NUNEATON & BEDWORTH BOROUGH COUNCIL

Statement of Accounts 2017/18

The place of choice to live, work & visit.

AUDITED STATEMENT OF ACCOUNTS

2017/18

Contents

Narrative Report

This Narrative Report provides information about Nuneaton and Bedworth, including the key issues affecting the Council and its accounts. It aims to provide key detail to support the Authorities Statement of Accounts by presenting a transparent and simple overview of the Council's financial position and performance for the year, in addition to outlining its prospects for future years.

As the financial statements demonstrate, the financial standing of the Council continues to be robust. We have established good financial management disciplines and processes, yet recognise that we need to adapt and change to strive for on-going improvements and excellence. The finance teams continue to work alongside all departments throughout the Council to address the significant challenges we face and support our Service Units in achieving their corporate aims and delivering an effective and efficient service to the residents of the Borough.

The Statement of Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA), and in conjunction with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2017/18 (The Code). The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

The Statement of Accounts presents the financial position and performance of the Council for the year ended 31st March 2018. It also provides information to members of the public, including electors and residents of the Borough, Council members, partners, stakeholders and any other interested parties that the public money with which the Council has been entrusted has been used and accounted for in a legal and responsible manner, and to give assurance that the financial position of the Council is both sound and secure. The narrative report details the following information and is structured as follows:

- An introduction and key facts about Nuneaton and Bedworth Borough Council
- The 2017/18 budget setting process
- 2017/18 capital programme
- Financial performance of the Council 2017/18
- Non-financial performance of the Council 2017/18
- Corporate risks
- Core financial statements, including information on main changes to the accounts in 2017/18
- Financial outlook
- Acknowledgments

INTRODUCTION

The Council

Nuneaton and Bedworth Borough Council is located in a primarily urban area in the north of Warwickshire, covering approximately 78.95 km^2. It covers the two densely populated towns – Nuneaton and Bedworth, in addition to the village of Bulkington and some surrounding land. It has a population of approximately 125,000 and enjoys a central location at the heart of the midlands motorway network. The Borough borders Rugby to the east and North Warwickshire to the west. To the south it borders Coventry and the West Midlands, and to the north Hinckley and Bosworth Borough Council in the county of Leicestershire. Nuneaton and Bedworth has a rich and proud manufacturing heritage, mainly supporting the car industry and generating further economic growth in the Borough is recognised as the key priority to create future prosperity and employment opportunities for people, living, working and visiting the Borough.

The Nuneaton and Bedworth District was created on 1 April 1974 by the Local Government Act 1972, from the merger of the municipal borough of Nuneaton and the urban district of Bedworth (which included Bulkington). The Borough is divided into 17 wards, each represented by two Councillors, giving a total of 34 Councillors serving the borough and its residents. Borough elections take place every two years, when 50% of the Councillors are elected. Local elections took place in May 2016 and the political structure for the 2017/18 municipal year was as follows:

Party	Number of Councillors
Labour	24
Conservative	8
Green	2

Following elections in May 2018 the Council has changed to 'No Overall Control' with the following proportionality:

- 17 Labour
- 15 Conservative
- 1 Green
- 1 Independent

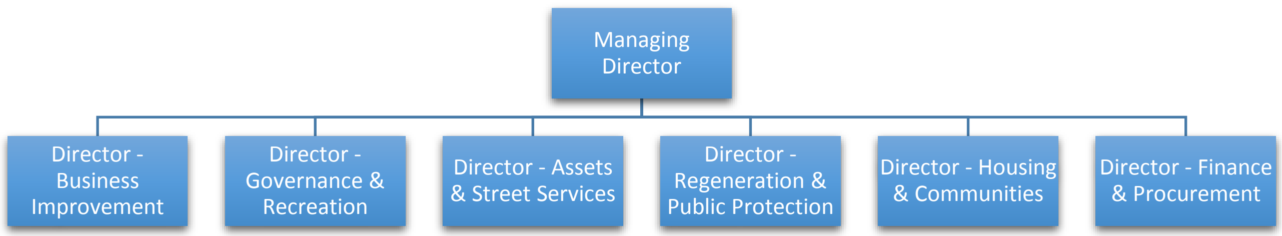
The Council has adopted the Leader and Cabinet model, as its political management structure arising from the Local Government and Public involvement in Health Act 2007. During 2017/18 the Leader of the Council and 5 other portfolio holders made up the Cabinet. The Cabinet members are held to account by a system of scrutiny which is also set out in the Council's constitution. There were four scrutiny panels during 2017/18 undertaking this role covering all the services provided by the Council. Cllr Dennis Harvey was the Council Leader for 2017/18 but stood down in May 2018. Councillor Julie Jackson will be the Council leader for the 2018/19 municipal year. As part of the budget setting process for 2018/19, the Cabinet will be reduced from 6 Portfolio Holders to 5 and there will be two Overview and Scrutiny Panels. These changes take effect for the 2018/19 municipal year.

The management structure supports the work of Councillors and during 2017/18 this was headed up by the Council's Managing Director – Alan Franks. The Management Team comprised of the Managing Director and 6 Directors, including those with statutory responsibility. The Director of Governance and Recreation was the Councils Monitoring Officer, and the Director of Finance and Procurement was the Councils Chief Finance Officer or Section 151 officer, who under statute is responsible for the administration of the Council's financial affairs. Consultation on a restructure of the Management Team took place in February 2018 and was approved in March 2018. The new structure will comprise of two Executive Directors (one focusing on the Council's resources and the other on the Council's operations) and four Directors. The new structure will come into place in June 2018.

