

NORTH WARWICKSHIRE BOROUGH COUNCIL

FINANCIAL STATEMENTS 2020/21

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We would welcome any comments or suggestions you have about this publication. Please contact Sue Garner, 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
- **£54 million** of business rates are collected annually (this reduced to **£42 million** in 2020/21 due to the additional business reliefs provided) - only £1.9 million of this is kept by the Council
- Council tax of **£41.9 million** is collected annually - only £4.4 million of this is kept by the Council
- We have **27** play areas and **10** sports pitches
- A recycling rate of **44.9%**
- We dealt with **838** planning applications in 2020/21
- We manage and maintain **2,599** council houses
- We issued **538** licences
- There are **71** industrial units available for small businesses
- We run **2** leisure centres and **1** swimming pool
- Refuse is collected from **28,580** domestic properties and **376** trade properties

2. Council Performance

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

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

Seven priorities for achieving that vision were agreed, with a corporate plan for 2020/21 to take those priorities forward. Whilst the coronavirus pandemic impacted on the achievement of the plan, some actions taken during the year are set out below:

Responsible Financial & Resources Management

- Savings of £705,640 were taken out of the budget prepared for 2021/22, in line with the financial strategy
- Work on implementing cyber security measures continued
- The housing team focused on rent collection, working with tenants, reducing arrears.

Creating Safer Communities

- Promoted the safeguarding of children, young people and adults
- Used mobile CCTV cameras to help monitor specific areas within the Borough.

Protecting Our Countryside and Heritage

- Completed and submitted the main modifications to the Local Plan required by the Local Plan Inspector. The final report is now awaited.
- Continued to work with the Government and the County Council on transport schemes affecting the Borough. This includes work on a scheme for the A5 and potential improvements on the A446.
- Maximised the opportunities for Section 106 funding for leisure and open space.

Improving Leisure and Wellbeing Opportunities

- Continued to work in partnership with other agencies to tackle health inequalities
- Continued to work with sports clubs in Atherstone and Grendon, on proposed improvements in Cole End Park and the next stage of the play area development programme.

Promoting Sustainable and Vibrant Communities

- Worked in partnership with health colleagues to deliver more housing adaptations to allow residents to remain in their own homes
- Supported community projects in each ward in the Borough, using the Local Community Fund
- Operated a shielding hub during the early part of the pandemic and supported a number of community and voluntary groups across the Borough with food related schemes.

Supporting Employment and Business

- Administered national business grant schemes related to the pandemic throughout the year
- Supported businesses to ensure compliance with the coronavirus regulations and to help businesses re-open safely
- Continued to progress the introduction of Civil Parking Enforcement to improve parking in our town centres.

Climate Change

- Started to develop an Action Plan based on themed areas of activity. Work to reduce the Council's carbon footprint is ongoing across a number of divisions.
- Started work to monitor and improve air quality in North Warwickshire.

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:

- Compliance with the Financial Management Code;
- Restarting our staff appraisal process and continuing to progress workforce planning;
- Resuming the use of internal working groups, suspended during the pandemic, where appropriate;
- The continued use of virtual meetings where appropriate and efficient;
- The provision of additional detail on risk management to Resources Board;
- A review of the revised corporate plan and performance indicators.

Resident / Satisfaction Surveys

The Council operates a complaints and compliments process. During 2020/21, 36 complaints and 71 compliments were received. This compared to 61 complaints and 47 compliments the previous year.

3. Financial Performance

North Warwickshire has faced significant financial challenges for a number of years due to reductions in funding from central government, together with cost pressures within services and greater volatility in financing. In addition, the Covid-19 pandemic impacted throughout 2020/21 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 2020/21

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 £8.673 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	5,451	6,788
Executive Services	731	614
Planning & Development	265	389
Licensing	48	48
Resources	2,174	391
Contingencies	4	-
Total Spending	8,673	8,230

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

	Expected Funding £000	Actual Funding £000
Council Tax	4,563	4,563
New Homes Bonus	738	738
Business Rates	2,422	2,422
Interest on Balances	360	145
Use of Balances	590	362
Total Funding	8,673	8,230

The main changes from the planned budget relate to:

- There has been an increase in Refuse and Recycling costs, due to the collection of additional waste and increased disposal costs;
- There has been a significant reduction in Leisure income due to Covid restrictions;
- There has been a significant decrease in Planning Fee income;
- Reduced staffing costs. In addition to savings arising from the normal turnover of staff, recruitment of staff has taken longer than expected in some areas. We review all vacancies as they arise and have kept some posts vacant whilst we carry out service reviews;
- There has been a significant decrease in spending on the Local Development Framework during the year; and
- A significant decrease in investment income due to lower than expected interest rates.

Housing Revenue Account (HRA)

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

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

	Planned Spending £000	Actual Spending £000
Management Services	2,013	2,024
Repair Services	3,218	3,222
Cost of Borrowing	3,504	3,504
Capital spending on properties	3,838	4,278
Provision for Bad Debts	230	19
Income set aside in general balances for future spending	-	-
Total Spending	12,803	13,047

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

	Expected Funding £000	Actual Funding £000
Rents from housing, garages and shops	11,887	11,849
Service charges	110	105
Interest on Balances	95	21
Income from general balance set aside in previous years	711	1,072
Total Funding	12,803	13,047

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
- Lower interest earned on balances held by the Housing Revenue Account.

Revenue Reserves

At the end of the year our total revenue reserves amounted to £28.296 million. These are shown below:

	General Fund £000	HRA £000
General balances – held for unexpected future events	2,491	3,661
Capital reserves – held for spending on assets with a lasting value	921	3,997
Earmarked reserves –held for specific purposes or activities	15,690	1,536
Total	19,102	9,194

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 2020/21 capital programme shown below includes schemes from 2019/20 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 2021/22.

	Capital Programme £000	Spending in 2020/21 £000	2020/21 Commitments to Be Paid in 2021/22 £000
Council Housing – existing stock	5,833	4,577	1,135
Council Housing – new build	2,983	1,976	1,007
General Fund – Materials Recycling Facility	60	76	-
General Fund vehicles	624	643	-
General Fund - IT and equipment	659	234	31
General Fund buildings	239	52	27
General Fund play areas and recreation grounds	320	96	13
Private sector housing	919	814	-
Total Spending	11,637	8,468	2,213

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 2020/21. The remaining funding used in 2020/21 came from reserves earmarked for capital and revenue funding.

Collection Fund

We collected business rates of £42 million from businesses within our area in 2020/21, 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 £5.77 million. As at the 31 March 2021, we had 4 appeals (15 appeals 2020) outstanding from the 2010 valuation, and 187 appeals (217 appeals 2020) relating to the 2017 valuation.

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

Balance Sheet

The Balance Sheet includes pension costs to meet International Financing Reporting Requirements. We show the assets and liabilities relating to retirement benefits we are responsible for as an employer, so that we show the true cost of our responsibilities. A net pension asset indicates that contributions have effectively been overpaid relative to the future benefits earned to date by our employees. A net liability shows an effective underpayment. Our fund liability has increased by £9.707 million in the year.

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

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

	31 March 2020 £000	31 March 2021 £000
Non current assets	177,145	197,693
Net current assets – debtors, stock and cash less short term liabilities	15,835	17,485
Long term liabilities and provisions	(73,866)	(81,323)
Net assets	119,114	133,855
Represented by: Useable reserves	25,963	33,229
Represented by: Unusable reserves	93,151	100,626

Although we sold 16 properties under the Right to Buy legislation and purchased 4 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 2021/22

The Medium-Term Financial Strategy was updated during the year. The government had planned to hold a new Spending Review in 2019, covering the period 2020/21 to 2022/23. However, with the political turbulence around Brexit, it was decided that a one-year Finance Settlement would be provided, covering the 2020/21 financial year; and that this would then be followed in 2020 by a full Spending Review, reviewing public spending as a whole and setting multi-year budgets. The Spending Review did not progress due to the Coronavirus

pandemic and a further one-year settlement was provided for 2021/22. As indicative figures are not yet available for 2022/22, the 2021/22 level of finance settlement has been assumed for 2022/23 onwards.

Savings targets within the Strategy were also updated to reflect the expected funding and spending pressures, including the Coronavirus pandemic. The reductions needed for 2021/22 were identified before the year started and included within the approved budget, with a target of £1.5 million to be found in 2021/22 ready for inclusion within the 2022/23 budget.

The latest revision of the HRA Business Plan anticipates a surplus of £63.7 million at the end of the 30 years, after capital spending on existing properties and new build of £196 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 388 people in full time and part time contracts. The make-up of our people is shown below:

Gender: Male 47.4%, Female 52.6%

Age: 24 and under 6.2%, 25-34 13.9%, 35-49 26.0%, 50-64 46.4%, 65 and over 7.5%

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

5. Principal Risks and Uncertainties

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

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

The top risks from our 2020/21 risk register are shown below:

Strategic

Risk	Impact	Mitigation
Impact on the Borough of the HS2 project	Loss of open spaces and community assets, transport and property valuation issues, air and noise pollution	Member of a Local Authority group lobbying the government and seeking mitigation, as well as becoming a qualifying authority
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 2021. 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 2020/21, 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 2020/21 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 2021.

