

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, Corporate Director - Resources.

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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 £000	Actual Spending £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
Total Spending	8,969	8,472

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

	Expected Funding £000	Actual Funding £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
Total Funding	8,969	8,472

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 £000	Actual Spending £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	-	-
Total Spending	15,263	15,193

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

	Expected Funding £000	Actual Funding £000
Rents from housing, garages and shops	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
Total Funding	15,263	15,193

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 £000	HRA £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
Total	20,516	4,730

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	-
Total Spending	16,716	12,474	4,109

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 £000	31 March 2022 £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)
Net assets	133,855	172,939
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

Risk	Impact	Mitigation
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

Risk	Impact	Mitigation
Reduced or no market for recyclable materials	A significant increase in the costs of the recycling service could lead to an inability to maintain the service at current levels and may impact on the provision of other services.	Ongoing discussions with local waste management companies. Latest material contracts have maximum gate fees and profit share element. Use of partnerships and joint procurement of contracts, which are regularly reviewed.
Virus' introduced into Council systems	Loss of systems, with resulting loss / reduction in the provision of services	Security / detection measures undertaken, with regular training for staff.
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*

Corporate Director - Resources, North Warwickshire Borough Council

STATEMENT OF RESPONSIBILITIES, ISSUE AND APPROVAL DATE

The Council's Responsibilities

The Council is required to:

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

The Corporate Director - Resources Responsibilities

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

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

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

The Corporate Director - Resources has also:

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

Issue Date

I certify that the Statement of Accounts 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: 3. ^ . . ^ . . M .

Alison Turner CPFA, Corporate Director - Resources

North Warwickshire Borough Council Movement in Reserves Statement

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

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants / Conts Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 1 April 2020	2,853	6,995	4,733	4,080	5,174	1,536	592	25,963	93,151	119,114
<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)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	10,642	-	1,173	-	(1,453)	-	-	10,362	4,379	14,741
Transfers to/from Earmarked Reserves (note 6)	(11,004)	9,615	(2,245)	(83)	177	-	444	(3,096)	3,096	-
Increase/(Decrease) in 2020/21	(362)	9,615	(1,072)	(83)	(1,276)	-	444	7,266	7,475	14,741
Balance at 31 March 2021 carried forward	2,491	16,610	3,661	3,997	3,898	1,536	1,036	33,229	100,626	133,855

Balance at 1 April 2021	2,491	16,610	3,661	3,997	3,898	1,536	1,036	33,229	100,626	133,855
<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	-
Net Increase/Decrease before Transfers to Earmarked Reserves	7,751	16	1,096	-	802	-	(436)	9,229	29,855	39,084
Transfers to/from Earmarked Reserves (note 6)	(8,146)	5,500	(4,104)	(1,455)	22	-	478	(7,705)	7,705	-
(Decrease)/ Increase in Year	(395)	5,516	(3,008)	(1,455)	824	-	42	1,524	37,560	39,084
Balance at 31 March 2022 carried forward	2,096	22,126	653	2,542	4,722	1,536	1,078	34,753	138,186	172,939

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
£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)
48,437	(41,538)	6,899	COST OF SERVICES	47,258	(40,385)	6,873
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)
61,666	(65,758)	(4,092)	Deficit /(Surplus) on Provision of Services	61,432	(63,049)	(1,617)
-	(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)
8,234	(7,251)	983	Other Comprehensive Income and Expenditure	99	(18,853)	(18,754)
69,900	(73,009)	(3,109)	Total Comprehensive Income and Expenditure	61,531	(81,902)	(20,371)

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 2021 £000		Note	31 March 2022 £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	-
197,693	LONG TERM ASSETS		221,866
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
36,546	CURRENT ASSETS		39,498
(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)
(19,061)	CURRENT LIABILITIES		(20,901)
(44,239)	Long Term PWLB Loans	40	(41,979)
(37,084)	Pension Fund Liabilities	39	(25,545)
(81,323)	LONG TERM LIABILITIES		(67,524)
133,855	NET ASSETS		172,939
33,229	Usable Reserves	22	34,753
100,626	Unusable Reserves	23	138,186
133,855	TOTAL RESERVES		172,939

Signed 

Date 31'3'2024

Alison Turner CPFA, Corporate Director - Resources

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.