The Management Team has overall responsibility for the delivery of council services, directing improvements and future plans for Nuneaton and Bedworth. It provides managerial leadership and supports Councillors in:

- Developing strategies and delivering plans
- Identifying and planning resources, and,
- Reviewing the Authorities effectiveness with the overall objective of providing excellent services to the public.

The organisation chart below shows the Management Team structure that was in place for 2017/18:



Management Team lead on the delivery of Nuneaton and Bedworth's Corporate Plan which outlines our key priorities up to 2019. Progress against the plan is monitored on a regular basis throughout each financial year. The Corporate Plan highlights 4 key aims for the Council, with a number of priorities sitting within each aim. Each of the aims and priorities are highlighted below:

Aim 1 – To improve the quality of life and social justice for residents so it is much closer to that enjoyed by the rest of Warwickshire.

Aim 2 – To work in partnership to reduce the levels of crime and disorder so that the community is and feels safer

Aim 3 – To provide a pleasant environment for those living, working and visiting the Borough

Aim 4 – To provide quality services which represent value for money

The council has a number of internal values that underpin its decision making and culture. These are:

- Service for our customers
- Integrity in our actions
- Accountability for our performance
- Cooperation with Councillors, Colleagues and Partners
- Objectivity in our decisions
- Efficiency to keep overall costs down
- Confidence to try things out

The Council has around 600 employees who deliver a range of statutory and non-statutory services. These include our Housing service – both private sector, homelessness and our housing stock, Planning, Refuse and Recycling and operating our Leisure and Cultural facilities. There is a programme of mandatory training in place for our employees, as well as a formal and professional training as appropriate.

The Council has a number of shared services and partnerships in place with other local authorities, the key ones being:

- North Warwickshire Borough Council – Revenues and Benefits and Building Control
- Rugby Borough Council – Procurement
- A county-wide partnership to deliver disabled adaptations and home improvements. Nuneaton and Bedworth is the lead authority. This is known as HEART (Home Environment Assessment Response Team)

EXTERNAL INFLUENCES

In providing services to the residents of Nuneaton and Bedworth, the Council is affected by the following significant external factors:

- Change in consumer habits is affecting our Town Centres, and the same is being seen on a national level. Footfall is declining nationally by an average of 1.3% each year between 2008 and 2017, with an overall decline of -10.2% over the same period and the decline of several major retailers. Online sales are now reaching close to 20% (28% in non-food) of all retail transactions.
- The national Welfare Reform agenda and the roll-out of Universal Credit is having a significant effect on our residents. We have seen an increase in our rent arrears and use of temporary accommodation, both of which have a financial impact on the council. We have also increased our staffing resources to enable us to provide extra support to those customers affected by Welfare Reform changes.
- The Council continues to face significant financial challenges due to the government's austerity programme. Reductions in core funding now exceed 60% since 2010

WHAT WE PLANNED TO SPEND

The 2017/18 Budget

- The Council continues to face pressures from ongoing funding reductions – we now receive over 60% less our core funding than we did in 2010.
- We have signed up to a 4-year funding offer from the government, which takes us to 2019/20
- For 2017/18 we needed around £1.2m of savings in order to set a balanced budget, and they included savings in staffing, increased income from services and the council tax base, rationalising our assets, and increased income from our trading arm, NABCEL.
- The Council chose to increase its element of the council tax by 2.99% to £226.88 for a Band D property. Nuneaton and Bedworth Borough Council is the Billing Authority for the area and raises the council tax charges for Warwickshire County Council and Warwickshire Police and Crime Commissioner, both of which increased their elements of the council tax by 4.99% and 6.25% respectively.
- Our overriding financial strategy continues to be to protect frontline services and minimise the impact on staff where possible.
- The Housing Revenue Account budget approved for 2017/18 included rent decreases in line with government regulation, a small increase in fees and charges and an updated capital programme.
- The HRA capital programme for the year included provision for further acquisitions, which included a small pilot scheme of modern methods of construction using a local supplier.
- The Council reviews its reserves regularly to ensure that it maintains sufficient reserves to manage risk.

Financial Monitoring

Revenue and capital budget monitoring information is reported regularly to Cabinet throughout the year, in addition to quarterly reports to each Overview and Scrutiny Panel on the finance and performance of services falling within their remit. In addition, detailed treasury management performance is reported quarterly to the Audit & Standards Committee with a mid-year review and an outturn report following the end of the financial year being submitted to Cabinet and Council. The Council is also a member of the Link Services investment benchmarking group, which has helped it to secure increased investment income during the year through meeting with other councils and comparing individual investment portfolios and returns.