All known material events that have occurred up to and including this date, which relate to 2020/21 or before have been reflected in the accounts.

Signed:



Date: .27th November 2023

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	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants / Conds Unapplied	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019	3,750	5,739	4,691	5,415	4,594	1,536	794	26,519	77,393	103,912
<u>Movement in reserves during 2019/20</u>										
Total Comprehensive Income and Expenditure	8,679	-	2,338	-	-	-	-	11,017	4,185	15,202
Adjustments between accounting basis and funding basis under regulations (note 5)	(7,463)	-	(1,671)	-	580	-	-	(8,554)	8,554	-
Net Increase/Decrease before Transfers to Earmarked Reserves	1,216	-	667	-	580	-	-	2,463	12,739	15,202
Transfers to/from Earmarked Reserves (note 6)	(2,113)	1,256	(625)	(1,335)	-	-	(202)	(3,019)	3,019	-
Increase/(Decrease) in 2019/20	(897)	1,256	42	(1,335)	580	-	(202)	(556)	15,758	15,202
Balance at 31 March 2020 carried forward	2,853	6,995	4,733	4,080	5,174	1,536	592	25,963	93,151	119,114
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	-
(Decrease)/ Increase in Year	(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

North Warwickshire Borough Council

Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2021

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).

2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
831	(47)	784	Executive Board	665	(6)	659
9,965	(3,582)	6,383	Community and Environment Board	10,516	(3,020)	7,496
1,339	(982)	357	Planning and Development Board	1,333	(993)	340
123	(114)	9	Licensing Committee	142	(87)	55
17,346	(14,543)	2,803	Resources Board – Services	21,948	(22,210)	(262)
589	(670)	(81)	Resources Board – Recharged Services	417	(934)	(517)
12,214	(12,610)	(396)	Resources Board – Housing Revenue Account	13,416	(14,288)	(872)
42,407	(32,548)	9,859	COST OF SERVICES	48,437	(41,538)	6,899
1,341	(430)	911	Other Operating expenditure (Note 7)	1,395	(166)	1,229
2,806	(3,126)	(320)	Financing and investment income and expenditure (Note 8)	1,611	(2,280)	(669)
2,610	(12,823)	(10,213)	Taxation and non-specific grant income (Note 9)	10,223	(21,774)	(11,551)
49,164	(48,927)	237	Deficit /(Surplus) on Provision of Services	61,666	(65,758)	(4,092)
13	(1,090)	(1,077)	Surplus or Deficit on revaluation of Property, Plant and Equipment (note 10)	-	(7,198)	(7,198)
-	-	-	Surplus or Deficit on revaluation of Available for Sale Financial Assets (Note 14 and 23)	-	-	-
14	-	14	Surplus or Deficit on financial assets measured at fair value through other comprehensive income (Note 14 and 23)	-	(53)	(53)
-	(10,191)	(10,191)	Remeasurement of the net defined benefit pension liabilities/ (assets) (Note 39)	8,234	-	8,234
27	(11,281)	(11,254)	Other Comprehensive Income and Expenditure	8,234	(7,251)	983
49,191	(60,208)	(11,017)	Total Comprehensive Income and Expenditure	69,900	(73,009)	(3,109)

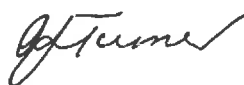
North Warwickshire Borough Council

Balance Sheet as at 31 March 2021

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 2020 £000		Note	31 March 2021 £000
168,526	Property, Plant and Equipment	10	188,331
851	Heritage Assets	11	829
7,510	Investment Property	12	8,314
258	Intangible Assets	13	219
-	Long Term Debtors	14	-
177,145	LONG TERM ASSETS		197,693
27,093	Short Term Investments	14/40	16,515
-	Assets held for Sale	19	-
56	Inventories	15	48
2,475	Short Term Debtors	14/17	5,044
7,046	Cash and Cash Equivalents	18	14,939
36,670	CURRENT ASSETS		36,546
(1,580)	Provisions	21	(2,310)
(2,000)	Short term PWLB Loans	40	(2,250)
(17,255)	Short Term Creditors	14/20	(14,501)
(20,835)	CURRENT LIABILITIES		(19,061)
(46,489)	Long Term PWLB Loans	40	(44,239)
(27,377)	Pension Fund Liabilities	39	(37,084)
(73,866)	LONG TERM LIABILITIES		(81,323)
119,114	NET ASSETS		133,855
25,963	Usable Reserves	22	33,229
93,151	Unusable Reserves	23	100,626
119,114	TOTAL RESERVES		133,855

Signed



Date 27th November 2023

Alison Turner CPFA, Corporate Director - Resources

North Warwickshire Borough Council

Cash Flow Statement for the Year Ended 31 March 2021

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.

2019/20 £000		2020/21 £000
237	Net deficit or (surplus) on the provision of services	(4,092)
(2,114)	Adjustments to net surplus or deficit on the provision of services for non cash movements (Note 24)	5,187
108	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 24)	(155)
(1,769)	Net cash flows from Operating Activities	940
2,612	Investing Activities (Note 25)	3,745
(1,256)	Financing Activities (Note 26)	(12,578)
(413)	Net Increase or decrease in cash and cash equivalents	(7,893)
(6,633)	Cash and Cash Equivalents at the beginning of the reporting year	(7,046)
(7,046)	Cash and Cash Equivalents at the end of the reporting year (Note 18)	(14,939)

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 2020/21, are as follows:

- Definition of a Business: Amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7;
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16.

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

2. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in pages 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.

The ongoing impact of Covid 19 on income such as car parking and leisure use will continue to be monitored closely and if required the budgets will be adjusted to reflect any permanent changes in demand.

The Mid Term Financial Strategy considers all risks to the financial stability of the Council over the medium term and the Covid pandemic and on-going implications will form part of the risk assessment to determine any ongoing financial implications.

The Covid 19 pandemic has seen a number of financial impacts on the Council which could continue to impact in future years. This includes an increase in council tax, NNDR and rent arrears as the government suspended all court actions for recovery of debts and this takes time to mobilise again. However, this is considered only to be a timing issues as the debts will ultimately be collectable when court action resumes, the situation will need to be monitored and resources directed to recovery if required to ensure the impact is minimised.

During 2020/21 the Council received significant amounts of grant funding. A proportion was to support the Council in its obligations in providing services and were passed through the

Comprehensive Income and Expenditure Statement (CIES). The remaining proportion was to provide support to businesses during the Covid-19 lockdown and recovery periods. In relation to this second proportion, the mechanism of transferring these Government grants across to businesses led to the judgement that the Council was acting as agent for the Government and, as a result, those payments have not been presented through the CIES. Any residual sums, due to be refunded back to the Government have been posted to the Balance Sheet as at 31 March 2021. Details of the material grants are shown in the relevant notes to the accounts.

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 2021 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 £83,161.80 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 £22.440 million. A 1% increase in the salary increase would result in an increase in the pension liability of £2.190 million and a 1% increase in the Pension (CPI) increase would result in an increase in the pension liability of £19.990 million.</p> <p>However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that the net pension's liability had increased by £25.584 million attributable to updating the assumptions.</p>

Provisions – NDR Appeals	Local Authorities are liable for successful appeals against business rates charged to businesses in 2020/21 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 2021. 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 2021. The Council's share of the balance of business rate appeals provisions at this date amounted to £2.310m this has increased by £0.730m from the previous year.	If successful appeals increased by 10%, this would require an additional £577,476 This Council's share would be £230,990 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 2021, we had a balance of sundry debtors of £345,781, whilst our share of council tax and NDR arrears amounted to £1,878,227.</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 11.74% (£40,603) - council tax 24.29% (£114,554) - NDR 22.88% (£321,834). <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 £476,991 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 £7.202 million went to the Housing Revenue Account. There were also some small gains on other properties across the Borough, of £2.03 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 2022. 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 2022 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.