2020/21 £000		2021/22 £000
(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)
(14,939)	Cash and Cash Equivalents at the end of the reporting year (Note 18)	(4,956)

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 16 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.
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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"> - sundry debtors 11.56% (£41,555) - council tax 21.22% (£131,798) -NDR 47.09% (£579,591). <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						
	Capital Receipts Reserve	Capital Grants Reserve	Capital Receipts Reserve	Major Repairs Reserve	Other Reserves	Capital Grants Reserve	Other Reserves
	£000	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
• Pension costs (transferred to (or from) the Pensions Reserve)	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
Total Adjustments to Revenue Resources	8,145	1,310	-	-	-	436	(9,891)
Adjustments between Revenue and Capital Resources							
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)	-	-	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	25	2,043	(1,676)	(3,288)	(16)	-	2,912
Adjustments to Capital Resources							
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	-	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	874	3,288	-	-	(4,162)
Total Adjustments	8,170	3,353	(802)	-	(16)	436	(11,141)

2020/21	Usable Reserves					
	Capital Receipts Reserve	Housing Receipts Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Reserve	Other Reserves
	£000	£000	£000	£000	£000	£000
Adjustments to Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
● Pension costs (transferred to (or from) the Pensions Reserve)	(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)
Total Adjustments to Revenue Resources	(15,844)	5,759	-	-	-	10,085
Adjustments between Revenue and Capital Resources						
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)	-	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	108	1,271	(950)	(2,952)	-	2,523
Adjustments to Capital Resources						
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	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	2,403	2,952	-	(5,355)
Total Adjustments	(15,736)	7,030	1,453	-	-	7,253

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.

	at 31 April 2020	Out	in	at 31 April 2021	Out	in	at 31 April 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund							
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
Total General Fund Reserves	6,995	1,731	11,346	16,610	11,127	12,936	18,419
HRA							
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
Total HRA Reserves	4,080	8,123	8,039	3,996	15,505	14,050	2,541
Total Earmarked Reserves	11,075	9,854	19,385	20,606	26,632	26,986	20,960

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	
1,229	Total	1,837	

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)	
(669)	Total	654	

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 *		
(11,551)	Total	(10,981)	

* 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:

	Freehold Land and Buildings	Leasehold Land and Buildings	Plant, and Equipment	Motor Vehicles	Other Assets	Intangible Assets	Assets Under Construction	Assets Under Development	Property and Plant Equipment Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
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	-	-	-	-	-	-	-		-
As at 31 March 2022	188,283	18,135	6,963	87	153	4,310	66		217,997
Accumulated Depreciation and Impairment									
As at 1 April 2021	(290)	(88)	(4,341)	(30)	(D	(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	-	-	-	-	-	-	-		-
At 31 March 2022	(361)	(82)	(4,907)	(33)	(1)	(16)	-		(5,400)
Net Book Value									
At 31 March 2022	187,922	18,053	2,056	54	152	4,294	66		212,596
At 31 March 2021	165,571	17,820	2,531	57	152	2,134	66		188,331

Comparative movements in balances in 2020/21:

	2020/21	2019/20	Plant and Equipment	Intangible Assets	Investment Properties	Other Intangible Assets	Other Assets	Other Intangible Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
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	-	-	-	-	-	-	-		-
As at 31 March 2021	165,861	17,908	6,872	87	153	2,150	66		193,097
Accumulated Depreciation and Impairment									
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
At 31 March 2021	(290)	(88)	(4,341)	(30)	(1)	(16)	-		(4,766)
Net Book Value									
At 31 March 2021	165,571	17,820	2,531	57	152	2,134	66		188,331
At 31 March 2020	147,782	17,728	2,117	60	137	639	63		168,526

Depreciation

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

	Building	Assumed Life (Years)
	Council Dwellings	40-50
Other Land and Other Buildings:-		
	Leisure Centres	5-50
	Other arts/leisure venues	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.

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

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.

