the backstop date is 13 December 2024. Due to the significant number of outstanding audits it is unlikely that many will be completed before the backlog date. Where auditors have been unable to complete the audit by the backlog date they will issue a ‘disclaimed’ or ‘modified’ audit opinion.

The legislation includes a further 5 backstop dates as detailed;

| Financial Year              | Backstop Date    |
|-----------------------------|------------------|
| Up to and including 2022/23 | 13 December 2024 |
| 2023/24                     | 28 February 2025 |
| 2024/25                     | 27 February 2026 |
| 2025/26                     | 31 January 2027  |
| 2026/27                     | 30 November 2027 |
| 2027/28                     | 30 November 2028 |

The aspiration is for the local audit system to recover by no later than the 5 year period. The Local Authority will from 2024/25 be expected to publish draft unaudited accounts by 30 June following the financial year to which they relate.

...

4.2 The paper from Azets attached in Appendix B details the current situation and the plans for rebuilding assurance during the recovery period. It is essential that the Finance team work with the External Auditors to provide a plan to bring the Council back in line with the statutory deadlines for completing and publishing accounts and the completion of the Audit. This report sets the outline the next stage will be to develop a detailed plan.

## **5 Report Implications**

### **5.1 Finance and Value for Money Implications**

5.1.1 Budget provision for external audit costs has been made. The auditors review the financial arrangements of the Council, including an assessment of the value for money achieved by the Council in terms of economy, efficiency and effectiveness.

5.1.2 The ongoing delays in signing the accounts negatively impact decision making by the Council as it is making key decisions on spending and saving without the benefit of audit assurance. Addressing the backlog and getting back on track with the statutory framework is important.

### **5.2 Risk Management Implications**

5.2.1 An external audit process provides some assurance over the Council's internal control system and highlights any areas where improvements could be made.

### **5.3 Legal Implications**

5.3.1 As indicated in the report, there are statutory deadlines for signing off local authority accounts which, because of delays by the external auditors appointed for the purpose, have not been met. In turn, the public right of inspection of accounts and their subsequent publication are also delayed. Once the accounts are signed off, whilst outside the statutory deadlines for doing so, the Council must still ensure that it allows inspection and then publishes accordingly.

The Contact Officer for this report is Alison Turner (719374).

### **Relevant Legislation**

Local Audit and Accountability Act 2014

Accounts and Audit Regulations 2015

Accounts and Audit (Amendment) Regulations 2021

Local Audit (Public Access to Documents) Act 2017

### **Background Papers**

Local Government Act 1972 Section 100D

| Background Paper No | Author | Nature of Background Paper | Date |
|---------------------|--------|----------------------------|------|
|                     |        |                            |      |



# North Warwickshire Borough Council

External audit plan

Year ended 31 March 2024

December 2023





## Your key team members

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# Introduction

## ***Adding value through the audit***

*All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.*

## **Purpose**

This audit plan highlights the key elements of our proposed audit strategy and provides an overview of the planned scope and timing of the statutory external audit of North Warwickshire Borough Council ('the Council') for the year ended 31 March 2024 for those charged with governance.

The core elements of our work include:

- An audit of the Council's 2023/24 financial statements; and
- An assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money work).

## **Auditor responsibilities**

We are responsible for performing an audit in accordance with the Local Audit and Accountability Act 2014 (the Act), the Code of Audit Practice issued by the National Audit Office and International Standards on Auditing (UK) (ISAs UK).

Our primary responsibility is to form and express an independent opinion on the Council's financial statements, stating whether they provide a true and fair view and have been prepared properly in accordance with applicable law and the CIPFA Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code').

We are also required to report:

- Whether the other information included in the statement of accounts (including the narrative report and annual governance statement) is consistent with the financial statements;
- By exception if the disclosures in the annual governance statement are incomplete or if the statement is misleading or inconsistent with our knowledge acquired during the audit;
- By exception any significant weaknesses identified in arrangements for securing value for money and a summary of associated recommendations;
- By exception on the use of our other statutory powers and duties; and
- An audit completion certificate.

*continued*

# Introduction

*We will conduct our audit in accordance with International Standards on Auditing (ISAs) (UK), the Local Audit and Accountability Act 2014 (the 'Act'), and the National Audit Office Code of Audit Practice. The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Act.*

*This planning letter has been prepared for the sole use of those charged with governance and management and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to third parties.*

## Auditor responsibilities *(continued)*

Under the Act we have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom. These include:

- Reporting matters in the public interest;
- Making written recommendations to the Council;
- Making an application to the court for a declaration that an item of account is contrary to law;
- Issuing an advisory notice; or
- Making an application for judicial review.

The Act also requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts.

On completion of our audit work, we will issue an Audit Findings Report detailing our significant findings and other matters arising from the audit of the financial statements, together with an Auditor's Annual Report including our commentary on value for money arrangements.

If, during the course of the audit, we identify any significant adverse or unexpected findings that we conclude should be communicated, we will do so on a timely basis, either informally or in writing.

The audit does not relieve management or the Executive Committee of your responsibilities, including those in relation to the preparation of the financial statements.

## Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

# Audit scope and general approach

This section of our letter sets out the scope and nature of our audit and should be considered in conjunction with the [Terms of Appointment](#) and [Statement of Responsibilities](#) issued by Public Sector Audit Appointments Limited (PSAA).

## General approach

Our objective when performing an audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and to issue an auditor's report that includes our auditor's opinion.

As part of our risk-based audit approach, we will:

- Perform risk assessment procedures including updating our understanding of the Council, its environment, the financial reporting framework and its system of internal control;
- Review the design and implementation of key internal controls;
- Identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement level and the assertion level for classes of transaction, account balances and disclosures;

- Design and perform audit procedures responsive to those risks, to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; and
- Exercise professional judgment and maintain professional scepticism throughout the audit recognising that circumstances may exist that cause the financial statements to be materially misstated.

We will undertake a variety of audit procedures designed to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

# Audit scope and general approach

## Materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements.

Judgments about materiality are made in the light of surrounding circumstances and are affected by our perception of the financial information needs of users of the financial statements, and by the size or nature of a misstatement, or a combination of both. The basis for our assessment of materiality is set out in Appendix I.

For related party transactions and remuneration disclosures, any identified errors greater than:

**£5,000**

For other transactions, any identified errors greater than:

**£48,000**

will be recorded and discussed with you and, if not adjusted, confirmed as immaterial as part of your letter of representation to us.

## Accounting systems and internal controls

The purpose of an audit is to express an opinion on the financial statements. We will follow a substantive testing approach to gain audit assurance rather than relying on tests of controls.

As part of our work, we consider certain internal controls relevant to the preparation of the financial statements such that we are able to design appropriate audit procedures. However, this work does not cover all internal controls and is not designed for the purpose of expressing an opinion on the effectiveness of internal controls. If, as part of our consideration of internal controls, we identify significant deficiencies in controls, we will report these to you in writing.

## Specialised skill or knowledge required to complete the audit procedures

We will use audit specialists to assist us in our audit work in the following areas:

- The audit of the actuarial assumptions used in the calculation of the defined benefit pension liability/asset; and
- The audit of the asset valuation assumption used in calculation of the revaluation of Land and Buildings, Council Dwellings, Investment properties, and Heritage Assets.
- We will consult internally with our Technology Risk team to support in assessing the information technology general controls (ITGC) of the Total (Consillium) systems.

# Audit scope and general approach

## Significant changes in the financial reporting framework

There have been no significant changes in the financial reporting framework this year to date, including the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'CIPFA Code'). As permitted by the CIPFA Code the council has chosen to defer the implementation of IFRS 16 'Leases' until 2024/25.

## Significant changes in the Council's functions or activities

There have been no significant changes to the functions and activities of the Council.

## Going concern

### Management responsibility

Management is required to make and document an assessment of whether the Council is a going concern when preparing the financial statements. The review period should cover at least 12 months from the date of approval of the financial statements. Management are also required to make balanced, proportionate and clear disclosures about going concern within the financial statements where material uncertainties exist in order to give a true and fair view.

### Auditor responsibility

Under ISA (UK) 570, we are required to consider the appropriateness of management's use of the going concern assumption in the preparation of the financial statements and whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements.

In assessing going concern, we will consider the guidance published in the CIPFA Code and Practice Note 10 (PN10), which focusses on the anticipated future provision of services in the public sector rather than the future existence of the entity itself.

# Audit scope and general approach

## Related party transactions

ISA 550 requires that the audit process starts with the audited body providing a list of related parties to the auditor, including any entities under common control. During our initial audit planning you have informed us of the individuals and entities that you consider to be related parties. Please advise us of any changes as and when they arise.

## Additional procedures for the NAO

The National Audit Office (the 'NAO') issues group audit instructions which set out additional audit requirements. We expect the procedures for this year to be similar to previous years.

The NAO audit team for the WGA request us to undertake specific audit procedures in order to provide them with additional assurance over the amounts recorded in WGA schedules. The extent of these procedures will depend on whether the Council has been selected by the NAO as a sampled component for 2023/24. As at the date of this report, the draft instructions have not yet been issued and the NAO have not yet confirmed which entities will be sampled components.

We will seek to comply with the instructions and to report to the NAO in accordance with their requirements once instructions have been issued.

## Auditor reporting delays for previous periods and the impact on our audit

Although we are planning to complete your audit in line with the timetable set out in page 16, so that we can report our initial findings to your Executive Board in November 2024, please note that we will not be able to fully complete our audit, issue our auditor's report and certify the closure of the audit until your predecessor auditor has completed their audit for the year ended 31 March 2023. Once the 2023 audit has been completed we will need to review the predecessor auditor's audit file or perform alternative procedures to gain assurance over your opening balances as at 1 April 2023, and consider the impact on our audit of any modifications to their auditor's report.

Further, once the 2023 audit has been completed, we will revisit our planning procedures and audit plan to assess whether any additional procedures are required over and above those we have identified in this audit plan. Should additional procedures or changes to the plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.



# Financial statements significant audit risks

Significant audit risks are risks that require special audit consideration and include identified risks of material misstatement that:

- Our risk assessment procedures have identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- Are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

## Significant risks at the financial statement level

The table below summarises significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

| Identified risk  | Planned audit procedures  |
|--|---|
| <p><b>Management override of controls</b></p> <p>Auditing Standards require auditors to treat management override of controls as a significant risk on all audits. This is because management is in a unique position to perpetrate fraud by manipulating accounting records and overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Specific areas of potential risk including manual journals, management estimates and judgements and evaluate any significant transactions outside the ordinary course of the business.</p> <p><b>Risk of material misstatement: Very High</b></p> | <p>Procedures performed will include:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the journals posting process and evaluating the design effectiveness of management controls over journals;</li> <li>• Analysing the journals listing and determining the criteria for selecting high risk and/or unusual journals;</li> <li>• Testing high risk and/or unusual journals posted during the year and after the draft accounts stage back to supporting documentation for appropriateness, corroboration and to ensure approval has been undertaken in line with the Council’s journals policy;</li> <li>• Gaining an understanding of the key accounting estimates and critical judgements made by management. We will also challenge assumptions and consider for reasonableness and indicators of bias which could result in material misstatement due to fraud; and</li> <li>• Evaluating the rationale for any changes in accounting policies, estimate or significant unusual transactions.</li> </ul> |

# Financial statements significant audit risks

| Identified risk   | Planned audit procedures  |
|---|---|
| <p><b>Prior year opinion on the financial statements</b></p> <p>As at the date of writing, the predecessor auditor has not issued an unmodified opinion for the 2022/23 or 2021/22 financial statements.</p> <p>There is therefore a risk that issues not identified in the open audit years impact the current (2023/24) audit year.</p> <p>There is a further risk that, in the event an 'audit backstop' is implemented, the prior year opinions may be qualified by a 'limitation of scope' or disclaimed in full.</p> <p>In this eventuality:</p> <ul style="list-style-type: none"> <li>• there may be limited assurance available over the Council's opening balances, including those balances which involve higher levels of management judgement and more complex estimation techniques (e.g. defined benefit pensions valuations and property, plant and equipment valuations, amongst others).</li> <li>• significant transactions, accounting treatments and management judgements may not have been subject to audit for one or more years – or at all. This may include judgements and accounting treatments in respect of significant new schemes, changes to group structures or other significant accounting treatments which came into effect during the qualified or disclaimed period, going back to 2021/22.</li> </ul> <p>The potential absence of prior year assurance raises a significant risk of material misstatement at the financial statements level that may require additional audit procedures.</p> <p><b>Risk of material misstatement: High</b></p> | <p>Procedures performed will include:</p> <ul style="list-style-type: none"> <li>• Considering the findings and outcomes of unfinished prior year audits and their impact on the 2023/24 audit;</li> <li>• Considering the impact on our work of the impact of qualified or disclaimed audit opinions, particularly regarding opening balances and 'unaudited' transactions and management judgements made in the previous years which continue into 2023/24; and</li> <li>• Considering the impact of any changes in Code requirements for financial reporting in previous and current audit years.</li> </ul> |

# Financial statements significant audit risks

## Significant risks at the assertion level for classes of transaction, account balances and disclosure

| Identified risk  | Planned audit procedures  |
|--|---|
| <p><b>Fraud in revenue recognition and expenditure (rebutted)</b><br/>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a rebuttable presumed risk in ISA (UK) 240.</p> <p>Having considered the nature of the revenue streams at the Council, we consider that the risk of fraud in revenue recognition can be rebutted on all income streams because:</p> <ul style="list-style-type: none"> <li>• there is little opportunity available to manipulate revenue recognition</li> <li>• there is limited incentives to manipulate revenue recognition</li> <li>• the Council's existing income transactions do not provide a significant opportunity to manipulate income between years in any meaningful way or to adopt aggressive recognition policies.</li> </ul> <p>We have also considered Practice Note 10 which comments that, for certain public bodies, the risk of manipulating expenditure could exceed the risk of manipulating revenue. We have therefore also considered the risk of fraud in expenditure at the Council, and we are satisfied that this is not a significant risk for the same reasons as for income.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Revenue and expenditure recognition: Low</b></li> </ul> | <p>Whilst we have rebutted the risk of fraud in income and expenditure, we will perform the below procedures based on their value within the financial statements:</p> <ul style="list-style-type: none"> <li>• Documenting our understanding of the Council's systems for income and expenditure to identify significant classes of transactions, account balances and disclosures with a risk of material misstatement in the financial statements;</li> <li>• Evaluating the design of the controls in the key accounting systems, where a risk of material misstatement was identified, by performing a walkthrough of the systems;</li> <li>• Evaluating the Council's accounting policies for recognition of income and expenditure and compliance with the CIPFA Code;</li> <li>• Substantively testing material income and expenditure streams using analytical procedures and sample testing of transactions recognised for the year.</li> </ul> |

# Financial statements significant audit risks

| Identified risk   | Planned audit procedures   |
|---|--|
| <p><b>Valuation of council dwellings, other land and buildings, heritage asset and investment property (key accounting estimate)</b></p> <p>Revaluation of council dwellings, other land and buildings, heritage asset land and buildings and investment property should be performed with sufficient regularity that carrying amounts are not materially misstated.</p> <p>The council carries out a full revaluation each year for other land and buildings and investment properties and a five-year rolling revaluation for council dwellings. Council dwellings are valued using the beacon method, which aggregates the vacant possession value of each unit of housing stock based on the value of a beacon or sample property. A discount factor is applied to reflect the lower rent yield from social housing compared to market rates.</p> <p>Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institution of Chartered Surveyors (RICS) to undertake these valuations as of 31 March 2024. The valuations involve a wide range of assumptions and source data and are therefore sensitive to changes in market conditions. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external expert valuers and the methods, assumptions and source data underlying the fair value estimates.</p> <p>These valuations represent a key accounting estimate made by management within the financial statements due to the size of the values involved, the subjectivity of the measurements and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of council dwellings, other land and buildings, heritage assets and investment property as a significant risk.</p> <p>We will further pinpoint this risk to specific assets, or asset types, on receipt of the draft financial statements and the year-end updated asset valuations to those assets where the in-year valuation movements fall outside of our expectations.</p> <p><b>Inherent risk of material misstatement:, heritage asset and investment property (valuation): Very High</b></p> | <p>Procedures performed will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of management’s valuation expert;</li> <li>• Considering the basis on which the valuations are carried out and challenging the key assumptions applied;</li> <li>• Evaluating the reasonableness of the valuation movements for assets revalued during the year, with reference to market data. We will consider whether we require an auditor’s expert;</li> <li>• For unusual or unexpected valuation movements, testing the information used by the valuer to ensure it is complete and consistent with our understanding;</li> <li>• Ensuring revaluations made during the year have been input correctly to the fixed asset register and the accounting treatment within the financial statements is correct; and</li> <li>• Evaluating the assumptions made by management for any assets not revalued during the year and how management are satisfied that these are not materially different to the current value.</li> </ul> |

# Financial statements significant audit risks

| Identified risk   | Planned audit procedures  |
|---|---|
| <p><b>Valuation of the defined pension fund net liability/asset (key accounting estimate)</b></p> <p>An actuarial estimate of the net pension liability/asset is calculated on an annual basis under IAS 19 'Employee Benefits', and on a triennial funding basis, by an independent firm of actuaries with specialist knowledge and experience. The triennial estimates are based on the most up to date membership data held by the pension fund and a roll forward approach is used in intervening years, as permitted by the CIPFA Code.</p> <p>The calculations involve a number of key assumptions, such as discount rates and inflation and local factors such as mortality rates and expected pay rises. The estimates are highly sensitive to changes in these assumptions and the calculation of any asset ceiling when determining the value of a pension asset. ISAs (UK) 500 and 540 require us to undertake audit procedures on the use of external experts (the actuary) and the methods, assumptions and source data underlying the estimates.</p> <p>This represents a key accounting estimate made by management within the financial statements due to the size of the values involves, the subjectivity of the measurement and the sensitive nature of the estimate to changes in key assumptions. We have therefore identified the valuation of the net pension liability/asset as a significant risk.</p> <p><b>Inherent risk of material misstatement:</b></p> <ul style="list-style-type: none"> <li>• <b>Defined benefit pension fund net liability/asset (valuation): High</b></li> </ul> | <p>Procedures performed will include:</p> <ul style="list-style-type: none"> <li>• Evaluating management's processes for the calculation of the estimate, the instructions issued to management's expert (the actuary) and the scope of their work;</li> <li>• Evaluating the competence, capabilities and objectivity of the actuary;</li> <li>• Assessing the controls in place to ensure that the data provided to the actuary by the Council and their pension fund was accurate and complete;</li> <li>• Evaluating the methods, assumptions and source data used by the actuary in their valuations, with the support of an auditor's expert;</li> <li>• Evaluating whether any asset ceiling was appropriately considered (if applicable) when determining the value of any pension asset included in the financial statements;</li> <li>• Assessing the impact of any significant differences between the estimated gross asset valuations included in the financial statements and the Council's share of the investment valuations in the audited pension fund accounts, and</li> <li>• Ensuring pension valuation movements for the year and related disclosures have been correctly reflected in the financial statements.</li> </ul> |

# Value for Money

Under the Code of Audit Practice, we must satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to here as “Value for Money”, or “VFM”).