FINANCIAL PERFORMANCE – WHAT WE ACTUALLY SPENT

General Fund Outturn Summary

The Council's budget, set in February 2017, was based on the spending plans required to deliver services to our residents. As the year progressed there were a number of changes in terms of those spending and income plans, in addition to some changes in funding allocations, mainly through the receipt of new burdens funding from central government. The combined impact has resulted in a number of variations in terms of budgeted and actual net expenditure. In summary, the Council contributed £21k to reserves, compared to a budgeted contribution to reserves of £28k. A summary of the General Fund outturn for 2017/18 is shown in the table below:

	BUDGET 2017/18 £000	OUTTURN 2017/18 £000	VARIANCE 2017/18 £000
Portfolio Analysis:			
Arts & Leisure	5,495	5,507	12
Central Services	1,155	1,006	(149)
Finance & Civic Affairs	1,484	1,786	302
Health & Environment	4,836	4,922	86
Housing	852	944	92
Planning & Development	865	444	(421)
Total Portfolio net expenditure	**14,687**	**14,609**	**(78)**
Central Provisions	365	410	45
Interest & Investment Income	(223)	(229)	(6)
External Interest Paid	444	444	-
Reversal of Depreciation & Impairment	(3,243)	(2,886)	357
Minimum Revenue Provision	476	431	(45)
PWLB Premiums	21	21	-
Financing of Capital Expenditure	3,793	3,424	(369)
Transfers to / (from) Reserves	(1,147)	(292)	855
Total below the line/ other items	**486**	**1,323**	**837**
2017/18 Total Council Net Expenditure	**15,173**	**15,932**	**759**
Financed by:			
NBBC precept	(8,007)	(8,007)	-
Revenue Support Grant	(768)	(768)	-
New Homes Bonus & Other Gov' Grants	(1,879)	(1,936)	(57)
NBBC Share of Council Tax Surplus	(60)	(63)	(3)
Business Rates Retention	(4,487)	(5,179)	(692)
2017/18 Total Financing Available	**(15,201)**	**(15,953)**	**(752)**
2017/18 Transfer from/ (to) General Fund Balances	**(28)**	**(21)**	**7**

The main variations between actual and budgeted expenditure are detailed below:

General Fund Variance Analysis	**£000**
Civic Hall - Increase in net income from private shows hire offset by reduction in bar income	(29)
Cemeteries - Reduction in income	32
Community Recreation - increase in contract management fees due to income protection arrangements and pension costs	177
Sports Development - Salary savings from vacancies	(115)
Commercial Property - Loss of rent income due to voids, partly offset by reduction in maintenance costs	217
Increased income from NABCEL	(27)
Benefits - increased contribution to Bad Debt Provision and increased cost of Benefit payments, net of subsidy received. There have also been salary savings across the section.	302
Housing - Additional contribution to Bad Debt Provisions for recovery of B&B costs, partly offset by use of Flexible Housing Grant	38
Refuse & Cleansing - Increased staffing costs (agency costs less salary underspends from vacancies)	143
Refuse & Cleansing - additional transport costs partly due to additional rounds required during winter months	141
Additional planning income	(332)
Additional external funding for Elections	(59)
Reduced Audit Fee due to national fee reduction	(15)
Reduced Apprenticeship Levy payable compared to estimate	(16)
Minimum Revenue Provision Savings from reassessment of borrowing	(45)
Additional Land Charges income	(35)
Additional Government Grants received	(57)
Savings from Wireless CCTV not achieved due to delay in capital spend	23
Reduction in income from Car Parks (£23k) and increased maintenance costs	49
Increased investment income	(10)
Salary savings across Support Services, including Finance, Legal, Democratic and Customer Services	(130)
Net savings across the Museum service	(15)
Windfall receipts from returned refunds as accounts now closed or cheques out of date.	(74)
Other minor variances, including salary savings across service units	(156)
Total	**7**

It should be noted that many of the significant variances were due to changes in demand-led services and were difficult for the Council to control or predict.

The General Fund also holds earmarked reserves of approximately £10.4m for future commitments and risk management purposes. This includes reserves to fund future capital replacements as well as a reserve to manage fluctuations in business rates income. These levels are considered prudent to ensure that the Council continues to deliver quality services to the residents of the borough.

Housing Revenue Account

The HRA general balance as at 31st March 2018 is £11.86m which will support the HRA Business Plan in future years. There are also earmarked reserves of £6.5m, which are primarily to finance the HRA capital programme in the medium term.

For 2017/18 there was an increased surplus on the HRA of £368k and a summary of this compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

HRA summary outturn 2017/18

	BUDGET 2017/18 £000	OUTTURN 2017/18 £000	VARIANCE 2017/18 £000
Expenditure			
Supervision & Management (General)	4,125	4,041	(84)
Supervision & Management (Special)	3,148	2,822	(326)
Repairs & Maintenance	5,764	5,046	(718)
Depreciation	6,886	7,787	901
Capital Expenditure	1,571	847	(724)
Interest Payable	2,144	2,131	(13)
Total Expenditure	**23,638**	**22,674**	**(964)**
Income			
Dwelling Rent Income	(23,347)	(23,243)	104
Non-Dwelling Rent Income	(599)	(581)	18
Other Income (Services & Facilities)	(1,847)	(1,943)	(96)
Interest Receivable	(27)	(28)	(1)
Total Income	**(25,820)**	**(25,795)**	**25**
HRA Net Expenditure	**(2,182)**	**(3,121)**	**(939)**
Adjustments			
Premiums & Discounts on repayment of debt	(2)	-	2
Transfers to/ (from) Reserves (revenue)	-	159	159
Transfers to/ (from) Reserves (capital)	(789)	(379)	410
Total Adjustments	**(791)**	**(220)**	**571**
Net HRA	**(2,973)**	**(3,341)**	**(368)**

Major differences between the budget and the outturn were as follows:

HRA Variance Analysis	**£000**
Supervision & Management General - Unused redundancy budget (net of £60k contribution to earmarked reserves for creating a new risk reserve)	60
Supervision & Management General - Salary savings due to vacancies in structure	(174)
Supervision & Management Special - Planned grounds maintenance works budgeted for not carried out	(92)
Supervision & Management Special - Savings on utilities costs compared to budget	(57)
Supervision & Management Special - Salary savings compared to estimated budget as new Independent Living service implemented	(188)
Repairs & Maintenance - significant underspend on salaries due to vacancies and reduced use of agency staff	(175)
Repairs & Maintenance - reduced spend on external contractors and materials purchases due to efficiencies and increased capital programme works reducing call on repairs & maintenance	(508)
Reduction in dwelling rents income due to voids and right to buys	104
Shortfall of garage rent income partly offset by over-recovery of rent income from shops	21
Increase in charges for Independent Living Service related services compared to budget estimate as new service implemented	(145)
Under-recovery to budget on rechargeable repairs	51
Additional depreciation charge contributed to the Major Repairs Reserve due to revaluation of housing stock offset by reduced capital spend requirement	387
Additional contributions to earmarked reserves to fund future capital spend, plastering works and other minor works originally intended for 17/18 but will now be completed in 18/19.	300
Minor variances	48
Total	**(368)**

2017/18 Capital programme

During 2017/18 the Council spent £8.4m on General Fund capital expenditure and £10.5m on capital works on our housing stock (through the Housing Revenue Account). A breakdown by category and sources of finance is shown at note 35 to the Core Financial Statements on page 87.

The main projects in the General Fund capital programme have been the purchase of properties to lease to the Council's trading arm, works to complete the Council's new depot and refurbishment works at Miners Welfare Park sports Pavilion, for which we received mostly external funding. There was slippage of £3.3m which mainly related to the HEART programme, which is a County-wide service for home improvement works for which NBBC is the lead organisation.

The HRA capital programme has focused on the ongoing improvement works to tenant's homes, in respect of kitchens, bathrooms, windows, doors, central heating and structural repairs, amongst others. There was also £400k spent on acquisitions and construction of new properties. There has been slippage of just under £400k where spend will now take place in 2018/19. This relates mainly to the implementation of the new housing system and further construction and acquisitions.

NON-FINANCIAL PERFORMANCE OF THE COUNCIL 2017/18

What we achieved during the year

The Corporate Plan outlines the Council's strategic plan, aims and priorities over the period up to 2019. The indicators are monitored regularly and are reported to Management Team, Cabinet and Overview and Scrutiny Panels. By the end of 2017/18, 75% (42 out of 56) of the Corporate Plan actions were achieved. Some key achievements from this include:

- Investment Partner Status awarded along with Grant Funding in March 2018 which will facilitate the delivery of new social housing stock for the Council.

- Significantly improved sickness levels – 8.74 days per FTE compared to 12.27 days in 2016/17
- Significantly improving the time it takes to pay our suppliers – over 95% of invoices paid on time in 2017/18
- Continuing to work with local suppliers to make it easier to do business with the council. In Qtr 3 of 2017/18, 20% of our eligible spend was with local businesses – up from 18% in 2016/17 and representing an increase of £0.5m.
- carried out a further round of consultation on the Local Plan, and submitted it to the Planning Inspectorate for examination, passing the first round of hearings
- The Museum & Art Gallery was awarded the VAQAS (Visit England Visitor Attraction Quality Scheme) "*Visit England Quality Assured Visitor Attraction"* status in August. The VAQAS accreditation gives our prospective and actual visitors the reassurance of an official and independent endorsement of the high standards the Museum & Art Gallery provides for all
- Retained our Park Mark accreditation for the car parks that were re-inspected in 2017
- Undertaking the specification, procurement and project management of the conversion of the old Connexions building in Abbey Street (by the Housing Capital Projects Team), into an extremely high standard bed & breakfast accommodation leased and run by NABCEL Homes
- The Council uses lean review methodology to seek continuous improvement in our services and also has a modern, agile working policy which assists employees in working in the most effective and efficient way.

During 2017/18 there were four Overview and Scrutiny Panels (OSP's) covering all services provided by the Council:

- Planning and Environment
- Housing, Health and Communities
- Economic and Corporate
- Health

The Panels receive specific quarterly finance and performance reports for the services falling within their remit. The performance of some of our key services reported to the Panel are given below:

2017/18 MEASURE	2017/18 PERFORMANCE
1. Customer Services	
The percentage of telephone calls answered within 20 seconds based on a 12 month rolling average.	50%
The percentage of telephone calls dealt with in full at first point of contact based on a 12 month rolling average.	94%
The percentage of visitors seeing an advisor at the Contact Centre within 10 minutes based on a 12 month rolling average.	66.70%
The percentage of complaints responded to within 10 days. This includes interim acknowledgement where the issue is not resolved in full.	82%
2. Planning and Environment	
The percentage of dangerous structure notifications that are responded to within 2 hours (this is a rolling 12 month average).	100%
Planning Permission for affordable homes (25% good performance benchmark).	23%
The percentage of household waste which has been sent by the Authority for recycling / composting	41.91% (data at the end of February 2018)
3. Housing	
The percentage of Council dwellings with a valid landlord gas safety certificate (there is a requirement to renew certificates every 12 months).	99.46%
Relet of property end to end time (turn-round is measured "end to end" from keys received from out-going tenant to new tenancy date).	31.06 days
The total time in days to complete reactive repairs based on a six month rolling average.	7 days
The percentage of customers satisfied with the planned and cyclical maintenance work programmes for the current year.	97.88%