2020/21	Usable Reserves						Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000	£000	£000	£000	£000	£000	£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 Adjustment Account)	(5,785)	-	-	-	-	-	5,785
• Holiday pay (transferred to the Accumulated Absences Account)	(25)	(20)	-	-	-	-	45
• Financial Instruments (transferred to the Financial Instruments Revaluation Reserve)	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

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

6. Movement in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2020/21.

	Balance at 1 April 2019	Transfers Out 2019/20	Transfers in 2019/1920	Balance at 31 March 2020	Transfers Out 2020/21	Transfers in 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund							
External funding received towards the provision of council services	1,287	191	254	1,350	339	834	1,845
One off funding set aside to progress specific council priorities	134	32	3	105	9	9	105
Contingency funding set aside to cover potential risks on areas such as VAT recovery and business rates	1,512	620	2,075	2,967	763	9,892	12,096
Other reserves held for revenue purposes to cover timing issues on spending	1,469	288	217	1,398	343	588	1,643
Reserves Held for Capital Spending	1,337	959	797	1,175	277	23	921
Total General Fund Reserves	5,739	2,090	3,346	6,995	1,731	11,346	16,610
HRA							
Housing Repairs Reserve	840	3,174	3,201	867	3,031	3,338	1,174
Reserves held for Capital spending	4,575	6,251	4,889	3,213	5,092	4,701	2,822
Total HRA Reserves	5,415	9,425	8,090	4,080	8,123	8,039	3,996
Total Earmarked Reserves	11,154	11,515	11,436	11,075	9,854	19,385	20,606

7. Other Operating Expenditure

2019/20		2020/21
£000		£000
1,019	Parish council precepts	1,074
322	Payments to the Government Housing Capital Receipts Pool	321
(430)	(Gains)/Losses on the disposal of non-current assets	(166)
911	Total	1,229

8. Financing and Investment Income and Expenditure

2019/20		2020/21
£000		£000
115	Interest payable and similar charges	25
863	Pensions interest and expected return on pension assets	639
(354)	Interest receivable and similar income	(145)
(944)	Income and expenditure in relation to investment properties and changes in their fair value	(1,188)
(320)	Total	(669)

9. Taxation and Non-specific Grant Income and Expenditure

2019/20		2020/21
£000		£000
(5,424)	Council tax income **	(5,523)
(2,898)	Non-Domestic rates – Collection Fund adjustments ***	(4,106)
(1,891)	Non-Domestic rates	(1,922)
-	Non-ring fenced government grants *	-
(10,213)	Total	(11,551)

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

** Council Tax income includes £97,570 contribution from the collection fund in 2020/21 (a contribution of £93,200 was included in 2019/20). The Council's share of the residual balance of £113,972 is detailed in note 23 on the collection fund adjustment account. This will be adjusted in 2021/22 (£4,099 adjustment in 2020/21).

*** 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 2020/21:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total Property Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
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

Comparative movements in balances in 2019/20:

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

Depreciation

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

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

Capital Commitments

At 31 March 2021 the capital commitments outstanding totalled approximately £2.213m. The major commitments were:

- £1.007m for the new build housing programme,
- £0.288m for a heating programme,
- £0.267m for a roofing programme
- £0.214m for a windows and doors programme,
- £0.183m for an energy saving programme and
- £0.143m for a kitchens and bathrooms programme.

Effect of changes in Estimates

We have not changed any of the depreciation methods used in valuing our assets. However, the estimated useful lives of a number of assets have been reassessed and amended in 2020/21. 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	31/03/2069	31/03/2070	(48)
Garages	31/03/2039	31/03/2040	(5)
Total			(53)

Revaluations

We carry out a rolling programme that ensures all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Valuations were carried out by the Council's valuers; Bridgehouse and Howkins and Harrison, who are RICS Registered Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. The valuation methods used for each type of asset category are detailed in note 16 of the Accounting Policies section (Property, Plant and Equipment).

The significant assumptions applied in estimating the current values are:

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

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

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infra-structure Assets	Community Assets	Assets under Construction	Surplus Assets	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	6,872	87	153	2,150	66	9,328
	Valued at current value as at:							
31 March 2021	165,861	17,908	-	-	-	-	-	183,769
31 March 2020	-	-	-	-	-	-	-	-
31 March 2019	-	-	-	-	-	-	-	-
31 March 2018	-	-	-	-	-	-	-	-
31 March 2017	-	-	-	-	-	-	-	-
Total Cost or Valuation	165,861	17,908	6,872	87	153	2,150	66	193,097

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.

2019/20 £000	Civic Regalia	2020/21 £000
	Cost or Valuation	
664	Balance as at 1 April	851
187	Revaluations	(22)
851	Balance as at 31 March	829

Five-Year Summary of Transactions

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Civic Regalia	666	631	664	851	829

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:

2019/20 £'000		2020/21 £'000
(542)	Rental income from investment property	(549)
178	Direct operating expenses arising from investment property	165
(580)	Change in fair value of investment property	(804)
(944)	Net gain	(1,188)

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:

2019/20 £'000		2020/21 £'000
7,050	Balance at start of the year	7,510
8	Expenditure during the year	-
(128)	Disposals	-
580	Net gains/(losses) from fair value adjustment in the Consolidated Income and Expenditure Statement	804
7,510	Balance at the end of the year	8,314

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 2021 and 2020 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	-	196	-	196
Commercial units	-	6,272	-	6,272
Shops and Restaurants	-	1,190	-	1,190
Land	-	656	-	656
Total	-	8,314	-	8,314

2020 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	-	197	-	197
Commercial units	-	5,494	-	5,494
Shops and Restaurants	-	1,161	-	1,161
Land	-	658	-	658
Total	-	7,510	-	7,510

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 £73,037 charged to revenue in 2020/21 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:

	2019/20	2020/21
	Software Licences £000	Software Licences £000
<i>Balance at start of year</i>		
Gross carrying amounts	1,878	1,938
Accumulated amortisation	(1,602)	(1,680)
Net carrying amount at start of year	276	258
<i>Additions:</i>		
Expenditure in the year	60	34
Amortisation for the year	(78)	(73)
Net Disposals in the year	-	-
Net carrying amount at end of year	258	219
<i>Comprising:</i>		
▪ Gross carrying amounts	1,938	1,972
▪ Accumulated amortisation	(1,680)	(1,753)
Net carrying amount at end of year	258	219

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 2021	Non-Current		Current			Total
	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	-	-	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

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

- **Financial Liabilities**

As at 31 March 2021	Non-Current		Current		Total
	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

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

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 2019/20 £000	Other Comprehensive Income 2019/20 £000	(Surplus) or Deficit on the Provision of Services 2020/21 £000	Other Comprehensive Income 2020/21 £000
Financial Assets Measured at Fair Value Through Profit or Loss	-	14	-	(52)
Total net (gains)/losses	-	14	-	(52)
Financial Assets Measured at Amortised Cost	354	-	-	-
Total interest revenue	354	-	-	-
PWLB Loan interest expense	1,539	-	1,504	-
Total fee expense	1,539	-	1,504	-

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 2021,
- No early repayment or impairment is recognised in the accounts.

The fair values are calculated as follows:

31 March 2020	31 March 2020		31 March 2021	31 March 2021
Carrying Amount on Balance Sheet £000	Fair Value Calculation £000		Carrying Amount on Balance Sheet £000	Fair Value Calculation £000
48,489	52,641	PWLB Debt	46,489	52,661
48,489	52,641	Total Borrowings	46,489	52,661
7,548	7,548	Money Market Funds < 1 year	4,011	4,011
7,548	7,548	Total Investments	4,011	4,011

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 2021. This shows a notional loss (based on economic conditions at 31 March 2021) 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 2020/21 the Council granted Decent Homes Standard loans to 3 private owner occupiers totalling £8,442 and granted Disabled Facilities loans to 2 private owner occupiers totalling £101,675. The Council is due to have the loans repaid when the properties are sold in the future. Given the uncertainty of future timescales, these loans have been fully funded through the Council's capital programme. Any funds recovered in the future will therefore be a windfall to the Council.

15. Inventories

	Consumable Stores	Consumable Stores	Maintenance Materials	Maintenance Materials	Client services Work in Progress	Client services Work in Progress	Total	Total
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at start of year	34	26	22	30	-	-	56	56
Purchases	337	295	318	342	-	-	655	637
Recognised as an expense in the year	(345)	(297)	(310)	(348)	-	-	(655)	(645)
Balance at year end	26	24	30	24	-	-	56	48

16. Construction Contracts

At 31 March 2021 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 2021/22.

17. Short Term Debtors

31 March 2020 £000		31 March 2021 £000
753	Trade Receivables	1,146
403	Prepayments	377
762	Local Taxation	3,157
283	Council Rents	243
639	Other Receivables	812
(365)	Bad debt provision	(691)
2,475	TOTAL	5,044

18. Cash and Cash Equivalents

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

31 March 2020 £000		31 March 2021 £000
2	Cash held by the Council	2
1,714	Bank current accounts	1,937
5,330	Short term deposits	13,000
7,046	Total Cash and Cash Equivalents	14,939

19. Assets Held for Sale

There were no assets held for sale at 31 March 2021.

20. Short Term Creditors

31 March 2020 £000		31 March 2021 £000
2,244	Trade Payables	2,880
2,650	Receipts in advance	2,257
228	Other Payables	2,509
11,900	Local Taxation	6,554
233	Council Rents	301
17,255	TOTAL	14,501

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 £3.100 million has been made in the Collection Fund at 31 March 2021 (£1.709 million at 31 March 2020), to cover possible refunds. Of the £3.950 million set aside at 31 March 2020, we have settled claims of £1.275 million from that sum. Our share of the increase in provision is £1.240 million (40%) (£0.0004 million at 31 March 2020), with the remaining 60% falling to central government and Warwickshire County Council.