NAO Auditor Guidance Note 03 ‘Auditors’ Work on Value for Money Arrangements’ (“AGN 03”) was updated and issued on 18 January 2023 and requires us to provide an annual commentary on arrangements, which will be published as part of the Auditor’s Annual Report. Such commentary will highlight any significant weaknesses in arrangements, along with recommendations for improvement.

The Code of Audit Practice requires us to structure our commentary under three specified reporting criteria:

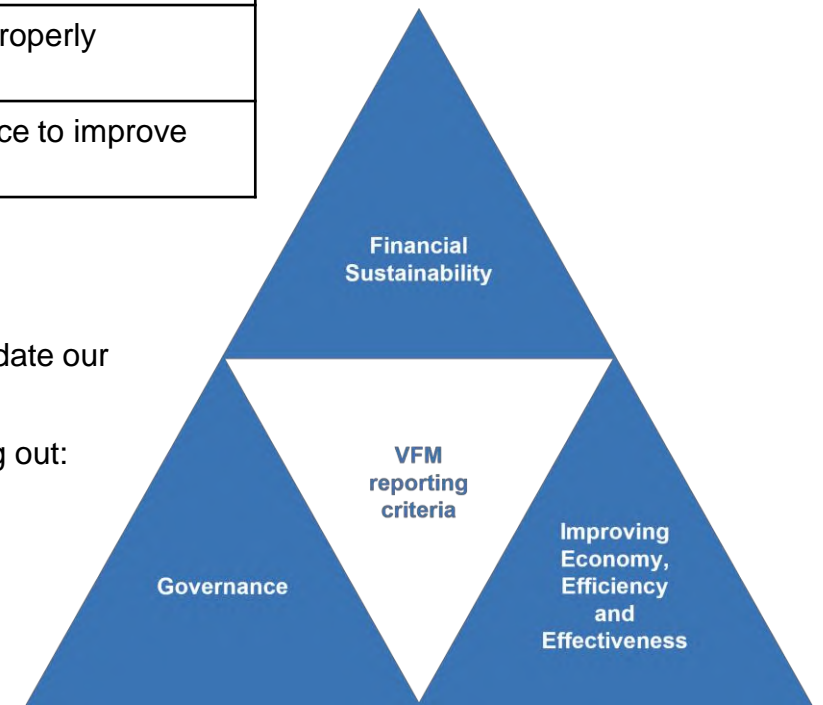
|  |  |
|--|--|
| <b>Financial sustainability</b>                        | How the Council plans and manages its resources to ensure it can continue to deliver its services                        |
| <b>Governance</b>                                      | How the Council ensures that it makes informed decisions and properly manages its risks                                  |
| <b>Improving economy, efficiency and effectiveness</b> | How the Council uses information about its costs and performance to improve the way it manages and delivers its services |

As part of the planning process, we are required to perform procedures to identify potential risks of significant weaknesses in the Council’s arrangements to secure VFM.

We are required to re-evaluate this risk assessment during the course of the audit and, where appropriate, update our work to reflect emerging risks or findings that may suggest a significant weakness in arrangements.

Where we identify significant weaknesses in arrangements, we are required to make recommendations setting out:

- Our judgement on the nature of the weakness identified;
- The evidence on which our view is based;
- The impact on the local body; and
- The action the body needs to take to address the weakness.



# Value for Money arrangements

## Risks of significant weakness in VFM arrangements

We have carried out an initial risk assessment to identify any risks of significant weakness in respect of the three specific areas of proper arrangements using the guidance contained in AGN 03.

We will re-evaluate this risk assessment during the audit and, where appropriate, update our work to reflect emerging risks or findings.

When considering the Council's arrangements, we will have regard to the three reporting criteria set out in AGN03, as well as performing additional work in the areas identified below which are the potential areas of significant weaknesses, we have identified at the planning stage.

| Criteria  | Potential risk of significant weakness | Our risk based procedures and evaluation approach includes (but is not limited to)  |
|---|--|---|
| Financial sustainability                        | None identified                        | We have not at this stage identified any risks of significant weakness that require specific audit procedures.  |
| Governance                                      | None identified                        | We have not at this stage identified any risks of significant weakness that require specific audit procedures, but we have identified areas of focus for detailed follow up in fieldwork stage. These include review of the effectiveness of the risk management policy, Council compliance with Local Government Act 2003 regulation 28 for minimum revenue provision, and assessment of deployment of oversight responsibilities in overseeing financial reporting, risk management, internal controls systems and the internal and external audit processes. |
| Improving economy, efficiency and effectiveness | None identified                        | We have not at this stage identified any risks of significant weakness that require specific audit procedures.  |

Weaknesses or risks identified by auditors are only those which have come to their attention during their normal audit work in accordance with the Code of Audit Practice and may not be all that exist.



# Audit team and logistics

## Your audit team

| Role               | Name            | Contact details  |
|--------------------|-----------------|--|
| Key Audit Partner  | Chris Brown     | <a href="mailto:Chris.brown@azets.co.uk">Chris.brown@azets.co.uk</a>         |
| Engagement Manager | Azola Dudula    | <a href="mailto:Azola.dudula@azets.co.uk">Azola.dudula@azets.co.uk</a>       |
| In-charge auditor  | Tshego Dinalane | <a href="mailto:Tshego.Dinalane@azets.co.uk">Tshego.Dinalane@azets.co.uk</a> |

## Timetable

| Event   | Date                |
|---|---------------------|
| Planning and risk assessment  | Oct 2023 – Nov 2024 |
| Reporting of plan to Executive Board  | November 2024       |
| Year end audit  | Nov – Dec 2024      |
| Reporting of Audit Findings (ISA260)  | Jan / Feb 2025      |
| Auditor's Annual Report (AAR)   | Feb / Mar 2025      |
| Target date of approval of accounts   | 10 Feb 2025         |
| Accounts publication deadline (as specified in the Accounts and Audit Regulations 2015) | TBC (Feb 2025)      |

## Our expectations and requirements

For us to be able to deliver the audit in line with the agreed fee and timetable, we require the following:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.

The audit process is underpinned by effective project management to ensure that we co-ordinate and apply our resources efficiently to meet your deadlines. It is therefore essential that the audit team and the Council's finance team work closely together to achieve this timetable.

Please note that we will be unable to complete our 2023/24 audit until your audits for all previous financial years have been completed by your predecessor auditors and auditor's reports covering both the financial statements audit and value for money work have been issued. The National Audit Office continues to explore ways to escalate the timely completion of all outstanding local government audits.

# Independence, objectivity and other services provided

## Auditor independence

We confirm that we comply with the Financial Reporting Council's (FRC) Ethical Standard and are able to issue an objective opinion on the financial statements. We have also complied with the NAOs Auditor Guidance Note 01, issued in September 2022, which contains supplementary guidance on ethical requirements for auditors of local public bodies. We have considered our integrity, independence and objectivity in respect of audit services provided and we do not believe that there are any significant threats or matters which should be brought to your attention.

## Other services

No other services were provided by Azets to the Council.

# Fees

PSAA set a fee scale for each audit that assumes the audited body has sound governance arrangements in place, has been operating effectively throughout the year, prepares comprehensive and accurate draft accounts and meets the agreed timetable for audit. This fee scale is reviewed by PSAA each year and adjusted, if necessary, based on auditors' experience, new requirements, or significant changes to the audited body. The fee may be varied above the fee scale to reflect the circumstances and local risks within the audited body.

The estimated fee (excluding VAT) is as follows:

| Audit fee  | 2023/24<br>£   |
|--|----------------|
| Base fee for the audit of the Council financial statements (as set out in the fee scales issued by PSAA) | 130,816        |
| New auditing standards: ISA315 and ISA240  | 19,622         |
| <b>Initial audit fee for North Warwickshire Borough Council</b>  | <b>150,439</b> |
| Additional work arising from prior year audit outcomes   | TBC            |
| <b>Proposed audit fee</b>  | <b>TBC</b>     |

This fee is estimated based on our understanding at this point in time and may be subject to change. Our planned fee is on the basis that our expectations set out on page 14 are met.

It is our policy to bill for overruns or scope extensions e.g., where we have incurred delays, deliverables have been late or of poor quality, where key personnel have not been available, or we have been asked to do extra work.

Our policy is to raise fees to account at appropriate stages of the audit such as during the audit planning, the interim visit, the final audit and once the financial statements have been signed.

# Appendix I: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these. Under ISA (UK) 260 we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the Council and the needs of the users. When planning, we make judgements about the size of misstatements which we consider to be material, and which provide a basis for determining the nature and extent of our audit procedures. Materiality is revised as our audit progresses, should we become aware of any information that would have caused us to determine a different amount had we known about it during our planning.

Our assessment, at the planning stage, of materiality for the year ended 31 March 2024 was calculated as follows:

|   | <b>Council<br/>£'000</b> | <b>Explanation</b>  |
|---|--------------------------|---|
| <b>Overall materiality for the financial statements</b> | 960                      | 2% of gross revenue expenditure based on our view that the reader of the accounts has a generally good understanding of the estimates and judgements made by the Authority as well as the concept of audit materiality. This will be reassessed upon receipt of the draft accounts.<br><br>The financial statements are considered to be materially misstated where total errors exceed this value. |
| <b>Performance materiality</b>                          | 576                      | 60% of materiality.<br><br>Audit work will be performed to capture individual errors at this level.   |
| <b>Trivial threshold</b>                                | 48                       | 5% of overall materiality for the Council.<br><br>Individual errors above this threshold are communicated to those charged with governance.   |

In addition to the above, we have set a materiality of £5,000 for related party transactions, remuneration disclosures, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

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# Local Audit Backlog – Rebuilding Assurance during the Recovery Period

## Background

Local authorities and other local bodies, including police, fire, transport and waste authorities, as well as national parks, provide vital public services to local communities. Timely, high-quality financial reporting and audit is vital for supporting decision-making and accountability of those local public bodies. External assurance gives local taxpayers and elected representatives confidence in the financial management of their local public body.

On 31 July 2024 the Ministry of Housing, Communities and Local Government (MHCLG) issued a **Statement** that set out measures to be applied to clear the significant backlog of unsigned audit opinions of English local public bodies.

This announcement came after only 1% of local public bodies published audited accounts on time for 2022/23. Without decisive action, it was widely acknowledged that the backlog would continue to grow and undermine local accountability and governance.

In September 2024, the Financial Reporting Council (FRC) published a briefing: **Local Audit Backlog Rebuilding Assurance**. The briefing explains how the recovery period may operate in practice for local public bodies that receive disclaimed audit opinions primarily because of statutorily imposed backstop dates limiting the scope of the audit. It has been prepared so that finance teams, elected members and other interested parties can understand what the recovery period may look like in practice.

This paper summarises the main messages from the FRC's briefing.

***The overarching objective of the measures is to clear the backlog of outstanding audit opinions and reduce the likelihood of this position returning.***

## Measures to address the backlog

The Government's approach to clear the backlog of local audits and embed timely audit comprises two parts:

- **Reset measures** - clearing the backlog of historical audit opinions up to and including financial year 2022/23.
- **Recovery period** - a period that reduces the likelihood of the backlog re-emerging through the implementation of backstop dates.

The measures have been developed collaboratively by all organisations involved in regulation and oversight of local public body financial reporting and audit ('system partners') to clear the backlog of outstanding audit opinions.

On 30 September 2024 **The Accounts and Audit Regulations 2015** (which set out the approval and publication requirements for LG audits in England) were amended via **The Accounts and Audit (Amendment) Regulations 2024**, to introduce backstop dates by which point local public bodies must publish audited accounts.

### Exhibit 1: Backstop dates

- For years up to and including 2022/23 – 13 December 2024
- 2023/24 – 28 February 2025
- 2024/25 – 27 February 2026
- 2025/26 – 31 January 2027
- 2026/27 – 30 November 2027
- 2027/28 – 30 November 2028

A new draft **Code of Audit Practice** (the Code) has also been published<sup>1</sup> by the National Audit Office (NAO) that requires auditors to give their opinion in time to enable local public bodies to comply with the backstop date. The Code will apply to audits which have not been certified complete at the time it comes into effect, and to the audits of local public bodies from 2024/25, until it is replaced after five years. The Code also requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards.

*<sup>1</sup>The new draft Code of Audit Practice was laid in Parliament on 9 September 2024 and will take immediate effect once it has received Parliamentary approval.*



## Rebuilding assurance

***The backstop dates enable auditors to rebuild assurance over multiple years rather than performing all work in a single year. Auditors will make prioritisation decisions to issue audit opinions ahead of backstop dates and, as a result, they may not be able to obtain evidence over all balances. This means it could take several years for disclaimed opinions to be lifted.***

A local public body's financial statements include the following:

- Opening balances brought forward from the prior year, including, for example, cash, general fund and ringfenced reserves, property valuation and pension liability / asset valuations;
- Closing balances;
- In-year expenditure, income, reserves and cash-flow movements;
- Comparative figures from the prior year; and
- Explanatory notes to the financial statements.

The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements, as a whole, are free from material misstatement.

Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they will issue a modified opinion, or a disclaimed opinion where the issues are pervasive.

Where the opinion on the prior year audit has been disclaimed, the auditor will not have assurance over:

- Opening balances brought forward from the prior year (the prior year closing balance); and
- Comparative figures.

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year expenditure, income, reserves and cash flow movements without assurance over the opening balances, as illustrated in the example below:

*If a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.*

This may also impact on subsequent years. Where the auditor does not have assurance over in-year movements, they will also not have assurance over those figures when they are shown as comparatives in the following year.

## Rebuilding assurance

In normal circumstances, in the year after a disclaimed opinion is issued, an auditor would perform work to assure all the opening balances and prior year comparatives in a single year.

The recovery period has been designed to allow auditors to recover from disclaimed opinions in a way that does not cause timeliness issues to recur. The backstop arrangements may create time constraints that impede the auditor from completing all the necessary audit procedures, in a single year, to support their opinion. There may also be several years prior to the current year for which the auditor has issued a disclaimed opinion. In these circumstances, significant challenges exist in both the preparation and auditing of opening balances.

When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. The testing may be different from normal as the auditors may need different evidence to conclude that they have reasonable assurance over the balances.

To help auditors meet their requirements under the Local Audit and Accountability Act 2014 and the Code of Audit Practice, the National Audit Office (NAO) has published a package of guidance: **Local Audit Reset and Recovery Implementation Guidance** (LARRIGs). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

***Local public bodies should not be unfairly judged for modified or disclaimed opinions beyond their control.***

The measures have been designed to enable any limitation of scope of the audit to be a result of the system-imposed backstop and not any actions of management, as the latter may lead to significant consequences for a local public body. In circumstances where the local public body has significantly delayed the publication of their statement of accounts or withheld audit evidence, the auditor may use their judgement to determine that management's failure to meet the backstop date represents a management-imposed limitation of scope.

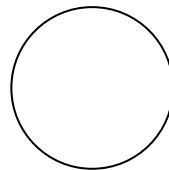
## Rebuilding assurance

***Key to success is effective communication between the auditor and the audited body, including those charged with governance.***

All audit engagements are different, and local circumstances will influence the scale of work needed for auditors to make a timely return to removing disclaimed opinions.

Proposals on the audit approach to be adopted and the timeline for returning to unmodified opinions will be presented to those charged with governance. The development of this audit approach is likely to be an iterative process and refined over successive audit cycles.

Recovery from the backlog is a shared endeavour between auditors and local public bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Audit Committees should ensure that they are planning and able to play their full part in the process .



**Chris Brown**

**Head of Public Sector Audit - UK**

**[Chris.Brown@azets.co.uk](mailto:Chris.Brown@azets.co.uk)**



## Agenda Item 12

### Executive Board

25 November 2024

#### Report of the Interim Corporate Director - Resources (Section 151 Officer) - Budgetary Control Report 2024/25 Period Ended 31 October 2024

### 1 Summary

- 1.1 The report covers revenue expenditure and income for the period from 1 April 2024 to 31 October 2024. The 2024/25 approved budget and the actual position for the period are given, together with an estimate of the outturn position for services reporting to this Board.

#### **Recommendation to Council**

**To consider if any further information is required.**

### 2 Introduction

- 2.1 Under the Service Reporting Code of Practice (SeRCOP), services should be charged with the total cost of providing the service, which not only includes costs and income directly incurred, but also support costs relating to such areas as finance, office accommodation, telephone costs and IT services. The figures contained within this report are calculated on this basis.
- 2.2 In April 2024 a new Financial Management System (Unit 4) was implemented which will significantly change how budget monitoring and budget preparation is delivered in the future making it more efficient and timely automating as much as possible directing resources an interpreting the figures and presenting forecasts to give a clear indication of the outturn position and impact on balances which then feeds into the Medium-Term Financial Strategy. This report is the second budget monitor using forecasting rather than profiling, this will be more informative as the year progresses.

### 3 Estimated Outturn

- ... 3.1 The figures presented in Appendix A & B are based on the actual spend for April to October. The report provides details on the likely out-turn position for each of the services reporting to this Board. The forecast (anticipated out-turn) for this Board for 2024/25 is £569,320 which shows minor movement from the approved budget at this stage of the year.
- 3.2 Where possible, the budget to date figure has been calculated with some allowance for seasonal variations, to enable a better comparison with actual figures.

#### 4 Risks to the Budget

4.1 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 requires regular analysis and updating in line with changing circumstances and changes in national guidance. | High       | Medium                     |
| The Emergency Planning budget may be insufficient to cover the costs of any major local emergency.                          | Low        | High                       |

#### 5 Estimated Out-turn

5.1 Members have requested that Budgetary Control Reports provide details on the likely out-turn position for each of the services reporting to this Board. The anticipated out-turn for this Board for 2024/25 is £569,320.