2017/18 MEASURE	2017/18 PERFORMANCE
4. Finance	
Rent collection.	95.93%
Council Tax collection.	97.36%
Business Rates collection.	98.10%
Speed of processing new benefits claims.	18.53 days
Speed of processing changes of circumstances benefits claims.	7.19 days
The percentage of Council owned commercial property that is occupied.	93%

CORPORATE RISKS

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside many local performance targets. Risk is managed corporately through the Strategic Risk Register and Directors are responsible for managing their Operational Risk Registers. These risk registers play an integral role to support the production of the Corporate Plan, and is the methodology used for managing our risks. The Audit and Standards Committee reviews the strategic risk register to ensure that it adequately addresses the risks and priorities of the Council and also monitors the effective development and operation of risk management across the Council. Additionally, the Overview and Scrutiny Panels also receive quarterly reports on the strategic risk register as part of the integrated performance reports.

The Council has the following strategic risks that have a net risk rating of 'Red' after mitigations have been considered:

- Potential failure to provide adequate accommodation to meet the needs of the borough with consequent impact on the lives of residents
- Delays to delivering the Borough Plan beyond the published timetable, leading to inappropriate development of unallocated land or Government intervention
- Inadequate information management resulting in penalties applied by the Information Commissioner's Office / Non-compliance with General Data Protection Regulations (GDPR)

COMMERCIAL ACTIVITY

The Council established a trading arm in 2013 – Nuneaton and Bedworth Community Enterprises Ltd (NABCEL). This was an element of the Council's long term strategy to become self-financing and generate additional income that the council could use to protect priority services. The first business stream that NABCEL operated was rental of private rented properties at full market rent. The company now has a growing portfolio of 27 properties plus two bed and Breakfast establishments, with a turnover for 2017/18 in the

region of £350k, generating net income for the Council of £260k. The turnover forecast for 2018/19 is in the region of £1m and includes the launch of a second business stream – the supply of gas servicing and maintenance services to the Council's housing stock. This is due to be operational from October 2018.
Given the expansion of NABCEL, a governance review has been undertaken during 2017/8 which resulted in a Shareholder Agreement being approved by the Council in February 2018.

GOVERNANCE ARRANGEMENTS

The Council has an effective governance framework which is reviewed annually with an action plan being put in place to address any weaknesses. This action plan is reviewed quarterly by the Corporate Governance Group. More detailed information on the Council's governance arrangements can be found in the Annual Governance Statement on page 111 of these accounts.

THE FINANCIAL STATEMENTS

The Council's accounts for 2017/18 are set out on pages 20 through to 110 and consist of the following:

- **The Core Financial Statements:**

  - ***The Comprehensive Income and Expenditure Statement*** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
    - A deficit of £3.5m on the provision of services is reported for 2017/18 compared to a surplus of £15.4m for 2016/17. The movement of £18.9m can mostly be attributed to the changes in valuation of HRA dwellings, as detailed in Note 5 to the accounts.
  - ***The Movement in Reserves Statement*** – This statement shows the movement in the year on the different reserves held by the Council (including both General Fund and HRA), analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
    - The Movement in Reserves Statement shows a £2.7m increase in usable resources for 2017/18. The balance of these usable reserves stood at £35.9m as at 31st March 2018.

  - ***The Balance Sheet*** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. Key items are:
    - ***Long Term Assets*** – The Council holds property, plant and equipment assets of £256m (£244m 2016/17) mainly due to Council Dwellings of £195m (£188m 2016/17).

- ***Borrowing Facilities*** – The Council borrows funds where necessary to meet both long term capital expenditure commitments and short term cash flow demands. Funds are mostly borrowed from the Government (Public Works Loans Board – PWLB) and from commercial money markets. The total borrowing at 31st March 2018 was £81.3m (£83.8m in 2017).
- ***Pensions*** – The pension fund deficit has decreased in the year to £53m from £55m and is required to be shown on the Balance Sheet of the Council. The increased deficit is due to the transfer of assets and liabilities from Nuneaton and Bedworth Leisure Trust as a consequence of them exiting the Pension Fund. There have also been movements as a result of changing actuarial assumptions, including future pension increases and the discount factor used for liabilities. It should be noted that there has been no impact on the net cost to the taxpayer arising from the increased deficit – other than as part of the planned increase in annual contributions arising from the formal valuation on 31st March 2016.

- ***The Cash Flow Statement*** – summarising the inflows and outflows of cash arising from the Council's transactions with third parties for revenue and capital purposes.

- ***The Expenditure and Funding Analysis*** is actually a note to the accounts (Note 7) and not one of the core statements. This note takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (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 councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Other Financial Statements:**

- ***The Housing Revenue Account (HRA)*** - reflects the statutory requirement to maintain a separate account for Council Housing.
- ***The Collection Fund*** – this fulfils the Council's statutory requirement as a billing Authority to maintain a separate Collection Fund showing transactions for Council Tax and Non-domestic Rates and how these have been distributed to precepting authorities and the General Fund.

CHANGES TO THE ACCOUNTS 2017/18

There have been no changes to the Statement of Accounts for 2017/18.