31 March 2020 £000		31 March 2021 £000
1,538	Opening Balance set aside as at 31 st March	1,580
2,307	Add back - share to Central Government and Warwickshire County Council (60%)	2,370
(1,604)	Settled claims in year	(1,275)
2,241	Sub Total	2,675
1,709	Additional provision made in year	3,100
3,950	Sub Total	5,775
(2,370)	Less - share to Central Government and Warwickshire County Council (60%)	(3,465)
1,580	TOTAL	2,310

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 2020 £000		31 March 2021 £000
(15,613)	Revaluation Reserve	(24,740)
(100,180)	Capital Adjustment Account	(114,013)
27,377	Pensions Reserve	37,084
(87)	Collection Fund Adjustment Account - CT	27
(4,819)	Collection Fund Adjustment Account - NDR	852
207	Accumulated Absences Account	252
-	Available for Sale Financial Instruments Reserve	-
(36)	Financial Instruments Revaluation Reserve	(88)
(93,151)	Total Unusable Reserves	(100,626)

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.

2019/20 £000		2020/21 £000
(13,585)	Balance at 1 April	(15,613)
(2,435)	(Upward)/Downward revaluation of assets not posted to the Surplus/Deficit on the Provision of Services	(9,632)
82	Accumulated gains on assets sold	111
-	Difference between fair value depreciation and historical cost depreciation	-
325	Amount written off to the Capital Adjustment Account	394
(15,613)	Balance at 31 March	(24,740)

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.

2019/20 £000			2020/21 £000	
	(95,157)	Balance at 1 April		(100,180)
		<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
4,419		▪ Charges for depreciation and impairment of non-current assets	4,723	
(1,606)		▪ Revaluation (gains) / losses on Property, Plant and Equipment	(8,428)	
78		▪ Amortisation of intangible assets	78	
47		▪ Revenue expenditure funded from capital under statute	46	
1,529		▪ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,073	
	4,467	Sub Total		(2,508)
(325)		Adjusting amounts written out of the Revaluation Reserve	(436)	
(580)	(905)	Movements in the market value of Investment Property	(804)	(1,240)
		<i>Capital financing applied in the year:</i>		
(1,164)		▪ Use of the Capital Receipts Reserve to finance new capital expenditure	(2,561)	
-		▪ Use of the Major Repairs Reserve to finance new capital expenditure	-	
-		▪ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(326)	
-		▪ Application of grants to capital financing from the Capital Grants Unapplied Account	-	
(2,154)		▪ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(2,392)	
(5,267)	(8,585)	▪ Capital expenditure charged against the General Fund and HRA balances	(4,806)	(10,085)
	(100,180)	Balance at 31 March		(114,013)

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.

2019/20 £000		2020/21 £000
35,845	Balance at 1 April	27,377
(10,191)	Re measurement of the net defined benefit liability/(asset)	8,234
3,633	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,441
(1,910)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,968)
27,377	Balance at 31 March	37,084

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 2019/20 £000	Non Domestic Rates 2019/20 £000		Council Tax 2020/21 £000	Non Domestic Rates 2020/21 £000
(91)	(4,503)	Balance at 1 April	(87)	(4,819)
4	(316)	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	114	5,671
(87)	(4,819)	Balance at 31 March	27	852

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.

2019/20 £000		2020/21 £000
148	Balance at 1 April	207
(148)	Reversal of accrual made at the end of the preceding year	(207)
207	Amounts accrued at the end of the current year	252
207	Balance at 31 March	252

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.

2019/20 £000		2020/21 £000
(50)	Balance at 1 April	(36)
14	(Upward)/Downward revaluation of investments	(52)
-	Downward/ Upward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-
(36)	Balance at 31 March	(88)

24. Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2019/20 £000		2020/21 £000
(354)	Interest Received	(145)
10	Interest Paid	4
(344)	Net interest included within the surplus on the provision of services	(141)

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

2019/20 £000		2020/21 £000
3,553	Depreciation and Amortisation of Asset	2,806
1,723	Movement in pension liability	1,473
(28)	(Contribution to) / Use of Housing Repairs Reserve	(307)
(4,035)	Contributions to reserves	(10,357)
(312)	Reversal of Collection Fund Adjustments – CT and NDR	5,786
59	Accumulated Absences	45
42	Increase / (Decrease) in Provisions	730
1,417	Increase / (Decrease) in Creditors	(2,732)
(306)	(Increase) / Decrease in Debtors	(2,622)
1	(Increase) / Decrease in Stocks and WIP	(9)
2,114	Adjustments for non cash movements	(5,187)

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

2019/20 £000		2020/21 £000
(430)	(Surplus) / Loss on sale of Assets	(166)
322	Payment of housing receipts to Housing Pool	321
(108)	Adjustment for investing and financing activities	155

25. Cash Flow Statement – Investing Activities

2019/20 £000		2020/21 £000
6,900	Purchase of property, plant and equipment, investment property and intangible assets	7,963
672	Other payments for investing activities	814
(2,051)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,278)
(2,909)	Other receipts from investing activities	(3,754)
2,612	Net cash flows from investing activities	3,745

26. Cash Flow Statement – Financing Activities

2019/20 £000		2020/21 £000
(1,750)	Cash receipts of short and long term borrowing	(2,000)
494	Other receipts from financing activities	(10,578)
(1,256)	Net cash flows from financing activities	(12,578)

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.

2019/20	2019/20	2019/20		2020/21	2020/21	2020/21
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Expenditure and Funding Analysis	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000
747	37	784	Executive Board	620	39	659
5,148	1,235	6,383	Community and Environment Board	6,224	1,272	7,496
305	52	357	Planning and Development Board	310	30	340
2	7	9	Licensing Committee	48	7	55
1,774	1,029	2,803	Resources Board – Services	(1,291)	1,029	(262)
(229)	148	(81)	Resources Board – Recharged Services	(179)	(338)	(517)
(667)	271	(396)	Resources Board – Housing Revenue Account	(1,173)	301	(872)
7,080	2,779	9,859	NET COST OF SERVICES	4,559	2,340	6,899
(8,963)	(11,913)	(20,876)	Other Comprehensive Income and Expenditure	(16,374)	6,366	(10,008)
(1,883)	(9,134)	(11,017)	Total Comprehensive Income and Expenditure	(11,815)	8,706	(3,109)
(19,595)			Opening General Fund and HRA Balances	(18,661)		
3,203			Use of Reserves to fund Capital Expenditure	3,111		
(2,269)			(Surplus) / Deficit on Provision of Services	(11,209)		
(18,661)			Closing General Fund and HRA Balances	(26,759)		

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

Expenditure and Funding Analysis - adjustments between the funding and accounting basis				2020/21
	Adjustment for Capital Purposes	Net charge for Pensions Adjustments	Other Differences	Total Adjustments
	£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

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

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:-

	2019/20	2020/21
	Income from Services	Income from Services
Board	£000	£000
Executive Board	48	6
Community and Environment Board	3,138	2,358
Planning and Development Board	982	994
Licensing Committee	113	87
Resources Board – Services	14,134	21,101
Resources Board – Recharged Services	569	418
Resources Board – Housing Revenue Account	11,940	12,940
Other (*)	10,558	11,692
	41,482	49,596

(*) 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:-

2019/20	Expenditure and Income	2020/21
£000		£000
	Expenditure	
11,216	Employee Expenses	11,641
9,706	Other Service Expenses	14,413
10,503	Rent Allowances and Housing Benefit Payments	9,592
2,887	Depreciation, Amortisation and Impairment	2,254
1,723	Retirement Benefits	1,473
1,484	Revenue Expenditure Funded from Capital Under Statute	1,398
3,289	HRA – Debt Repayment and interest	3,504
322	Payment to Housing Capital Receipts Pool	321
1,019	Parish Precepts	1,074
-	Loss on Disposal of Assets	-
42,149	Total Expenditure	45,670
	Income	
(18,818)	Fees, Charges and Other Service Income	(19,758)
(344)	Interest and Investment Income	(141)
(6,611)	Income from Council Tax and NDR	(7,025)
(15,709)	Government Grants and Contributions	(22,672)
(430)	Gain on Disposal of Assets	(166)
(41,912)	Total Income	(49,762)
237	(Surplus)/Deficit on Provision of Services	(4,092)

28. Agency Services

Coventry City Council provided a payroll service to the Council in 2020/21, for which we paid a charge of £12,538. (£12,240 in 2019/20)

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 2020/21 the authority made a payment to the larger partnership of £35,200 (in 2019/20 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 2020/21.

2019/20 £		2020/21 £
765,048	Balance of funding retained by the Heart Shared Service to be carried forward to 2020/21 to spend in the North Warwickshire area	576,442
700,267	Budget – Disabled Facilities Grant	794,560
(888,873)	Spend by the Heart Shared Service on behalf of NWBC	(670,465)
576,442	Balance of funding retained by the Heart Shared Service to be carried forward to 2021/22 to spend in the North Warwickshire area(*)	700,537

(*) 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.