5.2 The figures provided above are based on information available at this time of the year and are the best available estimates for this Board and may change as the financial year progresses. Members will be updated in future reports of any changes to the forecast out turn.

#### 6 Report Implications

##### 6.1 Finance and Value for Money Implications

6.1.1 Income and Expenditure will continue to be closely managed and any issues that arise will be reported to this Board for comment at future meetings.

##### 6.2 Environment and Sustainability Implications

6.2.1 The Council must ensure that it adopts and implements robust and comprehensive budgetary monitoring and control, to ensure not only the availability of services within the current financial year, but in future years.

The Contact Officer for this report is Nigel Lane (719371).

#### 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 |
|---------------------|--------|----------------------------|------|
|                     |        |                            |      |

|        |                                     | Budget          | Actuals         | Forecast        | Variance    |
|--------|-------------------------------------|-----------------|-----------------|-----------------|-------------|
| NW2000 | Housing Strategic Service Review    | £39,090         | £39,090         | £39,090         | £0          |
| NW2002 | Corporate Communications            | £65,480         | £65,597         | £66,180         | £700        |
| NW2003 | Community Strategy                  | £66,260         | £80,710         | £66,260         | £0          |
| NW2007 | Emergency Planning                  | £27,730         | £25,855         | £27,730         | £0          |
| NW2009 | North Warwickshire Development Plan | £366,450        | £250,348        | £366,450        | £0          |
| NW5050 | Support To Parishes                 | £3,610          | £3,610          | £3,610          | £0          |
|        | <b>Executive Board Total</b>        | <b>£568,620</b> | <b>£465,210</b> | <b>£569,320</b> | <b>£700</b> |

NOTE: The variance is between the budget and forecast

|                              | <b>Budget</b>   | <b>Actuals</b>  | <b>Forecast</b> | <b>Variance</b> |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| Premises-Related Expenditure | £450            | £0              | £450            | £0              |
| Supplies & Services          | £133,190        | £9,352          | £133,890        | £700            |
| Income                       | £0              | £40             | £0              | £0              |
| Balance Sheet                | -£21,370        | £0              | -£21,370        | £0              |
| Central Support Charges      | £456,350        | £455,818        | £456,350        | £0              |
| <b>Grand Total</b>           | <b>£568,620</b> | <b>£465,210</b> | <b>£569,320</b> | <b>£700</b>     |



**Agenda Item No 13**

**Executive Board**

**25 November 2024**

**Report of the  
Interim Corporate Director – Resources  
(Section 151 Officer)**

**Medium Term Financial Strategy  
2024 - 2029**

**1 Summary**

- 1.1 This report summarises the Authority’s Medium Term Financial Strategy as attached in Appendix A. It projects forward the Authority’s General Fund budgets to 2028/29 and suggests a budget approach for the 2025/26 General Fund Budget.

|                                  |  |
|----------------------------------|--|
| <b>Recommendation to Council</b> |  |
| <b>a</b>                         | <b>That the Medium Term Financial Strategy (Appendix A) is approved;</b>   |
| <b>b</b>                         | <b>That the General Fund budget projections for 2024/25 to 2028/29 be noted;</b>   |
| <b>c</b>                         | <b>That the approach for balancing the Medium Term Budget set out in Table 2 of this report, be adopted;</b>   |
| <b>d</b>                         | <b>Approval for the budget movements for 2024/25 as detailed in Table 3;</b>   |
| <b>e</b>                         | <b>To continue the strategy for increasing the council tax to the maximum level approved by the Government;</b>  |
| <b>f</b>                         | <b>To note the high level projects/initiatives for delivering reductions and increased income in Appendix A section 11 and request more detail and financial targets for the Tax Set report; and</b> |
| <b>g</b>                         | <b>That a review of earmarked reserves is carried out with the balance on any funds no longer required being transferred to the general fund balance.</b>  |

**2 Introduction**

- 2.1 The Council has adopted a clear approach to managing its financial position over a number of years, and this is set out in the Medium Term Financial Strategy (MTFS) Appendix A to this report. The plan is updated annually and

...

presented to members with the estimated funding position for the period of the plan.

2.2 This update to the financial strategy has reviewed the Council's position given current economic changes and reflects the main current financial pressures facing the Council. Economic uncertainty still exists, with cost of living pressures, high inflation (although reducing) and high interest rates, this once again makes forecasting difficult.

2.3 The strategy covers:

- How our resources will support the delivery of our priorities and maintenance of current service levels.
- Consideration of financial issues and pressures facing the Council during the period of the plan.
- Review the national position and the impact of central government funding.
- Consider the local issues and how this impacts financially.
- Consider opportunities to maximise income and reduce expenditure.
- Provide parameters for the annual budget process.

2.4 The figures in the plan are intended to indicate the position at a high level only the detail will follow in the budget reports to each board as part of the budget process for 2025/26. Updated forecasts for Capital and the Housing Revenue Account will also be reported separately as part of the budget process.

### 3 **Summary Position**

3.1 The General Fund Summary figures provide an indication of the level of resources and the projected funding gap over the medium term period. Its important to consider the medium term rather than one year in isolation as illustrated by the figures in Table 1. By 2028/29 if no expenditure reductions /increased income are delivered general fund balances would go into a deficit of £1,143,000. Clearly this needs to be avoided by delivering invest to save projects over the period of the strategy.

**Table 1 Summary of Medium Term Financial Position 2024 – 2029**

|  | 2023/24<br>Actual<br>£000 | 2024/25<br>Estimate<br>£000 | 2025/26<br>Estimate<br>£000 | 2026/27<br>Estimate<br>£000 | 2027/28<br>Estimate<br>£000 | 2028/29<br>Estimate<br>£000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net Service Expenditure                  | 8,684                     | 12,226                      | 12,424                      | 12,201                      | 12,522                      | 12,465                      |
| Total Income                             | 13,269                    | 13,893                      | 13,418                      | 8,479                       | 8,761                       | 8,964                       |
| Net Expenditure                          | -4,585                    | -1,667                      | -994                        | 3,722                       | 3,761                       | 3,501                       |
|  |                           |                             |                             |                             |                             |                             |
| <b>Use of/ (Contribution to)Balances</b> | <b>-4,585</b>             | <b>-1,667</b>               | <b>-994</b>                 | <b>3,722</b>                | <b>3,761</b>                | <b>3,501</b>                |
| <b>Balances at the Year End</b>          | <b>6,892</b>              | <b>8,559</b>                | <b>9,553</b>                | <b>5,831</b>                | <b>2,070</b>                | <b>-1,431</b>               |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |

3.2 The financial projections have changed since the last MTFs, the main difference in the figures presented in Table 1 and the figures in the Executive Board report February 2024 is the income from business rates. The figures show that the Council is operating from 2026/27 at approximately £3.6m per annum net expenditure relying on balances to fund the difference. The figures do not include expenditure reductions/increased income in future years in this table but they will be required.

#### 4 Balancing the Medium Term Budget

4.1 To deliver a balanced medium term budget targets need to be set for reducing the net expenditure, in Table 2 targets have been included to illustrate the level of savings require to deliver a balanced budget over the period of this strategy, this assumes that balances are retained at £1.2m.

**Table 2 Balancing the Medium Term Budget**

|  | 2023/24<br>Actual<br>£000 | 2024/25<br>Estimate<br>£000 | 2025/26<br>Estimate<br>£000 | 2026/27<br>Estimate<br>£000 | 2027/28<br>Estimate<br>£000 | 2028/29<br>Estimate<br>£000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net Service Expenditure                  | 8,684                     | 12,226                      | 12,424                      | 12,201                      | 12,522                      | 12,465                      |
| Total Income                             | 13,269                    | 13,893                      | 13,418                      | 8,479                       | 8,761                       | 8,964                       |
| Reductions/Increased Income Target       |                           |                             |                             | 500                         | 1,000                       | 1,500                       |
| Net Expenditure                          | -4,585                    | -1,667                      | -994                        | 3,222                       | 2,761                       | 2,001                       |
|  |                           |                             |                             |                             |                             |                             |
| <b>Use of/ (Contribution to)Balances</b> | <b>-4,585</b>             | <b>-1,667</b>               | <b>-994</b>                 | <b>3,222</b>                | <b>2,761</b>                | <b>2,001</b>                |
| <b>Balances at the Year End</b>          | <b>6,892</b>              | <b>8,559</b>                | <b>9,553</b>                | <b>6,331</b>                | <b>3,570</b>                | <b>1,569</b>                |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |

- 4.2 Table 2 includes the requirement to find budget reductions of £1.5m in its medium term financial strategy a provision of £1m is still available to fund invest to save initiatives. Work is already ongoing to deliver reductions and deliver increased income and these could be delivered before 2026/27. However, whilst unidentified reductions are built into financial projections over the medium term, only identified reductions are included in the detailed budget put forward for approval for the coming financial year. This is part of the management of financial risks, and gives greater assurance around the approved budget, and the medium term position.
- 4.3 As the council looks for specific reductions and increased income in advance of setting the budget for the following year, work on finding savings from projects such as review of refuse and recycling collection rounds, efficiencies from transformation, asset management, commercialisation of leisure services will assist in delivering the target set. The reduction target for 2026/27 is £500k which needs to be ongoing savings. If this target is not found, it will need to be reflected in the financial strategy for future years.
- 4.4 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts

## 5 Changes Since 2024/25 Tax Set

- 5.1 The detailed budget work is currently in progress and it is expected that overall the changes in expenditure and income will balance out in the current year, excluding the items detailed in Table 3.

**Table 3 Movements in the 2024/25 Estimates**

|   | £000            |
|---|-----------------|
| General Fund Net Expenditure 2024/25<br>(22.2.21 Tax Set Report)      | 11,524          |
| Planning Appeals Supplementary Estimate                               | 225             |
| Salary Adjustments (Payaward, Vacancies,<br>Agency/Interims)          | 637             |
| MRF & Loan Repayments   | 600             |
| Investment Income   | (960)           |
| Other including inflation   | 200             |
| <b>Updated Net Expenditure (Table 1 &amp;2)</b>                       | <b>12,226</b>   |
| <b>Total Income (Table 1&amp;2)</b>                                   | <b>(13,893)</b> |
|   |                 |
| <b>Use of/(Contribution to) Balances (21.2.24 Tax Set<br/>Report)</b> | <b>(2,332)</b>  |
| <b>Use of/(Contribution to) Balances</b>                              | <b>(1,667)</b>  |
| <b>Year End Balances</b>  | <b>8,559</b>    |

## 6 Sources of Funding

### 6.1 Settlement Funding Assessment

6.1.1 The Government decides on the level of funding to be allocated to local authorities for their General Fund activities, and then currently allocates this funding between authorities using a formula calculation called the Settlement Funding Assessment.

6.1.2 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. As the Business Rates element is fixed, other than for inflationary increases, any reduction in the Settlement Funding Assessment is taken out of Revenue Support Grant.

6.1.3 The provisional settlement for 2025/26 is expected 19 December, figures presented in Table 4 are based on projections from LG Futures. The Fair Funding Review and Business Rates reset have been deferred several times. The new Government have not made any announcements on the future of Local Government funding therefore reset has been assumed from 2026/27 as this is the earliest year it could now be implemented.

**Table 4 External Funding Projections**

| <b>Funding</b>                               | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Council Tax                                  | 4,986          | 5,155          | 5,335          | 5,550          | 5,773          | 6,005          |
| National Non Domestic Rates (NDR) – Baseline | 7,300          | 7,636          | 7,910          | 2,753          | 2,808          | 2,808          |
| New Homes Bonus                              | 519            | 192            | 0              | 0              | 0              | 0              |
| Grants                                       | 390            | 923            | 148            | 149            | 151            | 151            |
| Collection Fund Surplus/(Deficit)            | 74             | (13)           | 25             | 27             | 29             | 0              |
| <b>TOTAL</b>                                 | <b>13,269</b>  | <b>13,893</b>  | <b>13,418</b>  | <b>8,479</b>   | <b>8,761</b>   | <b>8,964</b>   |

Note: The figures are based on Business Rates reset being in 2025/26.

### 6.2 Business Rates

6.2.1 Business Rates Retention was introduced in April 2013 with Local authorities retaining a proportion of the business rates they collect giving an incentive for growth. North Warwickshire BC like most boroughs and districts is a tariff authority which means a significant amount of the income received from business rates is paid over to the Government. Based on the figures in Table 4 the predicted income is significantly above baseline for 2023/24, 2024/25 and 2025/26 due to the impact of the revaluations on business rates payable. The New Government have not given any information on their approach to Local Government Funding but they will not have time to reset business rates by 1 April 2025 so the plan assumes reset at 2026/27.

### 6.3 Council Tax Base

- 6.3.1 The tax base on which the Council generates its local tax revenue. The tax base rise is calculated based on the same information used to complete the CTB1 and has to be calculated on 30th November, it takes into account the basic tax base, the reduction due to council tax support, growth in new homes and the expected collection rate.
- 6.3.2 The tax base increase built into the MTFS is 0.5% in 2025/26 and 1% each year after to reflect the anticipated growth in number of properties in the borough. The increased revenue from just the tax base in 2025/26 is £25,773 per annum.

### 6.4 Council Tax

- 6.4.1 This Council has increased the tax to referendum limits since 2020/21 to minimise the cumulative impact of low council tax rises. The assumption in the plan is that the likely referendum limits for district/borough councils will be the higher of 2.99% or £5. The figures in this plan assume that North Warwickshire will be increasing the council tax in line with government limits (2.99% or £5) each year of the plan. ***It is recommended that members continue the strategy for increasing tax to maximum level approved by government.***

### 6.5 Fees and Charges

- 6.5.1 The Council has tended to increase fees and charges for inflation, Income Generation is an important part of the MTFS. This Council adopted a Fees & Charges Strategy in November 2023 with the following key guiding principles:
- All fees and Charges should be increased at least by September CPI unless there is a robust reason why this is not appropriate – Planning fees set by Government, requirement to demonstrate break even in terms of cost and charge, increase would have a detrimental impact on demand reducing income overall.
  - The charge should at least cover the cost of providing the service, no subsidy.
  - All services should be reviewed to explore opportunities for new charges.
- 6.5.2 The ability to generate income from other areas continues to be reviewed as part of the ongoing exercise to reduce the Council's required budget.

## 7 Growth Areas

- 7.1 The figures presented do not include a provision for growth, any additional funding approved will impact on the target reductions required within the plan (Table 2). It is essential that a strong stance is taken with growth areas to reduce pressure on the medium term figures.

## 8 Potential Risk Areas

8.1 In preparing this forecast, a number of assumptions have been made in this report. Clearly, should these assumptions not materialise, there will be an impact on the figures. The main risk areas for this forecast are:

- **Salary Increases** – the Government are increasing the employers NI and the minimum wage which will impact on the salary scales. Higher pay awards than included in the forecast would have an impact, given the relative size of the payroll. Increasing the provision for pay awards in the forecast should mitigate this risk to some extent.
- **Reduced Income** – the risk of an increased loss of service income is a possibility in the current economic climate.
- **Investment Income** – interest rates have started to stabilise, further changes to the economic position could pose a risk to the investment income assumed.
- **Settlement Funding Assessments** – no indicative figures have been provided for 2025/26 onwards. If the assumptions made in this forecast are materially different to settlements provided, then there will be an impact on the Council's financial position.
- **Business Rates** – the local retention of business rates brought uncertainty around the level of funding to be received on an annual basis. However, it has allowed some additional business rates to be retained by the Council. Although successful rating appeals are an ongoing risk, the greater risk is the expected re-set which is likely to remove the growth the Council has been able to retain.
- **Council Tax Support / Collection** – increases in take up of support will directly increase the costs of the Council. There are also risks around the non-collection of Council Tax, from those who have not previously been required to contribute and generally as a result of the current economic position.
- **Growth in the Borough** – if new homes and estates are delivered in line with expectations, there will be an impact on some Council services. Some funding has been included in the forecast for refuse and recycling, but the impact on services such as grounds maintenance has not yet been considered.
- **Council Tax Income** – a decision to freeze Council Tax will reduce the resources available to the Council on a permanent basis.

## 9 Conclusion

9.1 The Medium Term Financial position can be managed if members approve the managed use of balances strategy as detailed in this report in section 4 and Table 2, using balances above the minimum to manage delivery of the reductions/increased income over the period of the plan. Target figures have been built in from 2026/27 onwards to ensure that the net expenditure of approximately £3.5m per annum is reduced by 2028/29 with the ultimate target to achieve a break even budget position. This financial position gives time to deliver the reductions in a timely manner with a minimum impact on service provision.



9.2 It is unlikely that all of the main risk areas will materialise at the same time, in any of the years highlighted above. The main areas of concern included in the risks around the financial position of the Council, are those of Business Rates, external funding, and pay awards.

**10 Report Implications**

**10.1 Finance and Value for Money Implications**

10.1.1 As detailed in the body of the report.

**10.2 Environment and Sustainability Implications**

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

**10.3 Equality Implications**

10.3.1 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts.

The Contact Officer for this report is Alison Turner (719374).

**Background Papers**

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

| <b>Background Paper No</b> | <b>Author</b>                        | <b>Nature of Background Paper</b>  | <b>Date</b>      |
|----------------------------|--------------------------------------|--|------------------|
| Council                    | Interim Corporate Director Resources | General Fund Revenue Estimates 2024/25 and Setting the Council Tax 2024/25 | 21 February 2024 |

**North Warwickshire Borough Council  
MEDIUM TERM FINANCIAL STRATEGY      2024-2029**

**1 Introduction**

- 1.1 The purpose of the Financial Strategy is to set out the broad financial framework that the Council will operate within for the next medium term period. The period covered by this plan is 2024 to 2029, as for this period reasonably robust financial forecasts can be produced. A longer period would require more speculative forecasts which can be misleading. A new Government from July 2024 has made assumptions regarding changes to the external funding regime very difficult and the challenging economic environment have increased the uncertainty over the resources available to the Council during the strategy period. This needs to be managed with assumptions based on best available information at the time of producing the plan. It is essential that the plan is reviewed regularly and reflects the most accurate financial projections available.
- 1.2 By using a medium term approach, the Council can ensure that financial and service decisions can be taken in a structured and proportionate way. Short-term policies are not adopted without identifying what the medium term implications of those decisions are.
- 1.3 The strategy covers all General Fund revenue and capital activity, but excludes the detailed figures for the HRA as this is covered within the 30 year Business Plan reported to Resources Board in January.
- **General Fund (GF)** – these are the majority of the day to day activities carried out by the Council, such as refuse collection and the payment of benefits
  - **Housing Revenue Account (HRA)**– these relate to the management and maintenance of the Council’s housing portfolio. The HRA is the tenants account and is ringfenced so there is no cross subsidisation between GF and HRA.
  - **Capital Spending** – this is spending that provides benefits over the longer term, such as the purchase of vehicles or equipment, new buildings.