	Land and Buildings	Land and Buildings	Plant, and Equipment	Intangible Assets	Financial Assets	Other Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	6,963	87	153	4,310	66	11,579
	HZ	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	-	-	-	-	-	-	-	-
Total Cost or Valuation	188,284	18,134	6,963	87	153	4,310	66	217,997

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 £000	Civic Regalia	2021/22 £000
	Cost or Valuation	
851	Balance as at 1 April	829
(22)	Revaluations	157
829	Balance as at 31 March	986

Five-Year Summary of Transactions

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'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 £'000		2021/22 £'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
(1,188)	Net gain	(78)

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

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) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2021 £000
Residential properties	-	203	-	203
Commercial units	-	6,512	-	6,512
Shops and Restaurants	-	1,120	-	1,120
Land	-	271	-	271
Total	-	8,106	-	8,106

2021 Comparative Figures

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

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

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 31 March 2021 £000
	Investments	Debtors	Investments	Cash	Debtors	
	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000	
Amortised Cost						
Loans and Receivables	-	-	18,024	-	-	18,024
Cash and Cash Equivalents	-	-	-	4,956	-	4,956
Debtors	-	-	-	-	5,553	5,553
Fair Value through Profit and Loss						
Certificates of Deposit	-	-	4,511	-	-	4,511
Ultra Short Dated Bond Funds	-	-	6,000	-	-	6,000
Sherbourne Recycling Shares	-	-	47	-	-	47
Total Financial Assets	-	-	28,582	4,956	5,553	39,091

As at 31 March 2021	Non-Current		Current			Total 31 March 2020 £000
	Investments	Debtors	Investments	Cash	Debtors	
	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	31 March 2020 £000	
Amortised Cost						
Loans and Receivables	-	-	7,511	-	-	7,511
Cash and Cash Equivalents	-	-	-	14,939	-	14,939
Debtors	-	-	-	-	4,667	4,667
Fair Value through Profit and Loss						
Certificates of Deposit	-	-	3,004	-	-	3,004
Ultra Short Dated Bond Funds	-	-	6,000	-	-	6,000
Total Financial Assets	-	-	16,515	14,939	4,667	36,121

- **Financial Liabilities**

As at 31 March 2022	Non-Current		Current		Total 31 March 2022 £000
	Borrowing (PWLb)	Creditors	Borrowing (PWLb)	Creditors	
	31 March 2022 £000	31 March 2022 £000	31 March 2022 £000	31 March 2022 £000	
Amortised Cost	44,239	-	-	14,914	59,153
Total Financial Liabilities	44,239	-	-	14,914	59,153

As at 31 March 2021	Non-Current		Current		Total 31 March 2021 £000
	Borrowing (PWLb)	Creditors	Borrowing (PWLb)	Creditors	
	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000	31 March 2021 £000	
Amortised Cost	46,489	-	-	14,501	60,990
Total Financial Liabilities	46,489	-	-	14,501	60,990

Gains and Losses

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

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

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 £000	Fair Value Calculation £000		Carrying Amount on Balance Sheet £000	Fair Value Calculation £000
46,489	52,661	PWLB Debt	44,239	47,256
46,489	52,661	Total Borrowings	44,239	47,256
4,011	4,011	Money Market Funds < 1 year	4,511	4,511
4,011	4,011	Total Investments	4,511	4,511

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

	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	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)
Balance at year end	24	41	24	23	-	-	48	64

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		31 March 2022
£000		£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)
5,044	TOTAL	5,896

18. Cash and Cash Equivalents

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

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

19. Assets Held for Sale

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

20. Short Term Creditors

31 March 2021 £000		31 March 2022 £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
14,501	TOTAL	14,914

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

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 £000		31 March 2022 £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
(100,626)	Total Unusable Reserves	(138,186)

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 £000		2021/22 £000
(15,613)	Balance at 1 April	(24,740)
(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
(24,740)	Balance at 31 March	(40,210)

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 £000			2021/22 £000	
	(100,180)	Balance at 1 April		(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)	Sub Total		3,359
(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)
	(114,013)	Balance at 31 March		(125,171)

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 £000		2021/22 £000
27,377	Balance at 1 April	37,084
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)
37,084	Balance at 31 March	25,545

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 2020/21 £000	Non Domestic Rates 2020/21 £000		Council Tax 2021/22 £000	Non Domestic Rates 2021/22 £000
(87)	(4,819)	Balance at 1 April	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
27	852	Balance at 31 March	(114)	1,551

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 £000		2021/22 £000
207	Balance at 1 April	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	Balance at 31 March	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 £000		2021/22 £000
(36)	Balance at 1 April	(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)	Balance at 31 March	(11)

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

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

2020/21 £000		2021/22 £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
(5,187)	Adjustments for non cash movements	1,534

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

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

25. Cash Flow Statement – Investing Activities

2020/21 £000		2021/22 £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)
3,745	Net cash flows from investing activities	6,061