	2019/20 £000	2020/21 £000
Allowances	227	234
Expenses	6	-
Total	233	234

31. Officers' Remuneration

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

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

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

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	2019/20 staff numbers	2020/21 staff numbers
£50,000-£54,999	1	1
£55,000-£59,999	-	1
£60,000-£64,999	-	-
£65,000-£69,999	-	-
£70,000-£74,999	4	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	
	2019/20	2020/21	2019/20	2020/21
			£	£
£0 – £20,000	2	-	19,462.50	-
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	-	-	-
£60,001 - £80,000	-	-	-	-
£80,001 - £100,000	-	-	-	-
£100,001 - £120,000	-	-	-	-
£120,001 - £140,000	1	-	123,871.99	-
Total	3	-	143,334.49	-

There are no costs to charge 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 2020/21 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 2020/21 accounts.

Type of Audit Work	2019/20 £000	2020/21 £000
Fees payable to Ernst Young LLP with regard to external audit services carried out for the year	33	39
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	16	23
Additional fees payable to Ernst Young LLP for work on 2018/19 accounts and Housing Benefit for 2018/19 and 2019/20	58	54
Total	107	116

33. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2019/20 £000	2020/21 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-	-
Non Domestic Rates	1,891	1,922
Total	1,891	1,922

Credited to Services		
New Burdens - Single Fraud Initiative Grant	1	-
New Burdens - Brownfield Register Grant	2	-
New Burdens - Verify Earnings & Pensions Alert Service	18	8
New Burdens - EU Exit Preparation	35	-
New Burdens - Council Tax Discount for Family	4	-
New Burdens - Local Authority Support grant Covid 19	34	1,021
New Burdens - Private Rent Sector Innovation & Enforcement grant	25	-
New Burdens - Business Rate Relief	9	-
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 – Council Tax Discounts for Annexes	-	4
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
Planning Enforcement Grant	50	-
Local Government Association – Administration Review Grant	7	4
National Lottery Grant – Safer Communities	8	-
Heritage Lottery and Leader Funding for Meadow Street Gardens	56	75

Credited to Services - Continued	2019/20	2020/21
	£000	£000
Severn Trent Water Community Fund – Meadow Street Gardens	-	10
Electoral Reform Services Grant	26	31
Small Business and Empty Property Rate Relief	1,467	8,744
Neighbourhood Planning Grant	20	-
Cyber Security Grant	-	3
DWP – Lettings Agents & Trans & redress	-	1
DWP - Civica Software updates	13	9
DWP - implementing Welfare Reform changes	29	13
DWP - Universal Credit Support Grant	-	6
Armed Forces Covenant Veterans Hub Grant	16	8
Leader Project Grant	61	58
Stronger and Safer Communities Funding	32	32
New Burdens - Transparency Code Set Up	8	16
Benefits Grant (DHP)	76	106
Benefits Administration Grant	209	205
New Homes Bonus Scheme	921	738
Rent Allowances Subsidy	5,516	4,979
National Non Domestic Rates Administration Grant	110	111
Housing Rent Rebates	4,626	4,326
Custom Build Grant	15	-
Homelessness Reduction and Support Grant	112	133
Reopening the High Street	-	36
Covid Outbreak Management Grant (COMF)	-	400
MHCLG Covid Compliance & Enforcement Grant	-	33
BEIS Green Homes Grant	-	320
Homes England – New Homes Build Grant	-	261
Covid Fees and Charges Support Grant	-	1,102
Self Isolation Administration Grant	-	28
Test and Trace – WCC Fund	-	6
Total	13,506	23,050

Covid Grants

The government has 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. There were a number of business grant schemes, which included: the Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; and 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 has 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 2020/21 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.

Grant	Government Funding	Grants Paid	Balance Remaining
	£'000	£'000	£'000
Small Business Grants Fund (SBGF) (to August 2020)	(9,070)	9,070	-
Retail, Hospitality and Leisure Grant Fund (RHLGF) (to August 2020)	(3,980)	3,980	-
The Local Restrictions Support Grant (Closed) 5 November – 1 December 2020	(831)	619	212
Local Restrictions Support Grants (LRSB) (closed) 2 December 2020 – 4 January 2021	(449)	361	88
The Local Restrictions Support Grant (Closed) Addendum (5 January onwards)	(2,553)	1,878	675
Christmas Support Payment	(45)	67	(22)
Closed Businesses Lockdown Payment (CBLP)	(2,493)	1,846	647
Local Restrictions Support Grant (open)	(21)	15	6
Total Agent (BEIS)	(19,442)	17,836	1,606
Test and Trace Support Payment Scheme - Main Scheme	(132)	76	56
Test and Trace Support Payment Scheme - Discretionary Scheme	(25)	0	25
Total Agent (DWP)	(157)	76	81
Additional Restrictions Grant (ARG)	(1,885)	1,362	523
Local Authority Discretionary Grant Fund (LADGF) (to August 2020)	(661)	661	-
Total Principal (BEIS)	(2,546)	2,023	523

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 2020/21 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.

Seven Borough Councillors were also Warwickshire County Councillors in 2020/21. During the year, we paid £2,649,241 (£2,760,336 in 2019/20) to Warwickshire County Council for services including: pensions, land charges, broadband, arboriculture services, trade refuse disposal, contribution to the costs of Lower House Farm recycling facility and leisure facilities. Income of £761,717 (£523,117 in 2019/20) was received from the County Council for grass cutting, schools trade refuse, one public estate project management, funding for a hospital liaison officer post, Health improvement grant, part occupation of Council Offices, Homeless Project and recycling activities.

Seven Borough Councillors were also on Atherstone Town Council in 2020/21. Income of £133,455 (£48,321 in 2019/20) was received from Atherstone Town Council, for the monitoring of their CCTV cameras within the town, contribution towards the capital costs of the replacement CCTV system and for some grounds maintenance work. Payments of £3,000 were made to Atherstone Town Council towards for a Community Grant and Covid 19 CEV funding.

Three Borough Councillors were also on Coleshill Town Council in 2020/21. Income of £1,732 (£8,105 in 2019/20 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 £1,700 (£5,898 in 2019-20 for a grant towards Coleshill Hall project and hire of premises for elections) were made to Coleshill Town Council towards the town's CCTV scheme.

During the year a payment of £34,807.50 (£34,808 in 2019/20) was made to North Warwickshire Citizens Advice Bureau. The Borough Council was represented on the North Warwickshire Citizens Advice Bureau by 1 Borough Councillor. The transaction represents a contribution to the running expenses of the organisation. The Member recorded an interest in the Register of Members Interests, which is open to public inspection at the Council Offices during office hours.

The Council is a non-constituent member of the West Midlands Combined Authority (WMCA). The WMCA is a group of councils across the region that is working together to seek greater decision-making powers from the government in a process known as devolution. In the Scheme sent to Government only constituent members have voting rights. Now the WMCA is established, constituent members could give voting rights to non-constituent members, for example, allowing them to vote on matters to do with economic

development. Constituent members may only be signed up to one combined authority, whilst non-constituent members can be signed up to one or more combined authorities. In 2020/21 North Warwickshire Borough Council paid the WMCA a £25,000 contribution to help fund its programmes and initiatives (£25,000 in 2019/20).

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		
	2019/20 £000	2020/21 £000
<i>Capital Investment</i>		
Property, Plant and Equipment	6,637	7,868
Investment properties		
Intangible Assets	57	80
Revenue Expenditure Funded from Capital Under Statute	731	814
Total Expenditure	7,425	8,762
<i>Sources of Finance</i>		
Capital receipts	(1,139)	(2,299)
Government grants and other contributions	(725)	(1,176)
Revenue Contribution to Capital	(119)	-
Section 106 contributions	-	(66)
Earmarked Capital Reserve	(359)	(278)
Major Repairs Reserve/HRA RCCO	(4,790)	(4,669)
Capital Creditors	(293)	(274)
Prudential Borrowing	-	-
Total Financing	(7,425)	(8,762)

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.

	2019/20 £000	2020/21 £000
Long Term Assets	177,145	197,693
Revaluation Reserve	(15,613)	(24,740)
Capital Adjustment Account	(100,180)	(114,013)
Capital Financing Requirement	61,352	58,940

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 2020 £000		31 March 2021 £000
121	Minimum lease payments	122
(124)	Contingent rents	(137)
(3)	Total	(15)

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 2020 £000		31 March 2021 £000
398	Not later than one year	417
205	Later than one year and not later than five years	205
4,229	Later than five years	5,051
4,832	Total	5,673

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 2020/21, £84,054.71 contingent rents were receivable by the Council (£70,865.05 in 2019/20).

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 2020/21 (none 2019/20).

38. Termination Benefits

The Council terminated the contracts of no employees in 2020/21 and incurred no liabilities (£143,334.49 in 2019/20) – see Note 31 for the number of exit packages and total cost per band. No payments were made in 2020/21 (in 2019-20 payments were made to a Leisure Centre Duty Officer, a Leisure Centre Fitness Coordinator and Leisure Business Support Officer).

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

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

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

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

In addition there are arrangements for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there will be no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due. These costs are included in the following figures.