**2 Linking Resources With Corporate Priorities**

- 2.1 The Council has identified a number of priorities and these are given in its Corporate Plan. In arriving at the priorities, external influences are taken into account, along with feedback from the residents survey and input from partners and stakeholders. Other factors such as legislative changes are also considered where appropriate.
- 2.2 The Corporate Plan was revised following the election in May 2023 and updated and presented to members at the Executive Board in March 2024. The Council completed a residents survey across the borough in

December/January and this feedback was used to inform the key priorities and Financial Strategy over the next four years. The Medium Term Financial Strategy(MTFS) is updated and presented to members annually, but the figures are reviewed regularly to ensure that changing circumstances are taken into account and reflected in the Council's decision making.

- 2.3 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add known unavoidable spending pressures. This is then measured against the projection of available funding to determine affordability. The package of measures required to balance the two form the financial strategy for the budget year and medium term.

### **3 Economic Forecast**

- 3.1 The Country is still experiencing the impact of cost of living pressures which is a considerable challenge on people, with interest rates impacting on the affordability of mortgages and increased cost of food, fuel and energy. Inflation has recently reduced to a reasonable level, CPI at 2.6% in September 2024 but the impact is still being managed. These increases also affect the Councils budgets both directly and indirectly.
- 3.2 There are two main indices for measuring household inflation: the Consumer Price Index (CPI) and the Retail Price Index (RPI). The Council reviews these indices when it is assessing the level of inflation to be included in its financial strategy.
- 3.2 Specific areas of increase are considered separately and individual rates of increase used to reflect prevailing market conditions, where they are significantly different to the general rate of inflation. These are assessed on an annual basis and depending on economic conditions, may include:
- Employee costs – pay awards and pension costs;
  - fuel and energy costs;
  - investment rates.
  - income
- 3.3 The pay award for the current financial year was approved on 23<sup>rd</sup> October 2024 at 2.5% for all posts above point 43 and £1,290 for all grades below which will be backed dated to 1<sup>st</sup> April. The figures in the plan include the actual pay award in 24/25, and 3% for the following years of the plan. This is the largest element of expenditure in the Council's budgets.
- 3.4 The CPI for September was 2.6% lower than last year, the rate used in the MTFS is 2.5%. The figures within the strategy do not automatically include inflation increases its only added where increases are unavoidable eg contractual

## 4 Demographic Factors

4.1 Demographic factors can affect the Council's planning in a number of ways:

- Changes in the number and value of households can affect the tax base used in calculating Council Tax
- The characteristics of the population, and households, influences the type of services provided
- The level of demand for services can be affected by changes in either of the above.

4.2 The Council Tax Base which is the increase in number of properties has assumed an increase of 0.5% in the tax base for 2025/26 and 1% each of the following years, although there will be some movement depending on the number of residents on Council Tax Support. The population of North Warwickshire is due to increase as a result of the 2021 Local Plan, subject to delivery of the allocated housing sites. This will be considered as part of the regular review of this Strategy.

## 5 Summary Position

5.1 The General Fund Summary figures provide an indication of the level of resources and the projected funding gap over the medium term period. Its important to consider the medium term rather than one year in isolation as illustrated by the figures in Table 1. By 2028/29 if no expenditure reductions /increased income are delivered general fund balances would go into a deficit of £1,143,000. Clearly this needs to be avoided by delivering projects which reduce expenditure or generate additional income over the period of the strategy. The use of balances to fund ongoing expenditure needs to be minimised with the ultimate target to achieve break even.

**Table 1 Summary of Medium Term Financial Position 2024 – 2029**

|  | 2023/24<br>Actual<br>£000 | 2024/25<br>Estimate<br>£000 | 2025/26<br>Estimate<br>£000 | 2026/27<br>Estimate<br>£000 | 2027/28<br>Estimate<br>£000 | 2028/29<br>Estimate<br>£000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net Service Expenditure                  | 8,684                     | 12,226                      | 12,424                      | 12,201                      | 12,522                      | 12,465                      |
| Total Income                             | 13,269                    | 13,893                      | 13,418                      | 8,479                       | 8,761                       | 8,964                       |
| Net Expenditure                          | -4,585                    | -1,667                      | -994                        | 3,722                       | 3,761                       | 3,501                       |
|  |                           |                             |                             |                             |                             |                             |
| <b>Use of/ (Contribution to)Balances</b> | <b>-4,585</b>             | <b>-1,667</b>               | <b>-994</b>                 | <b>3,722</b>                | <b>3,761</b>                | <b>3,501</b>                |
| <b>Balances at the Year End</b>          | <b>6,892</b>              | <b>8,559</b>                | <b>9,553</b>                | <b>5,831</b>                | <b>2,070</b>                | <b>-1,431</b>               |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |

5.2 The financial projections have changed since the last medium term financial position was presented at the Tax Set meeting in February 2024. The main difference in the figures presented in Table 1 and the figures in the Executive Board report February 2024 is the income from business rates in year 2025/26. The reset will not happen before 2026/27 as the New Government have not announced their future plans for Local Government funding yet and these will take time to implement.

5.3 The figures presented in table 1 show that income decreases significantly in 2026/27 with expenditure increasing annually. Balances will drop below minimum potentially into deficit by 2028/29 because the Council is operating at approximately £3.5m per annum net expenditure which is having a big impact on the level of balances. The figures do not include reductions for savings/increased income in future years at this stage but an appropriate target will need to be identified.

**6 Balancing the Medium Term Budget**

6.1 The figures presented in Table 1 do not include reductions/increased income targets, although these will need to be delivered to achieve a medium term balanced budget and further reductions will be required in future years to meet the target of a break even budget which does not rely on balances. In Table 2 targets have been included to illustrate the level of savings require to deliver a balanced budget over the period of this strategy, this assumes that balances are retained at £1.2m.

**Table 2 Balancing the Medium Term Budget**

|  | 2023/24<br>Actual<br>£000 | 2024/25<br>Estimate<br>£000 | 2025/26<br>Estimate<br>£000 | 2026/27<br>Estimate<br>£000 | 2027/28<br>Estimate<br>£000 | 2028/29<br>Estimate<br>£000 |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Net Service Expenditure                  | 8,684                     | 12,226                      | 12,424                      | 12,201                      | 12,522                      | 12,465                      |
| Total Income                             | 13,269                    | 13,893                      | 13,418                      | 8,479                       | 8,761                       | 8,964                       |
| Reductions/Increased Income Target       |                           |                             |                             | 500                         | 1,000                       | 1,500                       |
| Net Expenditure                          | -4,585                    | -1,667                      | -994                        | 3,222                       | 2,761                       | 2,001                       |
|  |                           |                             |                             |                             |                             |                             |
| <b>Use of/ (Contribution to)Balances</b> | <b>-4,585</b>             | <b>-1,667</b>               | <b>-994</b>                 | <b>3,222</b>                | <b>2,761</b>                | <b>2,001</b>                |
| <b>Balances at the Year End</b>          | <b>6,892</b>              | <b>8,559</b>                | <b>9,553</b>                | <b>6,331</b>                | <b>3,570</b>                | <b>1,569</b>                |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |
|  |                           |                             |                             |                             |                             |                             |

6.2 Table 2 includes the requirement to find budget reductions of £1.5m in its medium term financial strategy a provision of £1m is still available to fund invest to save initiatives. Work is already ongoing to deliver reductions

and deliver increased income and these could be delivered before 2026/27. However, whilst unidentified reductions are built into financial projections over the medium term, only identified reductions are included in the detailed budget put forward for approval for the coming financial year. This is part of the management of financial risks, and gives greater assurance around the approved budget, and the medium term position.

- 6.3 As the council looks for specific reductions and increased income in advance of setting the budget for the following year, work on finding savings from projects such as review of refuse and recycling collection, transformation, asset management, commercialisation of leisure services will assist in delivering the target set. The reduction target for 2026/27 is £500k. which needs to be ongoing savings. If this target is not found, it will need to be reflected in the financial strategy for future years.
- 6.4 Any proposed changes or reductions in services will be subject to equality impact assessments to identify if there is any scope for adverse impacts

### **7 Changes Since 2024/25 Tax Set**

- 7.1 In order to update the strategy, some areas of budget pressure currently being experienced have been reviewed. These are:
- Recycling costs – the figures for this service have been reviewed from a zero-base budget approach due to several significant external factors impacting on the operation of the Materials Recycling Facility (MRF) e.g. inflation, delayed construction phase and the current significant changes within the marketplace for recyclables. The MRF became operational in October 2023 later than anticipated. Due to significant changes from the original business plan developed in 2018 the company have carried out a detailed review of the impact of the above factors, the updated figures should be available in December. The current year figures have been adjusted to allow for the impact of the market conditions impacting on the rebate and the company loan repayments.
  - Planning Appeals – A supplementary estimate totalling £225k was approved to fund the costs of planning appeals in the current year, it is anticipated that this same level of funding will be required for next year.
  - Staff Costs – The salaries have been increased for the impact of the payaward. The vacancy provision of £200k has been taken out as this will along with an additional £50k fund the cost of agency/interim staff.
  - Investment Income – the current years performance is exceeding the budget by 100%, increasing the budget from £1m to £2m.
- 7.2 The detailed budget work is currently in progress and it is expected that overall the changes in expenditure and income will balance out in the current year, excluding the items detailed in Table 3.

**Table 3 Movements in the 2024/25 Estimates**

|   | £000            |
|---|-----------------|
| General Fund Net Expenditure 2024/25<br>(22.2.21 Tax Set Report)      | 11,524          |
| Planning Appeals Supplementary Estimate                               | 225             |
| Salary Adjustments (Payaward, Vacancies,<br>Agency/Interims)          | 637             |
| MRF & Loan Repayments   | 600             |
| Investment Income   | (960)           |
| Other including inflation   | 200             |
| <b>Updated Net Expenditure (Table 1 &amp;2)</b>                       | <b>12,226</b>   |
|   |                 |
| <b>Total Income (Table 1&amp;2)</b>                                   | <b>(13,893)</b> |
|   |                 |
| <b>Use of/(Contribution to) Balances (21.2.24 Tax<br/>Set Report)</b> | <b>(2,332)</b>  |
| <b>Use of/(Contribution to) Balances</b>                              | <b>(1,667)</b>  |
| <b>Year End Balances</b>  | <b>8,559</b>    |

## 8 Budget Projections 2025/26 to 2028/29

8.1 Budget projections for 2024/25 onwards have been updated, using the major variances identified to date in 2024/25:

- It is assumed that pay awards for 2025/26 and all following years will be at 3%. There is likely to be continued pressure on pay rates to ensure compliance with the National Living Wage and from unions as pay restraint in previous years eroded public sector pay against the private sector.
- Any additional impacts from the MRF will be included for 2025/26.
- Interest rates will be reviewed in estimating investment income.

These areas will be revisited in the more detailed work carried out as part of the budget process.

8.3 The significant income in Business Rates income continues in 2025/26 an additional £5 million with the income being brought into the General fund budgets rather than transferring into the specific reserve fund for Business Rates Volatility, this is detailed in Table 4.

## 9 External Funding

### 9.1 Settlement Funding Assessment



## APPENDIX A

- 9.1.1 The Government decides on the level of funding to be allocated to local authorities for their General Fund activities, and then currently allocates this funding between authorities using a formula calculation called the Settlement Funding Assessment.
- 9.1.2 The Settlement Funding Assessment is made up of two elements: Revenue Support Grant and Business Rates. As the Business Rates element is fixed, other than for inflationary increases, any reduction in the Settlement Funding Assessment is taken out of Revenue Support Grant.
- 9.1.3 The New Government announced an autumn budget and spending review on 30<sup>th</sup> October 2024 this did not have any detail but did confirm that the settlement would be one year with the ambition to deliver multi year settlements in following years.
- 9.1.3 The provisional settlement for 2025/26 is expected 19<sup>th</sup> December, figures presented in Table 4 are updated projections based on the original figures from LG Futures, these will be updated when the settlement figures are released. The Fair Funding Review and Business Rates reset have been deferred several times and the New Government have not committed to what their review of Local Government will include or the timescales.

**Table 4 External Funding Projections**

| <b>Funding</b>                               | <b>2023/24</b> | <b>2024/25</b> | <b>2025/26</b> | <b>2026/27</b> | <b>2027/28</b> | <b>2028/29</b> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Council Tax                                  | 4,986          | 5,155          | 5,335          | 5,550          | 5,773          | 6,005          |
| National Non Domestic Rates (NDR) – Baseline | 7,300          | 7,636          | 7,910          | 2,753          | 2,808          | 2,808          |
| New Homes Bonus                              | 519            | 192            | 0              | 0              | 0              | 0              |
| Grants                                       | 390            | 923            | 148            | 149            | 151            | 151            |
| Collection Fund Surplus/(Deficit)            | 74             | (13)           | 25             | 27             | 29             | 0              |
| <b>TOTAL</b>                                 | <b>13,269</b>  | <b>13,893</b>  | <b>13,418</b>  | <b>8,479</b>   | <b>8,761</b>   | <b>8,964</b>   |

Note: The figures are based on Business Rates reset being in 2025/26.

### 9.2 Business Rates

- 9.2.1 Business Rates Retention was introduced in April 2013 with Local authorities retaining a proportion of the business rates they collect giving an incentive for growth. North Warwickshire BC like most boroughs and districts is a tariff authority which means a significant amount of the income received from business rates is paid over to the Government. The estimated business rates baseline for 2025/26 is £2.710 million for North Warwickshire BC. Based on the figures in Table 4 the predicted income is significantly above baseline for 2023/24, 2024/25 and 2025/26 due to the impact of the revaluations on business rates payable. The financial impact could not have been predicted as its approximately 40%

increase compared to the average across the county at 4.5%, this will lead to more appeals which needs to be factored into the figures. The previous Government said they would reset the business rates back to baseline and its assumed this will be from 2026/27, but the new Government have been silent on any detail.

- 9.2.2 Business rates, including the tariff payable, will be increased by inflation each year. It is really difficult to accurately predict income from business rates in our area as it can fall due to business closures or rating appeals, and other external factors. The operation of a national safety net system would provide provision when the Authority's baseline funding fell by 7.5%. If additional business rates are collected, they are allocated 50% to the government, 10% to Warwickshire County Council, and 40% to this Council. As a tariff authority we are required to pay a levy of 50% on the additional rates retained by this Council, although being part of a business rates pool reduces the levy significantly.
- 9.2.3 The Council chose to become a member of the Coventry and Warwickshire Business Rates Pool. This Local Pool agreed a safety net provision at a 5% loss of baseline funding, which would benefit the Council in the event that business rates fall. If business rates increase, the Pool will have a lower levy rate than the Council, of around 10%, allowing the Pool to keep more of the increase.
- 9.2.4 With the estimated growth above baseline this Council will continue to benefit from the pool dividend. In 2023/24 the pool dividend was £1.556m with 2024/25 estimated at approx £1.2m. Due to the high level of uncertainty with business rates income a Business Rates specific reserve was set up to assist with smoothing fluctuations, if required. The fund is currently at £8.8m no further contributions are required at this stage. The MTFs in November 2023 agreed to base budget the business rates income above baseline as the specific reserve was at a high level far in excess of the provision needed for fluctuations in the business rates income. This strategy will continue throughout the MTFs presented.

### **9.3 Council Tax Base**

- 9.3.1 The tax base on which the Council generates its local tax revenue. The tax base rise is calculated based on the same information used to complete the CTB1 and has to be calculated on 30th November, it takes into account the basic tax base, the reduction due to council tax support, growth in new homes and the expected collection rate.
- 9.3.2 The tax base increase built into the MTFs is 0.5% for 2025/26 and 1% for each year after to reflect the growth in number of properties in the borough. The increased revenue from just the tax base in 2025/26 is £25,773 per annum.

## 9.4 Council Tax

9.4.1 This Council has increased the tax to referendum limits since 2020/21 to minimise the cumulative impact of low council tax rises. Decisions to freeze council tax between 2010/11 and 2019/20 had an on going and cumulative effect on the Council's financial position. Grant funding received towards tax freezes have generally been time limited, whereas the council tax increase is reduced permanently.

9.4.2 For the past few years there has been a referendum policy of rising the council tax by a maximum of 2.99% or £5. The assumption in the plan is that the likely referendum limits for district/borough councils will be the higher of 2.99% or £5. The figures in this plan assume that North Warwickshire will be increasing the council tax in line with government limits (2.99% or £5) each year of the plan. The New government have not issued anything on Council Tax rises yet so the figures assume increasing to the Maximum £5.

***It is recommended that members continue with the strategy for increasing tax to maximum level approved by government.***

9.4.3 The Council attempts to balance the need for retaining an affordable council tax, with the retention of services. This is increasingly difficult with current financial constraints, including the pressures of government funding levels, limited income raising opportunities, economic pressures and rising expectations.

## 9.5 Fees and Charges

9.5.1 Income from fees and charges is important and it is essential that the Council maximises the income generation opportunities. As part of the MTFS last year members adopted the guiding principles detailed below for setting and reviewing fees and charges:

- All fees and Charges should be increased at least by September CPI unless there is a robust reason why this is not appropriate – Planning fees set by Government, requirement to demonstrate break even in terms of cost and charge, increase would have a detrimental impact on demand reducing income overall.
- The charge should at least cover the cost of providing the service, no subsidy.
- All services should be reviewed to explore opportunities for new charges.

9.5.2 The ability to generate income from other areas continues to be reviewed as part of the ongoing exercise to reduce the Council's required budget.