THE FUTURE – CHALLENGES AND OPPORTUNITIES

General Fund – Medium Term Financial Position

- The Council's latest Medium Term Financial Plan identifies a funding shortfall over the next two years in the region of £1.7m. This is due to continuing reductions in Revenue Support Grant as part of the government's continuing aim to reduce the national deficit as well as the cost of the pay award and other inflationary pressures. There are also some key spend pressures facing the council over the medium term, including an anticipated increase in the cost of collecting and disposing of recycling and the impact of the Homeless Reduction Act. For 2019/20 the Council is in a 'negative RSG' position and will actually be making a payment to government rather than receiving any grant.
- The Council's financial position beyond 2020 is very uncertain due to the current Fair Funding Review and plans to move to 75% Business Rates Retention. Whilst this brings the potential for increased income and more reward for economic growth there is also undoubtedly more risk and this will need to be built into the Council's financial plans once more information is available. The extent to which a reset of business rates baselines will be applied at the outset of the new system is also a significant risk to the Council. The Council has mitigated risk by maintaining an earmarked reserve into which a proportion of previous year's growth has been contributed to ensure that fluctuations in future income from business rates can be smoothed with limited impact to the Council Tax payer. The Medium Term Financial position reported to Council in February 2018 assumed a 50% reset of baseline for 2020/21.
- The Council is committed to developing and expanding its trading arm – NABCEL, with the continued aim of becoming self-financing. Turnover of the company is expected to be in the region of £1m in 2018/19 based on current assumptions and the launch of the second business stream – NABCEL Gas – in October 2018.
- We will continue to constantly review and improve our services, benchmark against Nearest Neighbours and ensure fees and charges are achieving their aims and maximising income where possible.
- It is clear from both the financial and non-financial performance over the last 12 months that the Council continues to achieve its corporate priorities with reduced resources. The Council also continues to maintain adequate reserves to reflect the latest assessment of risk that it faces and early budget planning ensures that a balanced budget is maintained. The Council is prepared to deal with future financial challenges, and the robust risk and financial management processes and reporting will ensure that this continues in the medium term.
- The Council's Medium Term Financial Plan will be updated in the summer of 2018, although this will be a challenge given the ongoing Fair Funding review into Local Government Finance.

Housing Revenue Account

- The HRA maintains a 30-year Business Plan, which had a significant review during 2017/18.
- The Business Plan shows that the medium and longer term position for the HRA is sustainable and viable although there are some unknowns from future changes in government policy. The most significant of these is the proposal for Council's to sell

high value Council houses as they become void. The implementation of Universal Credit also presents a risk to HRA rental income, although the changes in the March 2017 budget have reduced this risk to some extent but not completely.

- The future capital programme plans still include provision to build more council houses as well as dealing with the ongoing requirements of our existing stock.

Future Opportunities

- The Council will continue with its strategy to become self-financing and NABCEL, as its trading arm, will be critical to achieving this. During 2018/19 NABCEL will be expanding its property portfolio further and will be launching a second business stream – NABCEL Gas.
- The Council is committed to continuing digital transformation of its services to allow customers to access services in a way that suits them. We are currently implementing a new self-service system for Revenues and Benefits which will allow customers to access their own accounts online, check balances and pay bills as well as report changes in their circumstances. This will create capacity for our staff to provide more added value services to those that are in greatest need.
- The Council has already secured grant funding towards the 'Transforming Nuneaton' regeneration project, which will be delivered alongside Warwickshire County Council. The Council is also actively exploring opportunities for the Abbey St area of Nuneaton Town Centre.
- The Council's current Corporate and Community Plans come to the end of their life in March 2019. We are currently developing a new plan, in consultation with a range of stakeholders, which will set out the future priorities of the Council and the outcomes we are aiming to achieve for our communities.

ACKNOWLEDGEMENTS

I would like to place on record my thanks to those colleagues throughout the Council who were involved in the production of this year's Statement of Accounts. The production of this document and the ongoing hard-work and dedication of staff across the Council, particularly those within the finance team has been excellent and I would like to thank them for all of their support in recent months and throughout the financial year.

Simone Hines
Executive Director - Resources

Further information about the Statement of Accounts is available from the Head of Financial Services, Finance and Procurement, Nuneaton and Bedworth Borough Council, Town Hall, Coton Road, Nuneaton Warwickshire CV11 5AA.
Telephone : 024 7637 6104.
Email: craig.pugh@nuneatonandbedworth.gov.uk

This is part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website at www.nuneatonandbedworth.gov.uk

The information in this document may be made available in other selected languages. Copies may be made available on tape, in Braille or large print

Statement of Responsibilities

Nuneaton and Bedworth Borough Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director - Resources.

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- approve the Statement of Accounts.

The Responsibilities of the Executive Director - Resources

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

In preparing the Statement of Accounts, the Executive 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 Executive 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.

CERTIFICATE OF EXECUTIVE DIRECTOR - RESOURCES

The Statement of Accounts set out on pages 20 to 110 have been prepared in accordance with the Code. They present a true and fair view of the financial position of the Council at 31st March 2018 and of its expenditure and income for the year ended 31st March 2018.

S Hines

Simone Hines
Executive Director - Resources
Date 24th July 2018

APPROVAL OF THE ACCOUNTS

The Council formally approved this Statement of Accounts at the meeting of the Audit & Standards Committee held on 24th July 2018

R Tromans

Councillor R Tromans
Chair of Audit & Standards Committee
Date 24th July 2018

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Head of Financial Services.