26. Cash Flow Statement – Financing Activities

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

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
the HRA and Fund Balances available to the authority	the HRA and Fund Balances available to the authority	the HRA and Fund Balances available to the authority	Expenditure and Funding Analysis	the HRA and Fund Balances available to the authority	the HRA and Fund Balances available to the authority	the HRA and Fund Balances available to the authority
Net	Net	Net		Net	Net	Net
£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)
4,559	2,340	6,899	NET COST OF SERVICES	1,749	5,124	6,873
(16,374)	6,366	(10,008)	Other Comprehensive Income and Expenditure	(10,597)	(16,647)	(27,244)
(11,815)	8,706	(3,109)	Total Comprehensive Income and Expenditure	(8,848)	(11,523)	(20,371)
(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)		
(26,759)			Closing General Fund and HRA Balances	(27,417)		

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

Expenditure and Funding Analysis - adjustments between the funding and accounting basis				2021/22
	Accounting Basis for	Funding Basis Net for	Other	Total
	£000	£000	£000	£000
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
COST OF SERVICES	3,232	1,942	(50)	5,124
Other Comprehensive Income and Expenditure	(3,824)	(13,481)	658	(16,647)
Total Comprehensive Income and Expenditure	(592)	(11,539)	608	(11,523)

Expenditure and Funding Analysis – adjustments between the funding and accounting basis				2020/21
	Accounting Basis for	Funding Basis Net for	Other	Total
	£000	£000	£000	£000
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
COST OF SERVICES	1,461	834	45	2,340
Other Comprehensive Income and Expenditure	(8,239)	8,873	5,732	6,366
Total Comprehensive Income and Expenditure	(6,778)	9,707	5,777	8,706

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
	49,596	48,106

(*) 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 £000	Expenditure and Income	2021/22 £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
45,670	Total Expenditure	46,489
	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	-
(49,762)	Total Income	(48,106)
(4,092)	(Surplus)/Deficit on Provision of Services	(1,617)

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 £		2021/22 £
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	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

(*) 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 £000	2021/22 £000
Allowances	234	237
Expenses	-	-
Total	234	237

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	-	-	-	-
Total	-	29	-	553,126.61

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 £000	2021/22 £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	-
Total	116	69

33. Grant Income

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

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

Credited to Services		
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	-
Credited to Services - Continued	2020/21	2021/22
	£000	£000
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	-
Total	23,050	15,057

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.

Grant	Government Funding Remaining	Grants Paid	Balance Received / Repaid
	£'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	-
Total Agent (BEIS)	(1,606)	126	1,480
Test and Trace Support Payment Scheme - Main Scheme	(167)	181	(14)
Test and Trace Support Payment Scheme - Discretionary Scheme	(39)	65	(26)
Total Agent (DWP)	(206)	246	(40)
Additional Restrictions Grant (ARG)	(523)	1,157	(634)
Total Principal (BEIS)	(523)	1,157	(634)

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 WCMA 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.

Capital Expenditure and Financing		
	2020/21 £000	2021/22 £000
<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
Total Expenditure	8,762	12,777
<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	-	-
Total Financing	(8,762)	(12,777)

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.

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

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 2021 £000		31 March 2022 £000
122	Minimum lease payments	121
(137)	Contingent rents	(145)
(15)	Total	(24)

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 2021 £000		31 March 2022 £000
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
5,673	Total	5,621

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:

	2020Z21 £000	2021Z22 £000
Comprehensive Income and Expenditure Statement		
<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)Zgains arising on changes in demographic assumptions	(1,472)	1,173
● Actuarial (losses)Zgains arising on changes in financial assumptions	(24,112)	7,679
● Other	897	89
<i>Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement</i>	(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	
	2020Z21 £000	2021Z22 £000
Opening balance at 1 April – Funded liabilities	95,160	122,398
Opening balance at 1 April – Unfunded liabilities	1,586	1,669
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)
Closing balance at 31 March – Funded liabilities	122,398	117,433
Closing balance at 31 March – Unfunded liabilities	1,669	1,505

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

	Funded Assets	
	2020/21 £000	2021/22 £000
Opening fair value of scheme assets at 1 April	69,369	86,983
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)
Closing fair value of scheme assets at 31 March	86,983	93,393

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 2018 £000	31 March 2019 £000	31 March 2020 £000	31 March 2021 £000	31 March 2022 £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
Net liability arising from defined benefit obligation	(27,568)	(35,845)	(27,377)	(37,084)	(25,545)