## 10 Growth

### 10.1 Growth Areas

10.1.1 The figures presented do not include a provision for growth, any additional funding approved will impact on the target reductions required within the plan (Table 2). Therefore a strong approach is taken with growth areas. In general terms, growth will be allowed if one of the following conditions is met:

- **Statutory Need.** Where the Council needs to spend resources in order to comply with statutory requirements
- **Invest to Save.** Where services can demonstrate that an initial outlay will generate additional income or reduced costs in the future, an advance from an earmarked reserve held for this purpose will be made. There is already £1m in a specific reserve for Invest to Save projects.
- **External Funding.** Services are encouraged to look for external funding to support service development and enhancement. However the impact of ongoing costs against potential one off funding is always considered.
- **Efficiencies.** The Council looks for efficiencies in service provision, to contribute to savings targets, or reallocate resources to other priorities.
- **Delivering Services.** Where the Council wants to enhance the services its delivering, eg Structure Fit for Purpose to ensure the Council has the correct capacity and expertise to deliver the Corporate Plan priorities and services to the public.

## 11 Reductions and Increased Income

11.1 To deliver a medium term sustainable budget reductions are required from 2026/27 onwards. The Council has adopted a strategy of a managed use of balances to ensure the projects/initiatives to deliver reductions/increased income can be developed and implemented but it will still be challenging to take £1.5million out of the budgets by 2028/29.

11.2 It was highlighted in the Corporate Peer Challenge that although the Council had a sustainable MTFs the reductions plan had not been developed into a deliverable plan with detail and targets. Therefore it is recommended to members in this strategy that **the high level projects/initiatives for delivering reductions and increased income detailed below are presented in more detail, with timescales and financial targets for the Tax Set report to ensure that delivery can be monitored.**

11.3 Detailed below is the initial list of projects/initiatives:

- Transformation projects – These need individual business cases with target reductions for improved efficiency both cashable and non cashable, these will include new IT systems and processes.
- Invest to save – The fund of £1m can be used to deliver these initiatives such as rationalisation of assets.
- Service redesign – This links with transformation, an example is reviewing the current Waste & Recycling rounds to achieve optimisation.
- Income Generation – Continue with Fees and Charges review, are there areas we are not charging?
- Commercialism – Where appropriate we should be looking to operate services commercially delivering VFM for residents and a high level of service.
- Structure Fit for Purpose – sustainable structure with the capacity and skills to deliver corporate plan priorities and excellent service to customers.
- Treasury Management – Review Investments to ensure income is maximised, this may include assessing the risk appetite.

### **12 General Fund Balances**

- 12.1 One of the Council's aims is to have a balanced budget. However this does not require a balanced budget in each financial year, the aim is to ensure that services are adequately funded over the medium term. The figures presented in tables 1 and 2 assume minimum balances at £1.2m.
- 12.2 The current policy for general balances is to retain minimum working balances of around £1.2 million on the General Fund. The risk assessments, which support these requirements, are updated on an annual basis as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks. In addition to general reserves there are also specific reserve funds for high risk areas such as Business Rate fluctuations.

### **13 Earmarked/Specific Revenue Reserves**

- 13.1 The Council holds a number of reserves that have been earmarked for specific revenue and capital purposes. Earmarked reserves are used to hold:
- Funding received in advance for specific initiatives;
  - Funding set aside for specific services, where the timing of demand can vary;
  - Funding set aside for the future replacement of assets or other capital expenditure;
  - Funding held to enable the Council to manage specific risks; and
  - Funding where work has been delayed.

- 13.2 For the majority of earmarked reserves, there is little or no risk to the financial standing of the Council. Reserves set up to manage timing differences or hold funding received in advance match expenditure to the income available. Reserves held to allow risks to the base budget to be managed are estimated using the best available information. ***It is recommended that a review of earmarked reserves is carried out, so that previous priorities can be reassessed in light of the current financial position and if the fund is no longer required the balance will be transferred to the general fund balance.***

### 14 Treasury Management

- 14.1 This is the management of the Local Authority's cash flows: its banking, money market and capital market transactions. The Council has adopted a Treasury Management and Annual Investment Strategy, which sets out a framework for its activity in these areas. The current Strategy aims to minimise risk by putting greater emphasis on security and liquidity. Once risk has been minimised, the Council will maximise performance wherever possible, within existing controls.

- 14.2 As highlighted in the Treasury Management Strategy, the Council has a borrowing requirement of £64.1 million for 2024/25. The HRA has external borrowing of £49.540 million, whilst the General Fund has internal borrowing of £14.575 million. Internally borrowed funds come from earmarked reserves held for future revenue and capital spending. As these resources are used, there will be a need for further external borrowing.

- 14.3 The government previously imposed a cap on an authority's total housing borrowing, which has now been removed. The Authority was below the cap, so investment and borrowing decisions were based on affordability within the HRA. This approach remains unchanged.

- 14.4 The Council has internal funds in excess of those needed to cover the internal loans. These are invested on the money market and generate investment income for both the General Fund and the Housing Revenue Account. The cash fund portfolio is managed internally, with advice from Link Treasury Services, the Council's treasury management consultants. As part of maximising income generation the investments will be reviewed to ensure they are achieving appropriate returns. In the current year the income from investment interest is 100% above the budget of £1m the updated forecast is £1.960m.

### 15 Budget Process

- 15.1 The budget process operates throughout the year, with the budget strategy updated in November and reported to members. The financial forecast produced in this strategy provides the context for the more

detailed four year budget approved in February, as part of the Council Tax Setting process.

- 15.2 In the event of potentially significant changes to the Council's financial position, the Section 151 Officer will assess whether additional updates of the financial strategy are needed.

### **16 Budget Consultation**

- 16.1 Last year the Council carried out a comprehensive consultation exercise with the residents. The questionnaire was developed to include a number of questions that informed the Council with regard to the services it delivers. There were a number of questions relating to the services and the cost, and also about income generation. All of the results were presented to members in February 2024 and where relevant the financial decisions were made based on the feedback. There are no plans to deliver this type of consultation this year but the results of last years exercise are impacting on the MTFs and Corporate plan which both cover the medium term rather than annual.

### **17 Housing Revenue Account**

- 17.1 The Housing Revenue Account (HRA) is a separate ring fenced account which holds the income from tenants rent and funds expenditure on managing and maintaining the councils stock. The HRA is required to have a 30 year business plan which estimates the income and expenditure over the life of the plan ensuring that decent homes is maintained and a provision for new build is included. The HRA business plan and budgets will be presented in detail to the January Resources Board.

#### **17.2 General Balances on the Housing Revenue Account**

- 17.2.1 The Council aims to have a balanced budget on the Housing Revenue Account. This does not require a balanced budget in each financial year; the aim is to ensure that services are adequately funded over the medium term.
- 17.2.2 The current policy for general balances is to retain minimum working balances of £500,000 - £750,000 on the Housing Revenue Account. The risk assessment, which supports this requirement, is updated annually as part of the budget process. This allows detailed consideration of changing economic conditions and other potential high risks. Given the greater risks that will be faced by the council as a result of welfare reform, an increased requirement to hold general balances may be needed.

#### **17.3 Housing Business Plan**

- 17.3.1 To ensure the continued management and maintenance of North Warwickshire's housing stock, both Members and officers need to take decisions on a long term basis. For example, we need to build up surpluses to fund the capital expenditure needed later in the Business Plan. The impact of decisions taken is fundamental to the sustainability of the Business Plan.
- 17.3.2 The Business Plan currently assumes that the authority continues to increase rents in line with government policy. The Government announced in the Autumn budget that the rent policy for the next 5 years would be CPI + 1% per annum which gives clarity for the business plan. They also announced that the Councils could retain 100% of the Right to buy receipts which will have a positive impact on new build as match funding is not required.
- 17.3.3 Further detail around the management and maintenance of the Council's housing stock is given in the Housing Business Plan.

## **18 Capital Programme**

### **18.1 Capital Funding**

- 18.1.1 The Council estimates its expected resources over both a three and ten-year period. These include receipts from the sale of council assets, revenue funding used to support capital expenditure and anticipated contributions from third parties. Funding from the government is also considered. Specific grant is received towards the cost of Disabled Facility Grants. In future years the capital programme does not include many items which is not representative of the possible challenges and projects which will need to be delivered during the medium term. As part of the detailed budget process the capital programme will be updated.
- 18.1.2 Given its restricted resources, the council prioritises capital schemes, to enable it to carry out all essential spending.
- 18.1.3 There are a number of funding issues which need to be addressed moving forward and these will be considered in future updates of the Capital Strategy. The Capital Strategy gives further detail on the allocation of capital funding.

### **18.2 Interaction between Revenue and Capital Spending**

- 18.2.1 Many capital schemes will impact on the revenue budget. This may be due to ongoing maintenance costs which are incurred following the acquisition of an asset or may be related to the cost of repaying loans taken out to finance capital expenditure, or the loss of investment income if internal loans are used.



18.2.2 In assessing bids put forward for inclusion in the capital programme, the impact of capital spending on the revenue budget is considered.

### **19 Risk Management**

- 19.1 The Council has a Risk Management strategy in place which it uses to manage all of its risks, including financial risks. This is currently being updated to ensure it is fit for purpose and the key risks are included.
- 19.2 The whole risk management framework is under review to ensure it is robust, easy to use and embedded into the Council and all services. This will ensure that if there are significant changes in the level of risk to the Council from new legislation, or policy changes, they are considered and reported to Board. Any significant increase in financial risks will therefore be addressed during the year, if this is necessary.
- 19.3 In addition, the financial risks of individual services need to be considered during the budget preparation process by Service Boards, along with the related budgets. Annual risk assessments are undertaken on the level of balances for the General Fund and the Housing Revenue Account and considered at the same time as the budgets. This ensures that all current issues are included. Where required a specific revenue reserve will be set up to mitigate high financial risk areas such as Business Rates Fluctuations, Recycling credits and buildings maintenance.
- 19.4 To assist with highlighting the impact of the potential risks, the major risks are assessed on differing risk levels, and these are included in reports to Board.

## Agenda Item No 14

### Executive Board

25 November 2024

#### Report of the Chief Executive

#### Remote attendance and Proxy voting

### 1 Summary

- 1.1 This report asks the Board to consider the Government's consultation on the detail and practical implications of allowing remote and hybrid attendance and proxy voting at local authority meetings in England.

#### Recommendation to the Board

- a That the consultation be noted; and
- b That the Board's views be forwarded to the Government as part of the consultation.

### 2 Report

- 2.1 Government is consulting on introducing powers for local authority members to apply to the relevant authority for a dispensation to attend formal council meetings remotely and vote by proxy in certain circumstances. This is part of the Government's explicit aim of 'resetting the relationship' between Central and Local Government. The consultation document can be found at [Enabling remote attendance and proxy voting at local authority meetings - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/enabling-remote-attendance-and-proxy-voting-at-local-authority-meetings)
- 2.2 The Government confirms that Councillors coming together in one place to debate the decisions and issues facing the Council and its residents is an important part of the democratic process and provides a focal point for transparent decision making. However it is seeking to balance this with increased flexibility so that attendance at meetings can be made available if individual Councils wish to do so. This may "encourage a wider diversity of people willing and able to stand and actively participate in local democracy by creating improved conditions where meetings are accessible and inclusive."
- 2.3 In addition, the Government is seeking views on the possible introduction of proxy voting for those occasions when an elected member, due to personal circumstances, may be unable to attend even remotely, for example during maternity, paternity or adoption leave.

...

2.4 The consultation questions are set out in the Appendix to this report and Members are asked for their views which will then be forwarded to the Government. As the consultation document sets out, views are encouraged from Councils but also individual elected Members, as well as members of the public.

### 3 **Report Implications**

3.1 There are no specific implications.

The Contact Officer for this report is Steve Maxey (719438).

# Enabling remote attendance and proxy voting at local authority meetings

## Consultation Questions

[Question 1 relates to what type of Council is responding]

### *Question 2*

Do you agree with the broad principle of granting local authorities powers to allow remote attendance at formal meetings?

Yes/No

If you answered No to the above question please go directly to question 4.

### *Question 3*

If you answered Yes to the above question, do you think that there should be specific limitations on remote attendance?

Please tick all the options below that correspond with your view and use the free text box for any other comments.

- a) Any formal meeting allowing remote attendance should have at least two thirds of members in physical attendance.
- b) Members should only be able to attend council meetings remotely in exceptional circumstances, such as those who are medically or physically unable to attend, or for reasons of local or national emergencies.
- c) There should be no limitations placed upon councils with regard to setting arrangements for remote attendance of council meetings, up to and including full remote attendance.
- d) [Free text box]

[Question 4 relates to elected Mayors]

### *Question 5*

If you are responding to this consultation on behalf of a council as a whole, what proportion of the council's current elected members are likely to seek to attend council meetings remotely over the course of a year?

- less than 10%
- more than 10% but less than 50%

- more than 50% but less than 90%
- most of them 90% to 100%

*Question 6*

The government recognises that there may be cases in which it is necessary for councils to hold meetings fully remotely. Do you think there should be limitations placed on the number of fully remote meetings councils should be able to hold?

- a) Councils should be able to allow full remote attendance at up to half of council meetings within a twelve-month calendar period.
- b) Councils should only have the flexibility to change a meeting from in-person to online, or vice versa, due to unforeseen and exceptional circumstances.
- c) Councils should not have the flexibility to conduct fully remote meetings to ensure there is always an in-person presence.
- d) [Free text box]

*Question 7*

Do you think there are there any necessary procedural measures that would help to ensure a remote or hybrid attendance policy is workable and efficient?

Please tick all the options that correspond with your view and use the free text box for any other comments.

- a) Councils should be required to publish a list of attendees joining the meeting remotely and give notice if a meeting is being held with full remote attendance.
- b) Councils should be required to ensure that standard constitutional arrangements are followed for hybrid and fully remote meetings.
- c) Councils should be required to make arrangements to ensure restricted items (where a council decision is taken in private to protect confidentiality) are managed appropriately and to require remotely attending members to join from a private location.
- d) Other [Free text box]

*Question 8*

Do you think legislative change to allow councillors to attend local authority meetings remotely should or should not be considered for the following reasons?

Tick all the statements below that apply to your point of view.

**Should be considered because**

**Should not be considered because**

---

It is a positive modernising measure.

Councillors should be physically present at all formal meetings.

---

It would likely increase the diversity of people willing and able to stand for election in their local area, making councils more representative of the communities they serve.

It could lead to a significant number of councillors habitually attending remotely and ultimately reduce the effectiveness of councils.

---

Councils would be more resilient in the event of local or national emergencies which prevent in-person attendance.

It would be more difficult for councillors to build personal working relationships with colleagues, and engage with members of the public in attendance at meetings.

---

Free text box – please state any other reasons

Free text box – please state any other reasons

---

*Question 9*

In your view, would allowing councillors to attend formal local authority meetings remotely according to their needs particularly benefit or disadvantage individuals with protected characteristics, for example those with disabilities or caring responsibilities? Please tick an option below:

- it would benefit members
- it would disadvantage members
- neither

Please use the text box below to make any further comment on this question.

[Free text box]

## Proxy voting

### Question 10

In addition to provisions allowing for remote attendance, do you consider that it would be helpful to introduce proxy voting?

- yes
- no
- unsure

### Question 11

If yes, for which of the following reasons which may prohibit a member's participation in council meetings do you consider it would be appropriate?

Please select all that apply:

- physical or medical conditions
- caring responsibilities
- parental leave or other responsibilities
- other [Free text box]

### Question 12

Are there circumstances in which you feel proxy voting would not be appropriate?

[Free text box]

### Question 13

If you think proxy voting is appropriate, are there any limitations you think should be placed upon it?

[Free text box]

## Agenda Item No 15

### Executive Board

25 November 2024

### Report of the Chief Executive

### Performance Management

#### 1 Summary

- 1.1 This report provides Members with an update to the work that the newly appointed Data Analyst is undertaking.

#### **Recommendation to the Executive Board**

- a That the report is acknowledged; and**
- b Agree the new Power BI reporting dashboard, subject to comments from Members.**

#### 2 Background

- 2.1 The way the Council considers performance against its strategic targets has been significantly reviewed in recent years. Members agreed at June's Executive board that the Council would expand the way in which the Council analyses and views performance data which will help drive decisions and service improvements.
- 2.2 In June, Members also agreed the creation of a brand-new Data Analyst role, the role. The successful candidate joined the team in September.

#### 3 Performance

- 3.1 The Council is on a continuing journey with regards to our performance management. Our aim is to collect data and carry out analysis of the data. We will use Power Bi to provide real-time easy-to-view visuals to help us make informed decisions.
- 3.1.2 The Council is working towards standardising our data and improve the quality and consistency in the presentation of data. The data will be presented at the board meeting.



## 4 Report Implications

### 4.1 Finance and Value for Money

4.1.1 There are no financial implications arising from this report.

### 4.2 Legal and Data Protection Implications

4.2.1 It is legal obligation to consult the Council's Data Protection Officer (DPO) early in relation to any matters which relate to the protection of personal data and to ensure that they are properly involved in such matters and are therefore able to contribute accordingly. It is also a statutory requirement to provide the DPO with the necessary resources to undertake their role, together with access to all relevant information required. In turn the DPO must advise the Council as to its obligations under data protection legislation. The Head of Legal Services is the Council's DPO and no personal data will be made publicly available.

### 4.3 Environment, Climate Change and Health Implications

4.3.1 Improvements in the performance and quality of services will contribute to improving the quality of life within the community

### 4.4 Human Resources Implications

4.4.1 There are no human resources implications arising from this report.

### 4.5 Risk Management Implications

4.5.1 A systematic approach to performance data will help the Council improve its understanding of performance, including that of its key risks.

### 4.6 Links to Council's Priorities

4.6.1 The work that the Transformation Team undertake contributes towards the Council's Corporate Plan in progressing to become a more efficient organisation.

The Contact Officer for this report is Trudi Barnsley (719388).

## 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          |
|---------------------|----------------|-----------------------------------|---------------|
| Agenda Item 7       | Steve Maxey    | Corporate Plan Performance Update | 18 March 2024 |
| Agenda Item         | Trudi Barnsley | Performance Management            | 11 June 2024  |

**Agenda Item No 16**

**Executive Board**

**25 November 2024**

**Report of the Chief Executive**

**Calendar of Meetings 2025/26**

**1 Summary**

- 1.1 The purpose of this report is to seek approval for a calendar of meetings for 2025/26.