Comprehensive Income & Expenditure Account

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Comprehensive Income & Expenditure Account

2016/17					2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
7,602	(1,551)	6,051	Arts & Leisure		7,328	(1,588)	5,740
1,875	(566)	1,309	Central Services		1,818	(721)	1,097
45,552	(39,905)	5,647	Finance & Civic Affairs		42,095	(38,897)	3,198
5,752	(971)	4,781	Health & Environment		5,902	(947)	4,955
2,735	(643)	2,092	Housing (General Fund)		4,971	(1,181)	3,790
3,471	(26,109)	(22,638)	Housing (Housing Revenue Account)	Note 5	27,749	(25,767)	1,982
4,997	(3,249)	1,748	Planning & Development		4,856	(3,428)	1,428
71,984	**(72,994)**	**(1,010)**	**Cost of services**		**94,719**	**(72,529)**	**22,190**
590	(903)	(313)	Other operating expenditure	Note 11	584	(387)	197
5,386	(1,734)	3,652	Financing & investment income & expenditure	Note 12	4,363	(3,753)	610
10,567	(28,292)	(17,725)	Taxation & non-specific grant income & expenditure	Note 13	9,559	(29,013)	(19,454)
		(15,396)	**(Surplus) or Deficit on Provision of Services**				**3,543**
		(26,982)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets				(18,839)
		15	(Surplus) or deficit on revaluation of available for sale financial assets				(45)
		4,113	Remeasurement of the net defined benefit pension liability				(515)
		(22,854)	**Other Comprehensive Income & Expenditure**				**(19,399)**
		(38,250)	**Total Comprehensive Income & Expenditure**				**(15,856)**

Movement in Reserves Statement

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

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.

Movement in Reserves Statement 2017/18

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 17	**(12,229)**	**(15,260)**	**(4,440)**	**-**	**(1,242)**	**(33,171)**	**(124,366)**	**(157,537)**
Movement in reserves during 2017/18								
(Surplus) or deficit on the provision of services	(641)	4,184	-	-	-	**3,543**	-	**3,543**
Other Comprehensive Income & Expenditure	-	-	-	-	-	**-**	(19,399)	**(19,399)**
Total Comprehensive Income & Expenditure	**(641)**	**4,184**	**-**	**-**	**-**	**3,543**	**(19,399)**	**(15,856)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	835	(7,305)	1,172	(387)	(586)	**(6,271)**	6,271	**-**
(Increase)/ Decrease in 2017/18	**194**	**(3,121)**	**1,172**	**(387)**	**(586)**	**(2,728)**	**(13,128)**	**(15,856)**
Balance as at 31 March 18	**(12,035)**	**(18,381)**	**(3,268)**	**(387)**	**(1,828)**	**(35,899)**	**(137,494)**	**(173,393)**
Adjustment for amounts earmarked for specific purposes (Earmarked Reserves - Note 10)	10,413	6,518						
Remaining Unallocated Balance as at 31 March 18	**(1,622)**	**(11,863)**						

Movement in Reserves Statement 2016/17

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 16	(13,175)	(13,036)	(1,751)	-	(829)	**(28,791)**	(90,496)	**(119,287)**
Movement in reserves during 2016/17								
(Surplus) or deficit on the provision of services	5,369	(20,765)	-	-	-	**(15,396)**	-	**(15,396)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	**-**	(22,854)	**(22,854)**
Total Comprehensive Income & Expenditure	**5,369**	**(20,765)**	**-**	**-**	**-**	**(15,396)**	**(22,854)**	**(38,250)**
Adjustments between accounting basis & funding basis under regulations (Note 9)	(4,423)	18,541	(2,689)	-	(413)	**11,016**	(11,016)	**-**
(Increase)/ Decrease in 2016/17	**946**	**(2,224)**	**(2,689)**	**-**	**(413)**	**(4,380)**	**(33,870)**	**(38,250)**
Balance as at 31 March 17	**(12,229)**	**(15,260)**	**(4,440)**	**-**	**(1,242)**	**(33,171)**	**(124,366)**	**(157,537)**
Adjustment for amounts earmarked for specific purposes (Earmarked Reserves - Note 10)	10,628	6,737						
Remaining Unallocated Balance as at 31 March 17	**(1,601)**	**(8,523)**						

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves is 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’.

Balance Sheet

31 March 17 £000		Notes	31 March 18 £000
244,206	Property, Plant & Equipment	14	255,775
1,155	Heritage Assets		1,155
20,119	Investment Property	15	24,379
491	Intangible Assets		621
1,941	Long Term Investments	16	1,985
580	Long Term Debtors	16	598
268,492	**Long Term Assets**		**284,513**
25,563	Short Term Investments	16	20,079
740	Assets Held for Sale	19	740
240	Inventories		162
9,066	Short Term Debtors	17	10,909
6,689	Cash & Cash Equivalents	18	9,204
42,298	**Current Assets**		**41,094**
(3,132)	Short Term Borrowing	16	(624)
(11,552)	Short Term Creditors	20	(9,964)
(2,061)	Provisions	21	(1,818)
(16,745)	**Current Liabilities**		**(12,406)**
(80,721)	Long Term Borrowing	16	(80,713)
(52,898)	Pensions Liability	39	(54,972)
(2,889)	Capital Grants Receipts in Advance	32	(4,123)
(136,508)	**Long Term Liabilities**		**(139,808)**
157,537	**Net Assets**		**173,393**
(33,171)	Usable Reserves	22	(35,899)
(124,366)	Unusable Reserves	23	(137,494)
(157,537)	**Total Reserves**		**(173,393)**

S Hines

S Hines CPFA
Executive Director - Resources Dated: 24th July 2018

These financial statements replace the unaudited financial statements confirmed by S Hines on 31st May 2018.