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
Allowance for Admin Expenses				
Expenses Deducted (p.a.)	0.7%	0.7%	0.7%	0.7%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8	21.8	21.6	21.6
Women	24.2	24.2	24.1	24.1
Longevity at 65 for future pensioners:				
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	%
Equity Securities:-				
● 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%
Debt Securities:-				
● 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%
Private Equity:-				
● All	4,455.6	5.1%	6,637.6	7.11%
Real Estate:-				
● UK Property	7,896.4	9.1%	9,166.7	9.82%
● Overseas Property	-	0.0%	31.1	0.03%
Investment Funds and Unit Trusts:-				
● 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%
Cash and Cash Equivalents:-				
● All	1,689.1	1.9%	1,958.6	2.10%
Total	86,983.0	100.0%	93,393.0	100.00%

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:

	31 March 2021 £000	31 March 2022 £000
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
TOTAL	352	366

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:

	31 March 2021 £000	31 March 2022 £000
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	-
Total	46,489	44,239

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 4th 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.

	31 March 2021 £000	31 March 2022 £000	Change in year £000
Short Term Investments	16,515	28,582	12,067
Total	16,515	28,582	12,067

> *Market Risk*

Interest Rate Risk - The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances)
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Council has a number of strategies for managing interest rate risk. Policy is to assess the likelihood of movements in interest rates, when taking decisions on variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

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

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

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 14th 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 is due 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 2020/21 £000	Actual 2020/21 £000		Actual 2021/22 £000	Actual 2021/22 £000	Note
3,031		EXPENDITURE			
		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	TOTAL EXPENDITURE		12,560	
		INCOME			
(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)	TOTAL INCOME		(12,158)	
	(356)	Net Expenditure/ (Income) of HRA Service as included in the Comprehensive Income and Expenditure Statement		492	
	77	HRA service share of Corporate and Democratic Core		76	
	(279)	Net Income/cost for HRA Services		568	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	(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)	(Surplus) or Deficit for the year on HRA Services		(3,359)	

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 £000		2021/22 £000
(4,733)	Balance on the HRA at the end of the previous year	(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)	Net (Increase) or decrease before transfers to or from reserves	38
1,549	Transfers to or (from) reserves	2,970
1,072	(Increase) or decrease in year on the HRA	3,008
(3,661)	Balance on the HRA at the end of the current year	(653)

Adjustments between accounting basis and funding basis under statute:

2020/21 £000		2021/22 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
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)	
7,150	Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year	3,755	
4	Transfer to Capital Adjustment Account	(358)	15
7,154	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	3,397	

Transfers to or from reserves

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

North Warwickshire Borough Council

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
2,599	Total at 31 March	2,594
	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
2,599	Stock at 31 March	2,594

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 £000	Asset Type	Balance as at 31 March 2022 £000
2,753	Land	3,446
165,571	Council Dwellings	187,922
252	Plant and Vehicles	186
5,382	Other Property	5,535
173,958	Total	197,089
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
173,958	Total	197,089

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.

2020/21 £000		2021/22 £000
(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	-
(1,536)	Balance as at 31 March	(1,536)

5. Housing Repairs Reserve

The Housing Repairs Reserve exists to provide for repairs and maintenance to council dwellings. The movement on the fund in the year is £274,235 and is detailed below:

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

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:

2020/21 £000		2021/22 £000
(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
(2,459)	Balance as at 31 March	(940)

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 £000	Source of Funding	2021/22 £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)
(6,776)	Total	(10,291)

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

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 £000		2021/22 £000
	Arrears at 31st March: -	
100	Present Tenants	129
132	Former Tenants	161
232	TOTAL ARREARS	290

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

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

Precept /Demand	Share of 31 March 2021 Surplus	2020/21 Total	Authority	Precept /Demand	Share of 31 March 2022 Surplus	2021/22 Total
£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
41,864	(203)	41,661	Total	43,314	871	44,185

NDR (Business Rates) on the Collection Fund

Business Rates 2020/21	Share of 31 March 2021 Deficit	2020/21 Total	Authority	Business Rates 2021/22	Share of 31 March 2022 Deficit	2021/22 Total
£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
57,552	(2,131)	55,421	Total	50,022	(3,877)	46,146

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%
COUNCIL TAX BASE 2021/22			21,071.07

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

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

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

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

NORTH WARWICKSHIRE BOROUGH COUNCIL

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.