**Recommendation to the Council**

**That the draft calendar of meetings for 2025/26 as submitted at Appendix A to the Chief Executive's report be approved.**

**2 Report**

- ... 2.1 A draft calendar of meetings for 2025/26 is attached at Appendix A
- 2.2 Points to note on the 2025/26 calendar are as follows:-
- a The majority of all main Board meetings will take place on a Monday. Meetings of the Full Council continue to be held on Wednesdays;
  - b Planning and Development Board to meet once each month;
  - c The Resources Board, the Community and Environment Board and the Executive Board to meet at least once a cycle;
  - d A meeting of the Special Sub-Group has been scheduled each month (except for May 2026);
  - e A meeting of each Licensing Committee has been set for the end of January 2026 and additional meetings will be arranged on an ad hoc basis;
  - f A number of meetings of the Safer Communities Sub-Committee and the Local Development Framework Sub-Committee have been set; and
  - g A meeting of the Executive Board is scheduled on 16 July 2025. To consider the draft accounts.
  - h The Annual Council meeting will be held at 6.30pm on 14 May 2025 to appoint the Mayor and Deputy Mayor and make appointments to Boards / Committees and Outside Bodies etc for the ensuing year.

### 3 Report Implications

#### 3.1 Legal Implications

3.1.1 The Local Government Act 1972 requires the Council to hold its Annual Meeting in a non-election year during March, April, or May however, the Act states that if no other time is specified for the Annual meeting to take place, it must begin at 12 noon. Accordingly, the start time should be confirmed now for the avoidance of doubt.

3.1.2 The 1972 Act gives the Council broad discretion in relation to arranging other Council, Board (Committee) and Sub-Committee meetings and the proposals above and in the appendices are within the discretion allowed.

The Contact Officer for this report is Amanda Tonks (719221).

### Background Papers

Local Government Act 1972 Section 100D

| Background Paper No | Author | Nature of Background Paper | Date |
|---------------------|--------|----------------------------|------|
| None                |        |                            |      |

## DRAFT MEETINGS TIMETABLE – 2025/26

|    | May-25    | Jun-25  | Jul-25 | Aug-25 | Sep-25  | Oct-25 | Nov-25 | Dec-25  | Jan-26 | Feb-26  | Mar-26 | Apr-26 | May-26  |
|----|-----------|---------|--------|--------|---------|--------|--------|---------|--------|---------|--------|--------|---------|
| 1  | Elections |         | LDF    |        | PLAN    |        |        | RES     | BHOL   |         |        |        |         |
| 2  |           |         |        |        |         |        |        |         |        | PLAN    | PLAN   |        |         |
| 3  |           |         |        |        |         |        | PLAN   | COUNCIL |        |         | SSG    | BHOL   |         |
| 4  |           |         |        | PLAN   |         |        | SSG    |         |        |         |        |        | BHOL    |
| 5  | BHOL      |         |        |        |         |        |        |         | PLAN   |         |        |        |         |
| 6  |           |         |        |        |         | PLAN   |        |         | SSG    |         |        | BHOL   |         |
| 7  |           |         | PLAN   |        |         | SSG    |        |         |        |         |        |        |         |
| 8  |           |         |        |        | SSG     |        |        | PLAN    |        |         |        |        |         |
| 9  |           | PLAN    |        |        | LDF     |        |        | SSG     |        |         | CEB    |        |         |
| 10 |           | EXB     |        |        |         |        |        |         |        | EXB     |        |        |         |
| 11 |           |         |        | SSG    |         |        |        |         |        | SSG     |        |        |         |
| 12 |           |         |        |        |         |        |        |         | SAC    |         |        |        |         |
| 13 |           |         |        |        |         |        | CEB    |         |        |         |        | PLAN   | COUNCIL |
| 14 | COUNCIL   |         | SSG    |        |         |        |        |         |        |         |        | SSG    |         |
| 15 |           |         |        |        | EXB     |        |        |         |        |         |        |        |         |
| 16 |           | SSG     | EXB    |        |         |        |        |         |        |         | RES    |        |         |
| 17 |           |         |        |        |         |        | LDF    |         |        |         |        |        |         |
| 18 |           | COUNCIL |        |        |         |        |        |         |        | COUNCIL |        |        | CEB     |
| 19 | CEB       |         |        |        |         |        |        |         | CEB    |         |        |        | PLAN    |
| 20 | PLAN      |         |        |        |         | RES    |        |         | LDF    |         |        |        |         |
| 21 |           |         | CEB    |        |         |        |        |         |        |         |        |        |         |
| 22 |           |         | RES    |        |         |        |        |         |        |         |        |        |         |
| 23 |           |         |        |        |         |        |        |         |        |         | EXB    |        |         |
| 24 |           |         |        |        | COUNCIL |        | EXB    |         |        |         | SAC    |        |         |
| 25 |           |         |        | BHOL   |         |        |        | BHOL    |        |         |        |        | BHOL    |
| 26 | BHOL      |         |        |        |         |        |        | BHOL    | RES    |         |        |        |         |
| 27 |           |         |        |        |         |        |        |         | LIC    |         |        |        |         |
| 28 |           |         |        |        |         |        |        |         |        |         |        |        |         |
| 29 |           |         |        |        |         |        |        |         |        |         |        |        |         |
| 30 |           | SAC     |        |        |         |        |        |         |        |         |        |        |         |
| 31 |           |         |        |        |         |        |        |         |        |         |        |        |         |

EXB - Executive Board

RES - Resources Board

CEB - Community and Environment Board

PLAN - Planning and Development Board

LIC - Licensing Committee (Alcohol &amp; Gambling Committee &amp; Taxi &amp; General Committee)

SAC - Safer Communities Sub-Committee

SSG - Special Sub-Group

LDF - Local Development Framework Sub-Committee

**Agenda Item No 17**

**Executive Board**

**25 November 2024**

**Report of the Chief Executive**

**Corporate Peer Challenge**

**1 Summary**

- 1.1 This report asks the Board to note the Corporate Peer Challenge ('CPC') report.

**Recommendation to the Board**

- a That the report be noted;**
- b That the report be published on the Council's website; and**
- c That a further report and action plan be reported to the next meeting of this Board in February.**

**2 Report**

- 2.1 Members will recall that the Council hosted a LGA Corporate Peer Challenge team in September. CPCs are a key part of the sector's approach to improvement and assurance – further details on the scheme and the scope for this Council's Challenge can be found at Appendix 1 to this report.

...

- 2.2 The Council received feedback at a Member Panel at the end of the visit and the final report of the CPC has now been received. This is attached as Appendix 2 and there is a requirement to publish the report by 15 December, following which an action plan will be drafted for this Board to consider at its February meeting.

...

- 2.3 As those who were able to take part in the CPC will be aware, the findings of the Peer Team were, in their words, 'overwhelmingly positive'. However for this process to be robust and beneficial it is welcomed that the Peer team have identified a number of areas where action and improvement would improve the working of the Council further.

- 2.4 There is a lot in the report that reflects very well on the Council, both Officers and Members, including working relationships which are so important in having an effective Council. Officers and Members have:

*A strong local focus on supporting the communities of the Borough. Members and officers regularly work well together and overall there are established, positive and productive relationships in place from senior to junior officers and with politicians, including cross-party Member-Member relationships. This is important and the Council takes pride in having these relationships in place.*

- 2.5 In addition the Council understands its area and the political priorities adopted by the Council are clear. The Council's financial position "is reasonable and future pressures have been recognised". The Council's digitisation/modernisation journey is recognised and its relationships with partners and stakeholders within the Borough and wider region were seen to be positive.
- 2.6 The main areas for action and improvement are set out in the report and include:
- A greater understanding of the priorities of the Council, particularly within the Council
  - Some significant governance issues on which the Council has started work but which now need to be completed, principally around what the Peer Team see as the need for greater clarity on where Audit sits within the Council's democratic arrangements, and updating the Council's constitution and work on risk
  - A detailed savings plan as part of the next Budget
  - That the digitisation/modernisation journey continues to mature with greater project resource and a clear link to the savings required in the medium term
  - The Council could be more outward looking and widen the scope of its partnership working, particularly where seeking to influence issues outside of its direct control
  - Continue to add to staff capacity via the senior management restructure agreed by Council
  - Offer further training opportunities for Members
  - Continue the work to review the provision of leisure facilities within the Borough, including a focus on the link to green spaces and health outcomes
- 2.7 Whilst the action plan to be reported to this Board's next meeting will set out the detail on the suggested response, there are a number of issues that can be set out at this stage.
- 2.8 The Council is aware of, and indeed raised with the Peer Team, the issues around governance. Members will be aware of the current national issues with regard to audit and the delays in the account reporting timetable. As [reported to this Board's last meeting](#), catch up work continues and progress has been

made but it is unlikely that all the outstanding external audits will be completed, particularly within the current timetable. As reported to September's Resources Board, the Council had already commissioned an internal audit into Governance and the report on this has been now been received. The interim Corporate Director (Resources) will oversee the actions identified and agreed action plan.

- 2.9 With regard to the other main issue regarding communicating our priorities to increase understanding across the Council, Members will be aware that the Council has fundamentally reviewed its Corporate Plan in recent years to make the Council's vision and aspirations for the area clearer. The Peer Team did not have the opportunity to review the Council's Service Plans, which do go into more detail on the actions to be taken and the Service Plan template has been rewritten recently to make it explicit which high level aspirations and Corporate Plan priorities actions relate to or help implement. That said, it may be that the 25/26 revision of the Corporate Plan, which will be reported to the next meeting of this Board, can include more details on specific actions that will be taken in support of the high level priorities and it may also assist Members to see the Service Plans for each main service area by way of assurance that these links exist. In addition, internal communications can assist by making it clear how the day to day work of colleagues contributes to the Council's priorities.

### **3 Report Implications**

- 3.1 There are no specific implications at this stage.

The Contact Officer for this report is Steve Maxey (719438).



# LGA Corporate Peer Challenge - Scope

North Warwickshire Borough Council

31/07/2024

**Corporate Peer Challenge**





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# 1. Introduction

Local authorities are responsible for their own performance and improvement and are primarily accountable locally for this, through their local democratic mandates. Under the statutory [Best Value duty](#), Government expects all local authorities to have a Local Government Association Corporate Peer Challenge (CPC) or Finance Peer Challenge (FPC) at least every five years.

CPC is a tried and trusted method of improvement; it provides councils with a robust and effective improvement tool which is owned and delivered by the sector, for the sector. CPC also contributes to local authorities' assurance of their own performance and is part of the wider work the LGA is undertaking to develop an [improvement and assurance framework](#) for local government.

Peers are at the heart of the peer challenge process and provide a 'practitioner perspective' and 'critical friend' challenge. Data from the LGA's annual Peer Challenge Feedback Survey revealed 100 per cent of respondents indicated that the process of preparing for and participating in the peer challenge has had a positive impact on their council.

The newly enhanced CPC offer considers the challenging context in which councils are operating and provides a greater focus on key issues such as financial sustainability, governance, assurance, and performance.

Thank you for agreeing to be part of the Local Government Association's Corporate Peer Challenge programme. This document provides details of the approach, scope and focus at North Warwickshire Borough Council (NWBC).

## 2. Scope and focus

The meeting on 19<sup>th</sup> July 2024 with Cllr David Wright (Leader), Steve Maxey (Chief Executive), Raj Khara (Peer Challenge Manager, LGA) and James Millington (Peer Challenge Manager, LGA), was an opportunity to further discuss the CPC for the Council. As discussed, to get the most value out of the CPC, the Council needs to

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carefully consider and agree the scope and focus. The five core areas for all LGA CPCs provide the framework:

1. **Local priorities and outcomes** - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities? Is there a robust organisational-wide approach to continuous improvement, with regular monitoring, reporting on and updating of performance and improvement plans?
2. **Organisational and place leadership** - Does the council provide effective local leadership? Are there strong and effective relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of openness, transparency, challenge, and scrutiny?
4. **Financial planning and management** - Does the council have a clear understanding of its financial position? Does the council have a strategy and a plan to address its financial challenges? What is the relative financial resilience of the council like?
5. **Capacity for improvement** - Is the organisation able to bring about the improvements it needs, including delivering on locally identified priorities? Does the council have the capacity to improve?

We also discussed an additional area of focus for this CPC. The Council would appreciate the peer team's views on Phase 1 of its leisure improvement work. The peer team are asked to review the suggested approach and project plan and to provide feedback on the opportunities and risks.

Every CPC will have a strong focus on financial sustainability, performance, governance, and assurance.

### 3. Timing and duration

A peer challenge takes around three to six months lead-in time, including time required to secure time in peers' diaries. It has been agreed that the CPC will take

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place over a duration of 3 days onsite commencing on 10<sup>th</sup> September and finishing on 12<sup>th</sup> September 2024.

## 4. Corporate Peer Challenge team

The LGA have sourced and agreed the team of member and officer peers informed by the skills and experience required for this CPC. Peers were selected from the LGA's accredited pool of peers, and the team composition was informed by the scope and focus of the CPC - including serving councillors, chief executives, and senior officers from councils with similar challenges to NWBC. The LGA is committed to diversity and inclusion and aims to ensure the peer team reflects the diversity of the Council and the community it serves.

The peer team for this CPC is:

- **Jackie King** - Chief Executive, Epsom & Ewell BC
- **Cllr Louise McKinlay** – Conservative Member peer - Deputy Leader & Cabinet Member for Levelling Up and the Economy, Essex County Council
- **Cllr Anna Smith** – Labour Member peer - Cambridge City Council; and Deputy Mayor of the Cambridgeshire and Peterborough Combined Authority
- **Tom Dobrashian** – Executive Director of Place, Watford BC
- **Sarah Parfitt** - Section 151 Officer and Director of Corporate Services, Gravesham BC
- **Ian Leete** - Senior Adviser – Culture, Tourism and Sport, LGA
- **Raj Khera** - Peer Challenge Manager, LGA
- **James Millington** - Peer Challenge Manager, LGA
- **Kaylash Patel** - Project Support Officer, LGA – (who will provide support to the peer challenge managers but will not join the team on-site).

## 5. Process

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The peer team will undertake a four-stage review of the council which will include:

1. Preparation and engagement
2. Onsite delivery
3. Post onsite and publication of the corporate peer challenge report
4. Progress review

### **Preparation and engagement**

To help the peer team gain an in-depth understanding of the local issues before their onsite activity, the PCM will work with NWBC to develop an Information and Data Pack. The most important aspect of the pack is the 'Position Statement' prepared by the Council. This should provide a clear brief and steer to the peer team on the local context and areas of focus for them. It is an opportunity to set out the key issues, challenges and current thinking in relation to the CPC.

In addition, the LGA will provide both the peer team and Council with a detailed finance briefing prepared by an LGA Finance Adviser and a comprehensive performance and benchmarking report using LG Inform data.

The peer team will also undertake some pre-onsite conversations with key officers and members. In particular, a pre-call between NWBC's Chief Executive and the peer team's lead Chief Executive peer and a separate call between NWBC's Leader and the peer team's lead member peer. The dates and times for this earlier engagement will be agreed with the Council in advance and will typically take place remotely. Other discussions between peer team colleagues and their opposite numbers at the Council can also be arranged in advance.

### **Onsite delivery**

Whilst onsite delivering the CPC, the peer team will meet with a range of officers and members over the course of the peer challenge, as well as a range of external stakeholders. There will be informal feedback to the council's Leader and Chief Executive at the end of each day.

On the final day the peer team will deliver verbal feedback, including key recommendations, to a selected audience agreed with the Council. The audience should include the Leader, Chief Executive, cabinet members/lead members and members of the senior management team. Beyond this, the LGA encourage the Council to adopt an inclusive approach and invite opposition group leaders as appropriate too.

During this feedback there will be opportunity for clarification and questions, following the presentation.

### **Post onsite and publication of the corporate peer challenge report.**

A follow up report detailing the strengths of the Council, the areas for improvement and key recommendations will be produced. The peer team's recommendations and report will be underpinned by the data and evidence which they gathered and triangulated during the CPC process. The LGA will aim to share the draft report with the Council within four weeks of the CPC.

The LGA welcome comments on factual errors or inaccuracies within the report within a two-week timescale and will agree the final report with the Council for publication. Councils cannot amend or alter the CPC report other than highlighting any factual inaccuracies. The Council are also required to develop and publish a detailed action plan that responds to the report's findings including the key recommendations.

In the spirit of openness and transparency, the Council is required to publish the CPC report on the Council's website within three months of the CPC taking place. The LGA will also publish the report via its website no later than three months of the CPC taking place and will do this irrespective of whether the Council themselves have published. The Council's action plan, showing how they will implement the recommendations, should be published on their website no later than five months of the CPC taking place.

## Progress review

Within 12 months of the CPC, NWBC are required to have a progress review and to have published the findings from this review. This will be a facilitated face to face session, held over a day which creates space for the Council's senior leadership to update on progress against the action plan and discuss next steps.

In advance of the progress review, the Council is required to provide a RAG rated CPC action plan and short position statement which clearly sets out the progress made in relation to each of the CPC's recommendations. During the progress review, peers will review this action plan and the progress made against each recommendation.

Following the progress review, the LGA will produce a short report which reflects the Council's progress and provides examples of any good or innovative practice.

NWBC are required to publish the Progress Review report within 12 months of the original CPC taking place. The LGA will also publish this report on their website.

The date for the progress review at NWBC will be identified in due course.

## 6. Practical arrangements and next steps

The Council will need to identify a peer challenge co-ordinator who will act as a day-to-day contact and oversee the practical arrangements. I understand that Steve Maxey will undertake this role with support from Kirsty Harvey and Victoria McGuffog and we have already met to discuss this further. We have a further meeting onsite in Atherstone on 31<sup>st</sup> July.

The Council's information and data pack should be shared with the Peer Challenge Managers no later than three weeks in advance of the CPC. As outlined in section five of this scoping document, this should comprise of the Council's position statement, timetable and supporting suite of documentation for the peer team.

A more detailed council preparation guidance note has been shared with the Council which provides more detail on preparing for the process, including an example



timetable.

I hope this has been helpful and please can you confirm the approach by return of email.

James Millington and Raj Khera

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# LGA Corporate Peer Challenge

North Warwickshire Borough Council

10<sup>th</sup> – 12<sup>th</sup> September 2024

Feedback report



**Corporate Peer Challenge**



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# 1. Introduction

Corporate Peer Challenge (CPC) is a highly valued improvement and assurance tool that is delivered by the sector for the sector. It involved a team of senior local government councillors and officers undertaking a comprehensive review of key finance, performance and governance information and then spending three days at North Warwickshire Borough Council to provide robust, strategic, and credible challenge and support.