Transactions Relating to Post-employment Benefits

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

	2019/20 £000	2020/21 £000
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
• Current service cost	(3,498)	(2,802)
• Past Service Cost and Curtailments	728	-
<i>Financing and Investment Income and Expenditure</i>		
• Interest cost	(2,668)	(2,228)
• Expected return on scheme assets	1,805	1,589
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	(3,633)	(3,441)
<i>Re measurement of the net defined benefit liability comprising</i>		
• Return on plan assets	(7,074)	16,453
• Actuarial (losses)/gains arising on changes in demographic assumptions	3,275	(1,472)
• Actuarial (losses)/gains arising on changes in financial assumptions	8,324	(24,112)
• Other	5,666	897
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	10,191	(8,234)
<i>Movement in Reserves Statement</i>		
• Reversal of net charges made to the Surplus or Deficit of Services for post employment benefits in accordance with the Code	4,361	3,441
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• Employers contributions payable to scheme	1,910	1,968
Retirement benefits payable to pensioners	(3,269)	(2,917)

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 loss of £8,234,000 at 31 March 2021 (a gain of £10,191,000 at 31 March 2020).

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

	Funded Liabilities	
	2019/20 £000	2020/21 £000
Opening balance at 1 April – Funded liabilities	109,411	95,160
Opening balance at 1 April – Unfunded liabilities	1,875	1,586
Current service cost	3,498	2,802
Past Service Cost	(728)	-
Interest Cost	2,668	2,228
Contributions by scheme participants	556	521
Actuarial losses arising from changes in demographic assumptions	(3,275)	1,472
Actuarial losses arising from changes in financial assumptions	(8,324)	24,112
Other	(5,666)	(897)
Benefits paid - funded	(3,143)	(2,792)
Benefits paid - unfunded	(126)	(125)
Closing balance at 31 March – Funded liabilities	95,160	122,398
Closing balance at 31 March – Unfunded liabilities	1,586	1,669

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

	Funded Assets	
	2019/20 £000	2020/21 £000
Opening fair value of scheme assets at 1 April	75,441	69,369
Expected rate of return - Interest	1,805	1,589
Actuarial gains – Return on plan assets	(7,074)	16,453
Contributions by scheme participants	556	521
Employer contributions	1,784	1,843
Contributions in respect of unfunded benefits	126	125
Benefits/transfers paid	(3,143)	(2,792)
Unfunded Benefits/transfers paid	(126)	(125)
Closing fair value of scheme assets at 31 March	69,369	86,983

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 (£18,258) million (£5.269 million in 2019/20).

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

	31 March 2017 £000	31 March 2018 £000	31 March 2019 £000	31 March 2020 £000	31 March 2021 £000
Present value of the defined benefit obligation	(97,386)	(99,124)	(111,286)	(96,746)	(124,067)
Fair value of Plan assets	70,094	71,556	75,441	69,369	86,983
Net liability arising from defined benefit obligation	(27,292)	(27,568)	(35,845)	(27,377)	(37,084)

The liabilities show the underlying commitments that we have in the long-run to pay post employment (retirement) benefits. The total liability of £37.084 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 2021/22 the estimated contributions expected to be paid to the scheme after the Balance Sheet date is £1,850,000.

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 2021. 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:

	2019/20	2019/20	2020/21	2020/21
	Beginning of year	End of Year	Beginning of year	End of Year
Allowance for Admin Expenses				
Expenses Deducted (p.a.)	0.6%	0.6%	0.7%	0.7%
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.6	21.6	21.8	21.8
Women	23.8	23.8	24.2	24.2
Longevity at 65 for future pensioners:				
Men	22.5	22.5	23.0	23.0
Women	25.4	25.4	26.1	26.1
Rate of Inflation (CPI)	2.5%	1.9%	1.9%	2.85%
Rate of Increase in salaries	3.1%	2.7%	2.7%	3.65%
Rate of increase in pensions	2.5%	1.9%	1.9%	2.85%
Rate of discounting scheme liabilities	2.4%	2.3%	2.3%	2.0%

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.

	2019/20	2019/20	2020/21	2020/21
	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.

	2019/20	2019/20	2020/21	2020/21
	£ 000	%	£ 000	%
Equity Securities:-				
• Consumer	-	0.0%	-	0.0%
• Manufacturing	-	0.0%	-	0.0%
• Energy and Utilities	-	0.0%	-	0.0%
• Financial Institutions	-	0.0%	-	0.0%
• Health and Care	-	0.0%	-	0.0%
• Information Technology	-	0.0%	-	0.0%
• Other	-	0.0%	41.0	0.1%
Debt Securities:-				
• Corporate Bonds (investment grade)	-	0.0%	8,479.7	9.7%
• Corporate Bonds (non-investment grade)	-	0.0%	2,081.1	2.4%
• UK Government	-	0.0%	3,977.8	4.6%
• Other	2,206.1	3.2%	7,248.5	8.3%
Private Equity:-				
• All	3,319.6	4.8%	4,455.6	5.1%
Real Estate:-				
• UK Property	6,779.1	9.8%	7,896.4	9.1%
• Overseas Property	6.0	0.0%	-	0.0%
Investment Funds and Unit Trusts:-				
• Equities	39,763.6	57.3%	48,602.9	55.9%
• Bonds	10,658.4	15.4%	-	0.0%
• Hedge Funds	-	0.0%	-	0.0%
• Infrastructure	1,825.0	2.6%	2,510.9	2.9%
• Other	3,843.6	5.5%	-	0.0%
Cash and Cash Equivalents:-				
• All	967.6	1.4%	1,689.1	1.9%
Total	69,369.0	100.0%	86,983.0	100.0%

Impact on the Council's Cash Flows

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

40. Nature and Extent of Risks arising from Financial Instruments

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

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

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

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

➤ *Credit Risk*

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

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

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

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

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

The Council's maximum exposure to credit risk in relation to investments in banks and building societies of £3 million cannot be assessed generally as the risk of any institution failing to make interest payments or repay the historical principal will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 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 £351,899 of the balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2020 £000	31 March 2021 £000
Less than three months	152	242
Between three and six months	60	31
Between six months and one year	13	16
More than one year	39	63
TOTAL	264	352

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 2021 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 2020 £000	31 March 2021 £000
Less than one year	2,000	2,250
Between one years and two years	2,250	2,260
Between two and five years	6,960	7,150
Between five and ten years	14,300	16,130
Between ten and fifteen years	12,979	8,699
Between fifteen and twenty years	-	5,000
More than twenty years	10,000	5,000
Total	48,489	46,489

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

Liquid resources held by the Council are short-term investments. These continue to be managed internally, with a limit on the amount that can be invested with any one institution in accordance with the authorised lending list. All investments at 31 March 2021 were held with banks and building societies. At 31 March 2021 the Council had short-term investments of £16.515 million.

	31 March 2020 £000	31 March 2021 £000	Change in year £000
Short Term Investments	27,093	16,515	(10,578)
Total	27,093	16,515	(10,578)

➤ *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	130
- Ultra Short term dated bonds	60
Net impact on the (Surplus) / Deficit on the provision of services	190

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. 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 May 2022 the Council has around £34.4 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 February 2022 and included the position at the end of 2020/21, which had taken into account government funding received and the use of earmarked reserves. This left the General Fund balance as at 31 March 2021 at £2.471 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 2022.

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 £1.4 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 16th May 2022. 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 2021, the notes in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

Covid-19

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

As a Category 1 responder, North Warwickshire Borough Council has 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 May 2022 are £34.4m 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 recycle. As one of 8 shareholders, North Warwickshire Borough Council made an equity investment of £46,700 for their 4.7% share in Sherbourne Recycling Limited (SRL).

Over the course of the next 24 months, SRL will draw down the loan facility with the Council for a maximum amount of £2.676m, 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 2019/20 £000	Actual 2019/20 £000		Actual 2020/21 £000	Actual 2020/21 £000	Note
		EXPENDITURE			
3,286		Repairs and Maintenance	3,031		5
		Supervision and Management			
1,516		- General	1,600		
405		- Special Services	409		
2,918		Depreciation, Impairment and revaluation losses of non-current assets	3,036		9
3,289		Debt Management Costs	3,504		14
27		Movement in the allowance for bad debts	18		13
	11,441	TOTAL EXPENDITURE		11,598	
		INCOME			
(11,299)		Dwelling rent	(11,460)		12
(380)		Non-dwelling rent	(389)		
(114)		Charges for Services and Facilities	(105)		
		Grant for New Build			
	(11,793)	TOTAL INCOME		(11,954)	
	(352)	Net Expenditure/ (Income) of HRA Service as included in the Comprehensive Income and Expenditure Statement		(356)	
	78	HRA service share of Corporate and Democratic Core		77	
	(274)	Net Income/cost for HRA Services		(279)	
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
	(430)	Gain on sale of HRA non-current assets		(129)	
	(435)	Interest payable and similar charges		(4)	10/15
	(105)	Interest and Investment Income		(21)	15
	(1,077)	Deficit or (Surplus) on Revaluation of Property, Plant and Equipment		(7,198)	10
	(2,321)	(Surplus) or Deficit for the year on HRA Services		(7,631)	

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.