CPC forms a key part of the improvement and assurance framework for local government. It is underpinned by the principles of Sector-led Improvement (SLI) put in place by councils and the Local Government Association (LGA) to support continuous improvement and assurance across the sector. These state that local authorities are: Responsible for their own performance, Accountable locally not nationally and have a collective responsibility for the performance of the sector.

CPC assists councils in meeting part of their Best Value duty, with the UK Government expecting all local authorities to have a CPC at least every five years. Peers remain at the heart of the peer challenge process and provide a 'practitioner perspective' and 'critical friend' challenge.

This report outlines the key findings of the peer team and the recommendations that the Council are required to action.

# 2. Executive summary

North Warwickshire Borough Council (NWBC) previously commissioned a CPC in 2013. This CPC in 2024 was an opportunity for the Council to consider its achievements and identify where further improvements could be made. In this spirit the peer team recommend that NWBC schedule in regular opportunities to undertake similar reflective improvement activity. This will assist Members and officers to

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continue to effectively support the communities of the Borough which they have demonstrated to the peer team that they care so deeply about.

All NWBC staff and Members that the peer team met had a strong local focus on supporting the communities of the Borough. Members and officers regularly work well together and overall there are established, positive and productive relationships in place from senior to junior officers and with politicians, including cross-party Member-Member relationships. This is important and the Council takes pride in having these relationships in place.

NWBC is clear on where the Borough sits within the regional geography, and in the wider County context and how its needs differ from some of its neighbours across the 5 district/borough areas. There are distinct differences including employment and skills, HS2 and the needs of its communities and the Council uses a range of evidence to understand and identify its own areas of focus.

There are clearly defined areas of political priority but how these are translated into the Council's Corporate Plan could be strengthened. The priorities have been set out in the Corporate Plan 2023-27 but the peer team found that there was not a shared understanding of these from within, both by Members and officers, and outside of NWBC. Priorities should be more consistently embedded throughout the organisation and a strengthened culture and 'golden thread' with clearer delivery plans for the priorities would support this.

The peer team identified some significant governance issues. NWBC is aware of most of these already but these now need to be prioritised and resolved. Activity must now include: undertaking a review of the constitution; providing clarity around Member oversight of internal and external audit; development of the Annual Governance Statement 2023/24; and the finalisation of the performance and risk management frameworks. These are important elements of good governance and as indicators of the health of the Council need to be addressed at pace.

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The immediate financial position of NWBC is reasonable and future pressures have been recognised. The budget for 2024/25 was set without the need to identify savings. However, there are expenditure reductions of £2M required by 2026/27. NWBC is in a good position in the short term but it does need to now urgently develop a savings plan as part of its budget process. This plan requires a lead-in time to allow for it to be agreed, risk assessed, monitored and widely communicated. As NWBC is currently refreshing its Medium Term Financial Strategy (MTFS) now is an opportune time to build its savings plan alongside this.

The peer team recognise that NWBC is on a digitisation/modernisation journey. This would benefit from effective programme management arrangements, especially as there are clear interdependencies with the budget savings programme and income generation proposals.

There is also an opportunity for the Council to be more outwardly focused. The peer team heard about positive relationships with other tiers of local government, partners and other organisations. Partners would encourage NWBC to be more proactive in asking for assistance and using its convening power and this would allow the Council to further extend its reach and impact through building on and maximising its partnership working and collaboration. This is particularly important for areas of priority for NWBC if they fall out of its direct responsibility or control where it is reliant on influencing others.

### 3. Recommendations

There are a number of observations and suggestions within the main section of the report. The following are the peer team's key recommendations to the Council:

#### 3.1. Recommendation 1

The Council's corporate priorities need to be consistently communicated and

understood throughout the organisation with an effective performance management framework and culture in place to monitor delivery.

### **3.2. Recommendation 2**

The Council must strengthen its core governance arrangements.

### **3.3. Recommendation 3**

The Council should develop a comprehensive budget saving plan, investing in the resources to deliver the savings needed in the medium term. The plan needs to be agreed with clear milestones and be resourced, risk assessed, monitored, and widely communicated.

### **3.4. Recommendation 4**

The digitisation / modernisation journey needs to be clearly embedded in a transformation programme. It must be sufficiently resourced, with an appropriate skill set level with processes and governance in place to ensure delivery. This includes appropriate engagement and reporting lines to Members.

### **3.5. Recommendation 5**

NWBC should strengthen its strategic leadership capacity and resolve the interim nature of the Senior Management Team, with a timescale to develop a permanent structure.

### **3.6. Recommendation 6**

Establish regular staff session input from all senior managers and explore opportunities for political leaders to participate in these sessions.

### **3.7. Recommendation 7**

Embrace the opportunities technology brings to increase access and improve communication across Council business.

### **3.8. Recommendation 8**

Consider an environment that better supports Members to fulfil their role. This will include internal and external Member training and development and utilisation of

technology to improve access (e.g. hybrid briefings/meetings).

### **3.9. Recommendation 9**

The Council should develop a systematic and strategic approach to engaging with key partners across Warwickshire and beyond, making use of both Member and officer skills to build profile and influence, and bring back insight and learning to the Council.

## **Leisure: Phase 1 Recommendations**

### **3.10. Recommendation 10**

Create a clear, shared understanding of the process to further develop the business case for the redevelopment and management of NWBC leisure centres, with adequate resources and a longer timescale for delivery.

### **3.11. Recommendation 11**

Within this business case provide greater clarity on the drivers for the project, distinguishing between those relating to asset management, need to reduce subsidy, improve the health of residents; and then ensure a consistency of understanding and focus.

### **3.12. Recommendation 12**

Within the delivery plan create clarity as to how to effectively integrate leisure provision with green and open spaces (including fees and charges), develop the asset management plan, and consider how community capacity building could support leisure and health needs including asset management.

## **4. Summary of peer challenge approach**

### **4.1. The peer team**

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected the focus of the peer challenge and peers

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were selected by the LGA on the basis of their relevant expertise. The peers were:

- **Jackie King** - Chief Executive, Epsom & Ewell Borough Council
- **Cllr Louise McKinlay** – Conservative Member peer - Deputy Leader Essex County Council, and Cabinet Member for Communities, Levelling Up and Business Engagement, Essex County Council
- **Cllr Anna Smith** – Labour Member peer - Cambridge City Council, and Deputy Mayor of the Cambridgeshire and Peterborough Combined Authority
- **Tom Dobrashian** – Executive Director of Place, Watford Borough Council
- **Sarah Parfitt** - Section 151 Officer and Director of Corporate Services, Gravesham Borough Council
- **Ian Leete** - Senior Adviser – Culture, Tourism and Sport, LGA
- **Raj Khera** - Peer Challenge Manager, LGA
- **James Millington** - Peer Challenge Manager, LGA

#### 4.2. Scope and focus

The peer team considered the following five themes which form the core components of all Corporate Peer Challenges. These areas are critical to councils' performance and improvement.

1. **Local priorities and outcomes** - Are the council's priorities clear and informed by the local context? Is the council delivering effectively on its priorities? Is there an organisational-wide approach to continuous improvement, with frequent monitoring, reporting on and updating of performance and improvement plans?
2. **Organisational and place leadership** - Does the council provide effective local leadership? Are there good relationships with partner organisations and local communities?
3. **Governance and culture** - Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?



4. **Financial planning and management** - Does the council have a grip on its current financial position? Does the council have a strategy and a plan to address its financial challenges? What is the relative financial resilience of the council like?
5. **Capacity for improvement** - Is the organisation able to bring about the improvements it needs, including delivering on locally identified priorities? Does the council have the capacity to improve?

As part of the five core elements outlined above, every Corporate Peer Challenge includes a strong focus on financial sustainability, performance, governance, and assurance.

In addition to these themes, NWBC asked the peer team to provide views on Phase 1 of its leisure improvement work. The peer team were asked to review the suggested approach and project plan and to provide feedback on the opportunities and risks.

#### **4.3. The peer challenge process**

Peer challenges are improvement focused; it is important to stress that this was not an inspection. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. This included a position statement prepared by the Council in advance of the peer team's time on site. This provided a clear steer to the peer team on the local context at NWBC and what the peer team should focus on. It also included a comprehensive LGA Finance briefing (prepared using public reports from the Council's website) and a LGA performance report outlining benchmarking data for the Council across a

range of metrics. The latter was produced using the LGA's local area benchmarking tool called LG Inform.

The peer team then spent three days onsite at NWBC, during which they:

- Gathered evidence, information, and views from more than 35 meetings, in addition to further research and reading
- Spoke to around 100 people including a range of Council staff together with Members and external stakeholders and visited the MIRA Technology Park.

This report provides a summary of the peer team's findings. In presenting feedback, they have done so as fellow local government officers and Members.

## 5. Feedback

### 5.1. Local priorities and outcomes

North Warwickshire is a rural Borough which covers a large area of 110 square miles in Warwickshire. It has a population of 65,000 across more than 50 settlements and the rural nature of the Borough is a very important consideration for the Council. The economy of the Borough has seen an increase in employment land, particularly logistics, but a decrease in manufacturing. It is the location for many national and international companies including Aldi, TNT/Fed Ex, BMW, and Sainsburys. More than 90% of businesses employ 10 or less employees and more than 50% of workers commute into and out of the Borough. The Council is mindful of the need to strike a careful balance, for example around local growth where there is also an importance placed on protecting the rurality of the Borough when two thirds is classed as Green Belt.

NWBC's [Corporate Plan 2023-27](#) sets out the Vision/Mission as '*Protecting the*

*rurality of North Warwickshire, supporting its communities and promoting the wellbeing of residents and business'* and includes the following four priorities:

1. Efficient and sustainable organisation
2. Safe, Liveable, Locally Focussed communities
3. Prosperous, active and healthy
4. Sustainable growth, protected rurality

Although understood by the senior leadership political and officer team, the peer team found there is currently a lack of shared understanding of the Council's vision and priorities across the organisation with staff and Members and with NWBC's partners. Where priorities were articulated, they were very broad, which may also make it hard for teams to know where they fit into this, and what to prioritise. NWBC needs to be clear because this will drive the financial strategy and its capacity to deliver desired outcomes. A communications strategy will help ensure the priorities are shared throughout the organisation and with further activity to embed these to build on a common understanding, there will be a clearer 'golden thread' which runs through the organisation.

In delivering the Council's priorities the peer team recommend that NWBC distinguishes clearly between what the Council is responsible for and delivers on its own, what it can do in partnership – for example with the County and others - and what it needs to lobby for on behalf of its communities. NWBC identifies as a '*Service provider, enabler, point of contact, champion of North Warwickshire*' and it will need to ensure it keeps these guiding principles in mind. It is important to be clear that the Council cannot do everything itself but it can still have an influential and aspirational role with partners as that will contribute to common outcomes. This is also a great opportunity to strengthen the strategic relationships with Warwickshire County Council (WCC), other borough and district councils and partners to the benefit of the Borough.

The communication of priorities and outcomes to internal and external stakeholders, partners, and to the public, could be developed further. For example, the peer team met with parish and town councils who were complimentary about the ways in which NWBC supported them including providing briefings, meeting spaces and the input of Borough Councillors. There are opportunities to improve the approach to consultation and the feedback loop as the impact that engagement had made to final decisions was not always consistently communicated. This engagement at the hyper local level does have the benefit of adding local richness to strategies developed by the Council and the advantage of working closely with committed partners.

There is a strong shared passion for the local area from Members and officers the peer team met. NWBC's Members clearly value the work they are able to do in serving and advocating for their communities, and the ways in which officers support them in their role. At a ward level, Members speak very positively of effective cross-party working and have common shared goals for "*being the best they can*" on behalf of the community. Across the organisation, there is also a shared awareness of the importance of "*getting the basics*" right and NWBC is reflecting on how it can do this.

The peer team found that whilst Members are pleased that officers were so responsive to them and their enquiries, there was also some concern from councillors on how officers were resourcing this, particularly 'out of hours'. There was also concern from officers around perceived expectations from some Members to have the queries answered immediately. There may be benefit in developing a simple protocol around Member and officer working and agreed response times, to help guard against distracting officers from their day-to-day work and other priorities, but also to set parameters about out of hours working. This should not present a barrier to the good existing relationships but provide clarity on expectations on either side.

The Council is working closely with some local businesses and other partners to facilitate economic development. There is limited funding for this at a district level but NWBC recognises the important role it has and is working well in partnership. A

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good example of this is through the Local Plan and the expansion of the MIRA Technology Park where planning permission granted within the Borough is anticipated to provide more than 2500 high skilled jobs on site, 3250 jobs in the supply chain and 1500 during the construction phase, with a Gross Value Added uplift of over £350M per year. NWBC is working closely with partners on this to maximise the positive impact for local people and allow them access to these jobs by developing a plan to accompany the section 106 agreement for the site. This is a great example of where the Council has seized an opportunity to ensure that local economic development provides the infrastructure to connect and house residents but also provides high quality opportunities for employment.

### **5.1.1. Performance**

NWBC demonstrates strong performance across a number of areas when comparing published data with other councils. For example, when reviewing LG Inform data and comparing the Council to its [Cipfa near neighbours](#) (accessed Sept 2024) this shows impressive performance by the Council in areas such as the total households on the housing waiting list and in temporary accommodation where NWBC is lowest within its group. The Council effectively performs in many aspects of planning service activity including the processing of planning applications, where it is consistently among the highest within the comparator group.

NWBC has gathered good feedback including from the most recent Residents' Survey in January 2024 where 88% of respondents were satisfied in North Warwickshire and satisfaction with the Council was similarly high at 76%. This also identified areas of improvement including communications and crime/fear of crime after dark and the Council is now considering its own approach to external communications and how it can work with the Police and other partners to address concerns around crime/fear of crime locally. The published Community Safety Partnership Strategic Assessment is dated 2021/22 and there may be an opportunity for NWBC to consult with residents and partners on refreshing this to incorporate some of the feedback from the resident survey.

NWBC recognises the challenges facing its communities and it draws from a range of data sources for this to identify issues around the key indicators of health, skills, cost of living, deprivation and transport. It is also able to drill down and understand this on a ward level across the Borough.

There is currently a twice-yearly narrative report to the Executive Board on the key objectives in the Corporate Plan. NWBC has recently reviewed this approach and will be expanding how the Council analyses performance data to help drive decisions and service improvements across the Council and a new Data Analyst post has been created for this. A draft set of KPIs has been produced which will be considered at the next Executive Board together with a Performance Framework. The report to the Executive Board will therefore be more data driven, provide metrics and indicators to track progress in a more evidence-based way.

The peer team recognises that NWBC is on a journey regarding its planned approach to performance management. The team strongly supports this approach, which will clearly link KPIs to the Council's Corporate Plan 2023-27, service plans and individual workplans. This is currently missing across the organisation and it is essential to ensure Council priorities are monitored and measured. Embedding this new approach and developing a performance and risk management culture across the Council focused on improvement and efficiencies will also drive the development and delivery of NWBC's savings plan, which is an important next step.

## 5.2. Organisational and place leadership

The peer team heard how the Leader and CEX work well together and are passionate about the Council and the important role it has across the Borough.

The peer team saw how the political 'Leaders Group' are supportive of each other



and how they work together as Chairs of their respective committees. They have a good understanding of their individual remit but also the connections and cross-cutting issues which impact across the organisation.

Additionally, with these Members holding responsibilities at other tiers of local government they understand the functional responsibilities and contribute appropriately and navigate organisation boundaries and identify opportunities for NWBC. The peer team consider that there is an opportunity to make the political leadership more visible – both outside NWBC and within – so that the strategic role Members are playing is increasingly visible and also to model positive behaviour for the benefit of the Borough. The role of Members at a ward and parish level was valued by those the peer team spoke to with numerous examples where they have jointly led local activity and advocated for their areas.

The CEX's style and collaborative way of working is welcomed by staff, Members and partners. The peer team heard plenty of positive feedback about his availability "*he has an open door policy*" and willingness to get involved across the business and at all levels with partners. Whilst this approach benefits the Council, the peer team would recommend that the CEX continues to consider where his strategic presence is of most benefit to the Council. This is challenging as currently there is a lack of strategic leadership capacity coupled with the interim nature of the SLT. This needs to be resolved, along with the implementation of a permanent senior structure. This is no reflection upon the officers within these roles but this fluid position can be unsettling for an organisation. The peer team encourages the move to a permanent structure which would also allow for other members of the senior officer team to represent the Council externally, freeing up more capacity for the CEX.

The peer team met with some of the Council's loyal and dedicated 339 officers, many of whom had worked for the Council for a considerable time, and who described NWBC as a great place to work. The Council undertakes an annual staff survey and the latest results in 2023 unsurprisingly show that 92% of staff would recommend the Council as a place to work. The survey found that 82% of staff felt the Council was

committed to developing people and staff the peer team met with felt supported by managers and are confident that concerns would be addressed if raised. This is a great endorsement from staff on the leadership of the Council.

The Council acknowledges that recruitment and retention continues to be an issue, a challenge shared across the sector. Staff referenced capacity and resilience issues in some key areas such as within the finance and legal teams. There are some vacancies and pressures on workloads but overall the staff survey shows how 90% of staff were happy with the balance between their work and home life, although 30% felt that work deadlines were unrealistic. The peer team recommend that capacity issues and the impact on staff is kept under review.

Partners the peer team met with were positive about working with NWBC and are keen to explore further joint working. Additionally, there are opportunities to further develop relationships across all tiers of local government to central Government, where NWBC can leverage its good relationships to progress shared ambitions. The Council could extend working with partners and the community to build a shared narrative of place to communicate its vision and priorities. With or without additional funding collaboration will continue to be important and having clearly stated shared ambitions with partners will help with the delivery of outcomes.

### **5.3. Governance and culture**

Following the Council's all-out elections in 2023, 17 Conservatives, 15 Labour and 3 Independent Councillors were returned and therefore NWBC has no majority party and is categorised as No Overall Control. The Council operates "fourth option" alternative arrangements, as a committee system comprising of Full Council, four Boards and with separate committees for Licensing, Standards and a Special Sub Group (which includes senior staff appointments, long term sickness absence and staffing issues). Both confirmation of the Board Membership and the Council leadership has been handled smoothly at its annual Council meetings. The peer



team observed good Member/officer and Member/Member relationships with regular and open dialogue between the senior top team. There is a culture of strong challenge and debate and overall there appears to be healthy and constructive dialogue on Council issues.

However, the peer team have identified some significant issues in NWBC's governance. These are issues which the Council is aware of and is developing plans to address but collectively these are significant and as key components of effective governance mean that the Council is currently not strong in this area. These issues include:

- The Constitution was last reviewed in 2018 and requires a full review to ensure it is fit for purpose. This would benefit from being reviewed regularly on a cross-party basis
- Responsibility for the audit function both internally and externally is unclear at Member level. External audit is discussed at the Executive Board and internal audit is discussed at Resources Board but it is unusual to not have an Audit Committee providing oversight of this – a view endorsed by the Council's newly appointed internal and external auditors. The peer team recommends that NWBC considers how to strengthen its approach
- Due to the audit backlog there is non-compliance with audit regulations and the Annual Governance Statement (AGS) for 2023/24 has not yet been completed. The peer team understand the reasons for this and that resources have been prioritised to address the annual accounts backlog, and the AGS will follow, but these are important to complete as soon as possible
- A performance culture is not sufficiently developed or embedded in the organisation. Members need to have adequate oversight and assurance in order to monitor progress. Plans NWBC has to expand this are important
- A recent risk management audit resulted in limited assurance. The new risk strategy needs to be formalised, reflecting the changing appetite for risk. This needs to be set out so there is Council-wide understanding alongside a

framework which enables regular monitoring at both a strategic and operational level

- The long-term interim nature of the s151 Officer role is a concern. Stability for the organisation is required in this statutory role and moving to a permanent role is important
- The peer team heard about an over reliance on some key individuals and concerns about the consequences for the business of any of these staff leaving.

The new Monitoring Officer will be pivotal in addressing many of these issues. Statutory officer meetings are a key part of governance and these meetings are now planned to take place and should form an important part of the NWBC's governance and oversight mechanism. These meetings should be regular, diarised and a priority. The statutory officers will need to work collectively to ensure that sufficient support and resource is put in place to strengthen all the governance arrangements and this is kept under review.

The Council's values and behaviours are healthy and staff recognise the work which has been done to develop the 'THRIVE' approach – this is alive within the organisation and owned by officers and senior management. The positive approach was referenced by officers the peer team met and endorsed by the staff engagement groups where subgroups have been established to look at communication, management and staff morale and are they are actively contributing to further developing the positive culture of the Council.

The peer team heard about the positive and constructive relationships with trade unions who feel they are listened to and consulted with.

The peer team heard that the Member induction and ongoing development programme could be improved. Additionally, regulatory training for members of the planning and licensing committees should be regularly refreshed and mandated in

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Local Government Association company number 11177145 Improvement and Development Agency for Local Government  
company number 03675577

**Chair:** Councillor Louise Gittins

**Chief Executive:** Joanna Killian

**President:** Baroness Grey-Thompson

order to comply with changing regulations. The Member Development Programme can continue to draw on internal delivery but also utilise support from other organisations, including the range of LGA offers available for councillors at all levels, to provide a package of support to equip Members with the skills they need to be effective in their roles.

Staff the peer team met appreciate the internal weekly email communications and briefings from the CEX. They would also welcome regular feedback sessions from all of the senior leadership team, including Directors. The Council could explore opportunities for political leaders to participate in these sessions to demonstrate the 'One Council' approach across NWBC.

#### **5.4. Financial planning and management**

The Council's financial position is reasonable in the short term, and future pressures have been recognised at a senior level with time to allow informed decision-making to address these. Pressures in the future are significantly impacted by NWBC's assumption that the business rate reset will occur in 2025/26 and it will not receive any additional income. This is a prudent assumption and the peer team encourage NWBC to ensure it uses the time now to address the identified savings gap of £2M to 2026/27.

The s151 Officer's recommended level of reserve is £1.2M and this is supported by a thorough risk analysis. The Council holds general fund reserves of £8.4M and although these are currently projected to reduce over the period of the MTFS are not projected to drop below the recommended level.

The Council currently does not have a robust savings plan to address the budget challenges. The peer team recommend it prioritises the development of a realistic, costed, timebound plan to deliver against the savings target within the MTFS with the

necessary governance arrangements and communications in place. The savings plan delivered alongside a transformation plan would underpin the modernisation of the Council to increase value for money and efficiencies. The Council has the time to do this in a measured way, but needs to start putting these in place now to meet the challenges of the future. NWBC can develop a well thought out plan to manage the budget as part of the process of updating the MTFS when this is presented to the Executive Board in November 2024.

The Council's statement of accounts has been delayed as well as the external audit process. Many other councils are in a similar position. The delays in the production and audit of the annual statement of accounts have impacted on the ability of the Council to financially plan with confidence. NWBC has now refocused on prioritising the production of the statement of accounts completing 2022/23 and work has commenced on 2023/24.

The Council's financial reporting is not strong. Budgetary control reports are provided for the services within each Board's terms of reference, but these are not consolidated into a single report to enable the overall budgetary position of the Council to be understood and reviewed regularly during the financial year. The Council recognises that it needs to be increasingly transparent in its financial reporting and is in the early stages of implementing a new IT system which will help it on this journey. The system can assist with budget setting and monitoring and enhance reporting to Members on key financial, governance and assurance matters for budget oversight. It may also be necessary for the Council to consider training and support to officers and Members to ensure that opportunities to enhance financial governance are embraced.

To address the weaknesses in the Internal Audit function around resourcing and production of an audit plan, NWBC commenced a pilot with Central Midlands Audit Partnership (CMAP) in October 2023. For both the Council and CMAP this feels like a positive move and will be monitored as a potential longer-term solution with the Council using this experience to make a decision about future arrangements before

April 2025.

The Council needs to consider the organisation and resourcing of the finance team. There are some long-term issues including vacancies and sickness absence at senior levels, heavy reliance on key officers and the level of professionally-qualified officers. This needs to be addressed and the Council will want to consider if it has the right level of resource to deliver its statutory obligations in terms of setting a balanced budget, as well as having strong financial governance and the capacity to support significant projects. Positively NWBC is committed to training and development with all three service accountants currently undertaking CIPFA training. A commitment for ongoing team meetings is important to share and collaborate and further build relationships within the team so it is clear on the priorities and its focus.

The Council has not been as successful as it would hope in its external funding bid submissions. There is an opportunity for NWBC to reflect on the learning from unsuccessful bids and to develop effective processes around bid writing, and perhaps looking externally, including to key partners who have offered support in this area, to seek advice, support or capacity for future bids.

## 5.5. Capacity for improvement

The peer team met a workforce that is committed and views the Council and their colleagues as supportive and who will work together “*to go above and beyond*”. Staff are focused on providing a good service to residents in NWBC and have a strong public sector ethos. This represents a solid foundation for future improvement.

The arrival of new interim directors has brought the opportunity to bring fresh thinking into the organisation. This has brought challenge for improvement to some areas of the business in the updating or implementation of new ideas and is a catalyst for change.

There is a modernisation/digitisation programme across the Council which initially is focused mainly on the update or implementation of IT systems. This includes an Environmental Health System, The Financial Management System (Unit 4), the new Council website, the Planning and Local Land Charges system and a range of 'mini systems'. New technology also brings opportunities to increase access across Council business and allows participation off site for officers and Members, and this can be further exploited. NWBC may want to consider further capacity to deliver this programme as this agenda will underpin the ability of the organisation to be more joined-up, transparent, efficient and smarter in how it operates in the future.

This programme would also benefit from a more clearly articulated and structured programme with timescales and resourcing requirements identified: dedicated project and programme management to deliver clear outcomes, ownership and oversight and clear reporting lines into appropriate member Boards. Due to the oversight and involvement of Members this also needs to consider the capacity of Councillors. Additionally, a clear understanding is needed about terminology to ensure consistent understanding of terms such as transformation, tracked and controlled budget savings (with agreed financial benefits and dates for delivery included) and project proposals. Currently there is no common understanding of these terms across the Council.

The Council holds a Housing Stock of 2,680 properties and these are being actively and well managed. This includes investing £4M in the re-development of flats due to latent defects. NWBC has also recently considered a business case for establishing a commercial housing company in response to some of the housing issues locally and how this would allow it to offer a wider range of affordable housing. Given recent reluctance for registered social Landlords to purchase s106 agreements the housing company could be a viable option to purchase units in the short to medium term, which may be a stop gap solution until the sector has stabilised. Many of the development housing company vehicles are not active at present due to the higher interest rates. NWBC should actively monitor how other councils are reacting.

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The peer team heard numerous examples of where individual learning is encouraged by managers for their staff. This includes opportunities at degree level as well as other formal courses as well as learning from other councils. Continuing to invest in staff will be important as part of the Council's approach to meet some of the capacity gaps it is facing.

Building on the CPC, the Council should continue to look across local government for best practice, inspiration and development opportunities. Officers and Members can take opportunities to learn from other areas and drive continual improvement at NWBC. The peer team heard how this is happening in some areas of the Council but doing this more systematically would benefit the whole organisation.

### **Phase 1 of the Council's leisure improvement work**

The peer team agree that now is the right time for NWBC to review its leisure assets and consider the next steps. The peer team heard clear and consistent messages that leisure is a priority and about its plans for a new facility at Polesworth and the future provision in Atherstone.

There is strong and knowledgeable senior leadership driving this agenda and the peer team's overall assessment is that there is nothing in NWBC's processes which is incorrect but the timescales for delivery are challenging. In experience there are usually events which hold up plans and the peer team advise NWBC to allow time for this in its schedule and consider the timescales for phase 1.

The process to create a business case and redevelop the leisure facilities appears to be robust and this has been led by two of the Council's senior officers. However, the evidence base can be further expanded to also include detail on use and impact. Very soon the project will require a dedicated project manager to provide some consistent drive and deliver at the pace which the Council demands.



The peer team agree that these changes will also result in some savings but these will not be realised in the short to medium term. This means that the Council is likely to need to undertake some borrowing for the Atherstone investment.

The driver behind this priority would benefit from further communication for clarity. The peer team understand that there is an aspirational driver around improving the health and wellbeing of residents, which ties in well with the new Government's priorities and likely where it will invest, and the other driver is that the assets urgently need some investment and management. Then there is a driver to improve efficiency and operational savings. These are not mutually exclusive but the Council should consider which is the priority as this may impact upon the timescales for delivery and the priorities in the procurement of a leisure partner.


If NWBC is looking at the wider health and wellbeing landscape then there is an opportunity to work more with community organisations and look at building capacity, asset transfer or bringing an increased number of activities into these facilities. Similarly, enhanced working with community organisations could lead to better usage of the Borough's green and open spaces and its charging policy which would bring further opportunities for income to the Council.

The peer team recommend re-engaging with Sport England to minimise risk and slippage as there are a number of models which they can advise NWBC on and would complement the work the Council has engaged consultants on already. The LGA would be pleased to offer advice and support to NWBC in the future too.

## 6. Next steps

It is recognised that senior political and managerial leadership will want to consider, discuss and reflect on these findings. The LGA will continue to provide on-going support to the Council. Following publication of CPC report you need to produce and publish an Action Plan within 5 months of the time on site. As part of the CPC, the Council are also required to have a progress review and publish the findings from this





within twelve months of the CPC. The LGA will also publish the progress review report on their website.

The progress review will provide space for a council's senior leadership to report to peers on the progress made against each of the CPC's recommendations, discuss early impact or learning and receive feedback on the implementation of the CPC action plan. The progress review will usually be delivered on-site over one day. The date for the progress review will be confirmed with the Council in due course.

In the meantime, Helen Murray, Principal Adviser for the West Midlands, is the main contact between your authority and the Local Government Association. As outlined above, Helen ([Helen.Murray@local.gov.uk](mailto:Helen.Murray@local.gov.uk)) is available to discuss any further support the council requires.

**Agenda Item No 18**

**Executive Board**

**25 November 2024**

**Fillongley Public Spaces  
Protection Order**

**Report of the Chief Executive**

**1 Summary**

- 1.1 The purpose of this report is for Members to consider consulting on a Public Spaces Protection Order in Fillongley.

**Recommendation to the Board:**

That the draft Public Spaces Protection Order attached to the report as an appendix, be consulted upon.

**2 Report**

- 2.1 The Safer Communities Sub-Committee considered at its November meeting the issue of the Council commencing a consultation on a Public Spaces Protection Order restricting public right of way over highway in Didgley Lane & Bun Lane Fillongley Public Spaces Protection Order 2020.
- 2.2 North Warwickshire Borough Council has an existing Public Spaces Protection Order to restrict public right of way over highway in Didgley Lane and Bun Lane Fillongley. The Council can authorise an order using powers under the Anti-Social Behaviour, Crime and Policing Act 2014.
- 2.3 The 2020 Order came into effect on the 26 August 2021 and lasts for three years.
- 2.4 Didgley Lane and Bun Lane were identified as hot spot locations for fly tipping. The fly tipping caused damage to the local environment and impacted on the rightful access and use of the lanes by residents.
- 2.5 The Public Spaces Protection Order was put in place due to the regularity and damage caused by fly tipping occurring in the two lanes. During the period of the order there has been a significant reduction in the incidents of fly tipping reported in the Fillongley ward

- 2.6 The order involved the installation of a gate barrier to enforce the restriction. Landowners continue to have access.
- 2.7 Before making such an order, the Council is required to consider the effect of making an order on occupiers of premises adjoining or adjacent to the highway and notify potentially affected persons of the proposed order.
- 2.8 The proposal is to consult with relevant stakeholders and other public authorities about the renewal of the current order.

The Contact Officer for this report is Steve Maxey (719438).



## **NORTH WARWICKSHIRE BOROUGH COUNCIL (Didgley Lane and Bun Lane, Fillongley) PUBLIC SPACE PROTECTION ORDER 2024**

North Warwickshire Borough Council (“the Council”) in exercise of its powers under Section 59, 64 and 72 of the Anti-Social Behaviour, Crime and Policing Act 2014 (“the Act”) hereby makes the following Order:

1. This Order may be cited as the North Warwickshire Borough Council (Didgley Lane and Bun Lane, Fillongley) Public Space Protection Order 2024.
2. The Order shall come into operation on \*\*\*\*\*2024 and shall have effect for 3 years thereafter, unless varied or extended by further orders under the Council’s statutory powers.
3. This Order relates to that part of Didgley Lane and Bun Lane as shown edged red on the attached Plan (“the Restricted Areas”).
4. Except as provided in Article 5 of this Order, the effect of this Order is to restrict, at all times, vehicular access onto and along the Restricted Areas identified in Article 3 of this Order.
5. The restriction provided by Article 4 of this Order does not apply to motorcycles, pedal cycles, mobility scooters (or other invalid carriages) or horse-drawn carriages, any occupier of premises adjoining or adjacent to the Restricted Areas or to any person engaged on Council business, to any police, ambulance or fire service personnel acting in pursuance of statutory powers or duties, to any statutory undertaker, gas, electricity, water or communications provider requiring access to their apparatus situated in the Restricted Areas or to any person authorised in writing by the Council.
6. This Order authorises the installation of horse friendly vehicle barrier which will enforce the restriction at the locations marked 1, 2, 3 and 4 on the attached Plan.
7. Responsibility for the maintenance of the horse friendly vehicle barrier at all four locations will lie with Streetscape, North Warwickshire Borough Council, The Council, House, South Street, Atherstone, Warwickshire, CV9 1DE.
8. The Council is satisfied on reasonable grounds that the conditions set out in Sections 59, 64 and 72 of the Act have been satisfied and that it is in all the

circumstances expedient to make this Order for the purposes of reducing fly-tipping in the Restricted Areas. The Council makes this Order because fly-tipping in the Restricted Areas has had a detrimental effect on the quality of life of those in the locality. The effect or likely effect of this is of a persistent and continuing nature as to make this unreasonable, and justifies the restrictions imposed by this Order.

9. It is an offence for a person without reasonable excuse to contravene the restriction provided by Article 4 of this Order. A person guilty of an offence is liable to a Fixed Penalty Notice up to £100 or on summary conviction to a maximum fine not exceeding level 3 (£1,000).

10. If any interested person desires to question the validity of this Order on the grounds that the Council had no power to make it or that any requirement of the Act has not been complied with in relation to this Order, he or she may apply to the High Court within six weeks from the date on which this Order is made.

11. More details about the Order can be found at <https://www.northwarks.gov.uk/pspo>

Dated this            day of            2024

The Common Seal of  
North Warwickshire Borough Council  
was hereunto affixed in the presence of:-

(Designated Officer)

**NORTH WARWICKSHIRE BOROUGH COUNCIL**

**MINUTES OF THE SAFER COMMUNITIES  
SUB-COMMITTEE**

**12 November 2024**

Present: Councillor Jarvis in the Chair

Councillors Barnett, Bates, Davey, Humphreys, Jackson, Melia, Osborne, O Phillips, Ririe, Smith and Watson

Apologies for absence were received from Councillor Clews (Substitute Councillor Smith)

**1 Disclosable Pecuniary and Non-Pecuniary Interests**

None were declared at the meeting.

**2 Minutes of the Meeting of the Safer Communities held on 26 March 2024**

The minutes of the meeting held on 26 March 2024, copies having been previously circulated, were approved as a correct record and signed by the Chairman.

**3 North Warwickshire Community Safety Partnership Update**

The Chief Executive provided Members with an update on recent activities with the North Warwickshire Community Safety Partnership. Information was provided about the progress with the agreed priorities from the Strategic Assessment 2021/2022 and the latest crime statistics.

**Resolved:**

- a That the update be noted;**
- b That the progress of the North Warwickshire Community Safety Partnership be noted; and**
- c That the success of Funding bids, as set out in the report of the Chief Executive, be noted.**

Councillor Jarvis  
CHAIR

**Agenda Item No 20**

**Executive Board**

**25 November 2024**

**Report of the  
Chief Executive**

**Exclusion of the Public and Press**

**Recommendation to the Board**

**To consider, in accordance with Section 100A(4) of the Local Government Act 1972, whether it is in the public interest that the public and press be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of exempt information as defined by Schedule 12A to the Act.**

**Agenda Item No 21**

**Supplementary Estimate for Corporate Services – Report of the Chief Executive**

Paragraph 1 - Information relating to an individual.

In relation to the item 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 Julie Holland (719237).