2019/20 £000		2020/21 £000
(4,691)	Balance on the HRA at the end of the previous year	(4,733)
(2,321)	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Statement	(7,631)
1,751	Adjustments between accounting basis and funding basis under statute	7,154
(570)	Net (Increase) or decrease before transfers to or from reserves	(477)
528	Transfers to or (from) reserves	1,549
(42)	(Increase) or decrease in year on the HRA	1,072
(4,733)	Balance on the HRA at the end of the current year	(3,661)

Adjustments between accounting basis and funding basis under statute:

2019/20 £000		2020/21 £000	Note
	Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the Year		
1,077	Reversal of Impairment losses and revaluations	7,198	10
430	Gain on sale of HRA Property, Plant and Equipment	129	
(199)	Net charges made for retirement benefits in accordance with IAS 26	(197)	11
8	(Increase)/Reduction in accrual for employee benefits	20	
1,316	Items not included in the HRA Income and Expenditure Statement but included in the movement on HRA Balance for the Year	7,150	
435	Transfer to Capital Adjustment Account	4	15
1,751	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year	7,154	

Transfers to or from reserves

2019/20 £000		2020/21 £000	Note
27	Transfer to/(from) the Housing Repairs Reserve	307	5

Notes to the Housing Revenue Account (HRA) Statements for the Year Ended 31 March 2021

1. Legal Obligation

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

2. Housing Stock

We were responsible for managing an average of 2,615 dwellings during 2020/21, consisting of the following:

2019/20		2020/21
1,367	Houses	1,354
647	Flats	628
617	Bungalows	617
2,631	Total at 31 March	2,599
	The change in stock was as follows:	
2,658	Stock at 1st April	2,631
(26)	less Sales	(16)
(1)	Demolitions	(20)
-	New Build	4
2,631	Stock at 31 March	2,599

3. Assets held within the Housing Revenue Account

We hold assets within our HRA valued at £173.958 million as at 31 March 2021. 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 2020 £000	Asset Type	Balance as at 31 March 2021 £000
1,332	Land	2,753
147,781	Council Dwellings	165,571
108	Plant and Vehicles	252
5,302	Other Property	5,382
154,523	Total	173,958
105,872	Operational Assets – Dwellings	119,095
41,909	- Land	46,476
5,302	- Other Buildings	5,382
108	- Plant and Vehicles	252
1,332	Non-operational Assets	2,753
154,523	Total	173,958

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 £406.835 million. This is different to the gross book value of the assets included within the balance sheet of £162.734 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.

2019/20 £000		2020/21 £000
(1,536)	Balance as at 1 April	(1,536)
(2,853)	Transfer into Reserve – Depreciation	(2,952)
2,853	Transfer into Reserve – Appropriation	2,952
-	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 £306,794 and is detailed below:

2019/20 £000		2020/21 £000
840	Balance as at 1 April	867
3,201	Contributions from HRA	3,222
(3,174)	Use of Fund	(2,915)
867	Balance as at 31 March	1,174

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:

2019/20 £000		2020/21 £000
(3,653)	Balance as at 1 April	(2,465)
(2,924)	Contributions from HRA	(3,048)
(33)	Other Receipts	-
4,145	Use of Reserve	3,054
(2,465)	Balance as at 31 March	(2,459)

7. Capital Expenditure and Income

We undertake a programme of works in relation to our HRA property and, in 2020/21, spent £6,776,461 (£5,939,703 in 2019/20). This expenditure was used to fund work on council houses, garages and community centres of £4,798,166 (£5,269,092 in 2019/20) and new housing of £1,978,295 (£670,611 in 2019/20). Capital spending during the year has been paid for from a number of sources and these are shown below:

2019/20 £000	Source of Funding	2020/21 £000
(2,853)	Major Repairs Reserve	(2,952)
(903)	Capital Receipts	(1,580)
-	Capital Receipts – New Build	-
(1,937)	Earmarked Reserves	(1,717)
-	Section 106 Funding	-
(23)	Grants and Contributions	(292)
(224)	Capital Creditors	(235)
(5,940)	Total	(6,776)

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 2020/21 capital income of £1,268,800 was received from the sale of 16 council houses (£1,927,400 for 26 houses and £123,500 from the sale of surplus land in 2019/20).

9. Depreciation

The HRA is charged with an amount to recognise the level of depreciation incurred in the year on its HRA assets. For 2020/21 the amount of depreciation charged is as follows.

2019/20 Operational assets £000		2020/21 Operational assets £000
2,768	Council Dwellings	2,856
85	Other Property	96
34	Vehicles	54
12	Plant & Equipment	12
2,899	Total	3,018

10. Revaluations / Impairment charges

There were no impairment charges during the year. Some land and properties held as investment assets increased in value by £3,530 (see note 12, page 28), however there were revaluation gains of £7.198 million on the Council's housing stock. In overall terms revaluation gains of £7.202 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 £197,462 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 1.95% of lettable properties were vacant (1.57% in 2019/20). Average rents were £93.18 a week in 2020/21 (excluding service charges) on a 48 week basis, an increase of £2.68 or 2.96% over the previous year.

13. Rent Arrears

At 31 March 2021 the total rent in arrears was £232,423, which represents 2.03% of collectable rent income (2.10% in 2019/20). The rent arrears figures are detailed below: -

2019/20 £000		2020/21 £000
132	Arrears at 31st March: - Present Tenants	100
106	Former Tenants	132
238	TOTAL ARREARS	232

The allowance for bad debts at 31 March 2021 was £176,916 (£162,409 at 31 March 2020). No debts were written off during the year (£9,655 written off in 2019/20) and an additional provision was made of £14,507 (£34,593 in 2019/20). 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 £3,936 (£7,471 decrease in 2019/20). The movement on the bad debt provision in 2020/21 is £18,443 (£27,122 in 2019/20).

14. Charges for Borrowing

The Housing Revenue Account repaid £2,000,000 of the long term borrowing it took out as part of the move to the Housing Self Financing system and £1,503,921 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 2020/21.

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 2020/21 this amounted to £21,138 (£105,200 in 2019/20).

The HRA holds land at various locations in the Borough as investment assets. Revaluation of 4 parcels of land during the year showed an increase in the asset valuations of £4,400 (£417,400 increase in 2019/20 (3 parcels of land). In addition we hold 10 shared ownership properties in Thorncliffe Way, Cornish Close & Digby Road as investment properties. During the year there was a decrease in their valuations of £870 (£17,940 increase in 2019/20). The revaluations are included in the Interest and Investment income. This will not be realised unless the properties are sold, so it is reversed out in the adjustments between accounting basis and funding basis under statute in order to arrive at the Housing Revenue Account balance at the end of the year.

North Warwickshire Borough Council

The Collection Fund - Income and Expenditure Statement for the Year Ended 31 March 2021

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).

2019/20 Council Tax £000	2019/20 NDR £000	2019/20 Total £000		2020/21 Council Tax £000	2020/21 NDR £000	2020/21 Total £000
40,718	-	40,718	INCOME			
			Income from Council Tax (net of benefits and transitional relief)	42,079	-	42,079
-	53,174	53,174	Income Collectable from Business Ratepayers	-	46,042	46,042
			Cont's to previous years NDR deficits:			
-	-	-	- Government	-	-	-
-	-	-	- North Warwickshire BC	-	-	-
-	-	-	- Warwickshire County Council	-	-	-
40,718	53,174	93,892		42,079	46,042	88,121
			EXPENDITURE			
			Precepts and Demands-Council Tax :			
29,808	-	29,808	- Warwickshire County Council	31,318	-	31,318
4,746	-	4,746	- Warwickshire Police Authority	5,006	-	5,006
5,335	-	5,335	- North Warwickshire BC	5,540	-	5,540
39,889	-	39,889		41,864	-	41,864
			Distribution of Surpluses-Council Tax :			
498	-	498	- Warwickshire County Council	545	-	545
75	-	75	- Warwickshire Police Authority	87	-	87
93	-	93	- North Warwickshire BC	98	-	98
666	-	666		730	-	730
			Business Rate Payments:			
,	26,057	26,057	- Government	,	28,776	28,776
,	20,846	20,846	- North Warwickshire BC	,	23,021	23,021
,	5,211	5,211	- Warwickshire County Council	,	5,755	5,755
,	(62)	(62)	Transition Protection payment to/(from) Government	,	98	98
,	109	109	Cost of collection	,	111	111
-	52,161	52,161		-	57,761	57,761
			Bad and doubtful debts/appeals :			
22	29	51	- Arrears Written Off	13	-	13
142	89	231	-Provision for uncollectable amounts	327	635	962
-	105	105	- Provision for Appeals	-	1,825	1,825
(1)	790	789	Increase/(Decrease) in Fund Balance	(855)	(14,179)	(15,034)
40,718	53,174	93,892		42,079	46,042	88,121
MOVEMENTS ON THE COLLECTION FUND						
653	11,258	11,911	Balance at 1 April	652	12,048	12,700
(1)	790	789	Surplus/(Deficit) for the Year	(855)	(14,179)	(15,034)
652	12,048	12,700	Balance at 31 March 2020	(203)	(2,131)	(2,334)

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

Precept /Demand	Share of 31 March 2020 Surplus	2019/20 Total	Authority	Precept /Demand	Share of 31 March 2021 Surplus	2020/21 Total
£000	£000	£000		£000	£000	£000
29,808	487	30,295	Warwickshire County Council	31,318	(152)	31,166
4,746	78	4,824	Warwickshire Police Authority	5,006	(24)	4,982
5,335	87	5,422	North Warwickshire Borough Council	5,540	(27)	5,513
39,889	652	40,541	Total	41,864	(203)	41,661

NDR (Business Rates) on the Collection Fund

Business Rates 2019/20	Share of 31 March 2020 Surplus	2019/20 Total	Authority	Business Rates 2020/21	Share of 31 March 2021 Deficit	2020/21 Total
£000	£000	£000		£000	£000	£000
20,846	4,819	25,665	North Warwickshire Borough Council	23,021	(852)	22,169
5,211	1,205	6,416	Warwickshire County Council	5,755	(213)	5,542
26,057	6,024	32,081	Government	28,776	(1,066)	27,710
52,114	12,048	64,162	Total	57,552	(2,131)	55,421

Notes to the Collection Fund for the year ended 31 March 2021

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 2020/21 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
Less adjustment for collection rates and for anticipated changes during the year for successful appeals against valuation banding.			21,501.00 98.00%
COUNCIL TAX BASE 2020/21			21,071.07

On the basis of an average £1,939.14 council tax rate throughout the North Warwickshire Borough Council area, the original estimated council tax income was £40.860 million (£1,939.14 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 28th March 2021 are accounted for in the following year to allow the system to be rolled forward and future bills prepared. We were notified of decreases of £1,400 after the 28th March 2021, due to changes to the valuations of properties, which will be included within the 2021/22 accounts.

The total non-domestic rateable value at the year-end was £121,572,327 (£118,646,417 in 2019/20). The national non-domestic rate for small businesses was 49.9 pence (49.1 pence in 2019/20) and the rate for other businesses was 51.2 pence (50.4 pence in 2019/20).

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. 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

Opinion

We have audited the financial statements of North Warwickshire Borough Council ('the Council') for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 43;
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 15; and
- Collection Fund and the related notes 1 and 2.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of North Warwickshire Borough Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Corporate Director - Resource's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Corporate Director - Resource with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the narrative report set out on pages 2 to 10, other than the financial statements and our auditor's report thereon. The Corporate Director - Resources is responsible for the other information contained within the narrative report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.

Responsibility of the Corporate Director - Resources

As explained more fully in the Statement of the Corporate Director - Resources Responsibilities set out on page 11, the Corporate Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Corporate Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Director - Resources is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government and Housing Act 1989 (England and Wales) [applicable to authorities with a statutory obligation to maintain a revenue account for local authority housing provision],
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020 and 2021,
- Business Rate Supplements Act 2009,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment legislation, tax legislation, general power of competence, procurement and health & safety.

We understood how North Warwickshire Borough Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Council's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in April 2021, as to whether the North Warwickshire Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the North Warwickshire Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of North Warwickshire Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of North Warwickshire Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council members as a body, for our audit work, for this report, or for the opinions we have formed.

Maria Grindley (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Reading
28th November 2023

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

2020/21 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 Health and Wellbeing.

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. There are a few areas where alternative controls were introduced on a temporary basis as part of management arrangements during the pandemic. Where these have resulted in process improvements, they will be incorporated into normal procedures. Otherwise, we will return 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:

- Compliance with the Financial Management Code;
- Restarting our staff appraisal process and continuing to progress workforce planning;
- Resuming the use of internal working groups, suspended during the pandemic, where appropriate;
- The continued use of virtual meetings where appropriate and efficient;
- The provision of additional detail on risk management to Resources Board;
- A review of the revised corporate plan and performance indicators.



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 2021 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 Corporate Director Streetscape took this role between October 2019 and June 2020)

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 three Service Directors for the majority of the year covering: Corporate Services, Housing Services and Leisure and Community Development. These Directors, together with the Senior Management Team and the Head of Development Control, make up the Extended Management Team, who meet on a monthly basis. The Director of Corporate Services post was taken out of the establishment in February 2021. 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 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 Council assesses the needs of the area through the Sustainable Community Strategy process and work with the North Warwickshire Community Partnership. 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 to senior managers, Management Team and to service boards on a quarterly basis, along with performance indicator information. A final position is collated at the end of the year, which is again reported to Members and is also published on the Council's website. Reduced reporting took place in some areas during 2020/21, due to the need to set up our on line capability to hold virtual meetings. Instead information was reported on a half yearly basis. Members did take the opportunity to update the format of the Corporate Plan 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. During March 2021 the Council took part in a virtual LGA facilitated Recovery Panel review.

Obtaining traditional customer feedback was not appropriate, but general feedback on the Council was obtained in different ways. Although contact with vulnerable residents was primarily aimed at providing support, some feedback was received 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 effectiveness of the Council's arrangements is normally tested annually through a cyber essential assessment, but this did not take place in 2020/21 due to the pandemic. However, the Council's servers were updated during the year, with the aim of reducing the risk of cyber attacks. In addition, the Council is now actively working 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. Although taking a different format during 2020/21, financial updates were discussed regularly at Management Team. 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 reviewed during the year.

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 2019/20 was provided during the year, and included information on the strategic risks for 2020/21, 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 2020/21 due to the pressures of the pandemic.

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 had highlighted the need to review and update workforce plans. Although work was undertaken in some areas, this was not progressed fully across the Council due to pressures arising from the pandemic.

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 generally suspended for the year, due to other pressures. However team meetings continued to monitor performance. Staff surveys were used to gauge the impact of the revised working arrangements on staff and identify potential barriers to performance. Normal communication methods were supplemented by the use of additional electronic mediums.

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 had to adapt to the restrictions of Covid with regard to its working arrangements. Office based staff moved to home working where possible, and as quickly as additional IT equipment could be procured. New processes were introduced within the offices, in order to comply with Covid guidance issued and protect those staff who needed to be in. New procedures were also introduced 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, as lock down arrangements varied.

Alternative control measures were used wherever possible, for example, physical authorisation of documents were replaced by an agreed electronic procedure. In some areas, an alternative control was used, such as the replacement of Health and Safety Group meetings by the Emergency Management Team meeting held on a weekly basis. However some controls were affected, with a reduction in reporting during the early part of the pandemic whilst work was undertaken to enable virtual Board and Council meetings.

The Council provided a number of additional services during the year, ranging from support for the Clinically Extremely Vulnerable (CEV's) at the start of the lockdown, the administration of business grants throughout the year, advising businesses on required Covid measures and assisting with the enforcement of business closures.

The Council suffered a significant financial impact as a result of the pandemic. Some service costs increased significantly due to new working arrangements, and although it was possible to reduce some other costs, there was still an overall increase. The larger impact came as result of lost income. Whilst some government funding was received in compensation, the Council still had a shortfall.

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. As a result of the additional work due to the pandemic, the planned review against the Code was not completed in 2020/21. The difficulties posed by the pandemic have been recognised and whilst CIPFA still require compliance with the Code, it has been accepted that full compliance from 1 April may not be achievable. Instead, a plan to achieve full compliance during the year should be implemented.

Evaluation of the Effectiveness of Governance Arrangements

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

- The style and format of the Corporate Plan has been updated to highlight the priorities of the Council, and this has been agreed for the 2021/22 Corporate Plan;
- Procedures were set up to enable virtual meetings of Boards and the Council. These were monitored throughout the year, to ensure compliance with legislation;
- Communication with residents and service users was undertaken through a variety of mediums, to ensure it was effective;
- The new Head of Legal Services post was filled from June 2020, providing an increase in legal resource for the Council and strengthening governance arrangements. Work to review and update the constitution progressed;
- The Council's financial position was kept under review, with information provided to the government on a regular basis and claims for income compensation made where possible;
- Workforce planning continued with rationalisation in some areas. Changes in a number of areas were agreed by Special Sub Group and Council as necessary.

The challenges of the last year have been considered in reviewing the governance arrangements of the Council. Although there was a reduction in the frequency of some monitoring reports, it is considered that sufficient were provided to Service Boards to allow them to monitor activity. Management Team provided corporate monitoring across the organisation as an alternative to some officer working groups. A few areas did not receive the same level of attention they would have been given under normal circumstances, for example, transport was not reviewed in the same level of detail.

The assessment against the Financial Management Code was completed by the end of 2020/21, requiring an action plan to achieve any shortfalls against the Code. This will need to be produced and achieved during 2021/22.

Whilst there was a reduction in the volume of internal audit work carried out, due to both the restrictions of the pandemic and a reduction in staff resources, the Head of Internal Audit 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 Head of Internal Audit to conclude that the Council has a range of appropriate strategies, policies, procedures and protocols to address the corporate governance agenda.