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Head of Financial Services.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of 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.

2016/17 £000			**2017/18 £000**
(15,396)	Net (surplus) or deficit on the provision of services		3,543
(4,621)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	Note 24	(17,341)
6,340	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 24	5,490
(13,677)	Net cash flows from Operating Activities	Note 24	(8,308)
13,526	Investing Activities	Note 25	3,310
1,444	Financing Activities	Note 26	2,483
1,293	Net (increase) or decrease in cash & cash equivalents		(2,515)
7,982	Cash & cash equivalents at the beginning of the reporting period		6,689
6,689	**Cash & cash equivalents at the end of the reporting period**	Note 18	**9,204**

Notes to the Accounts

Notes to the Accounts

1) ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

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.

ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where considered material, where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- 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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 3 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.

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 accounts, depending on how significant the items are to an understanding of the Council's financial performance.

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- 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 the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However it is required to make an annual contribution from revenue towards the reduction of its overall borrowing requirement. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance of a Minimum Revenue Provision charge (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

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, paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of benefits 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 period 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 and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account 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 – The Local Government Pension Scheme

Warwickshire County Council, the Administering Authority to the Warwickshire County Council Pension Fund instructed Hyman Robertson LLP, an independent firm of actuaries, to undertake pension expense calculations on behalf of Nuneaton & Bedworth Borough Council as at 31st March 2018.

The Local Government Scheme is accounted for as a defined benefits 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.

- Liabilities are discounted to their value at current prices, using a discount rate as determined by the actuary (based on the indicative rate of return 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 managed funds – current bid price
- The change in the net pensions liability is analysed into the following components:
    - Service cost comprising:
        - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
        - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
        - Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
    - Remeasurements comprising:
        - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
        - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement.
    - Contributions paid to the Warwickshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- In relation to 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 appropriations 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 pension 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.

- Further details of the estimation techniques and values attributed to the Pensions Liability can be found in note 39 on page 90 of these financial statements

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

EVENTS AFTER THE BALANCE SHEET DATE

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 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 period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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.

FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as property fund investments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

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

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed 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 the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

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 most 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/ settlement. However, where any repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid (up to a maximum of 10 years for the Housing Revenue Account). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund or Housing Revenue Account is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

\- ***Loans and Receivables***

Loans and receivables 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. 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 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

\- ***Available for Sale Assets***

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measures and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values 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
- Equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels and as detailed in the Fair Value accounting policy:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

GOVERNMENT GRANTS AND 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 acquired using 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.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, or where grants are received without conditions, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced 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 Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to 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.

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. Fair value is the amount that would be paid for the asset in its existing use calculated by projecting its annual rentals into perpetuity. 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.

LEASES

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment.

The Council as Lessor

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, 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.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2017/18 (SeRCOP)*. 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.

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. De minimis levels of £5,000 for the General Fund and £10,000 for the Housing Revenue Account have been set as the materiality level for assets to be included in the Balance Sheet. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase (e.g. finance lease) is deemed to be its 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.

Assets are then carried in the Balance Sheet using the following measurement bases:
- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Where 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. Gains may 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 as follows:
- 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.

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- 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 reversed subsequently, the reversal is credited 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 certain Community 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. The depreciable value is deemed to be the total asset valuation less the value of the land.
- vehicles, plant, furniture and equipment – vehicles are depreciated on a straight line basis to a residual resale value over a period of 5 to 7 years, computer hardware is depreciated over a period of 5 years on a straight-line basis to a nil residual value and other equipment is depreciated on a straight-line basis to a residual value over periods up to 10 years.

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

Component Accounting

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.

It is the policy of this Council to consider assets for componentisation when their value is more than £500k and they have either been revalued or have incurred capital expenditure in the financial year. Individual components will be created where their value is more than 20% of the total value of the asset and has a depreciable life materially different from the main asset.

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 and 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund or Housing Revenue Account in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax or housing rents, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund or Housing Revenue Account in the Movement in Reserves Statement.

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 amount 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.

Provision for Back Pay Arising from Unequal Pay Claims

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund and Housing Revenue Account in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to revenue through the Movement in Reserves Statement in future financial years as payments are made.

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.

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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.

RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account in the Movement in Reserves Statement. 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 reduced accordingly so that there is no net charge against council tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies. Details can be found in note 23 to the Financial Statements on page 71

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or Housing Revenue Account to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax or housing rent.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2) ACCOUNTING STANDARDS ISSUED, NOT 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 any accounting changes that will be required by a new standard that has been issued but not yet adopted. At the balance sheet date, the following new standards have been published by the Code:

Standards adopted for 2018/19:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets and a new 'expected credit loss' model for impairing financial assets. The impact of classification will be to reclassify assets currently classified as available for sale to be reclassified as fair value through profit and loss. The financial impact of this reclassification will be that any gains or losses in the capital value of the investments held (e.g. property fund) will chargeable to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement, rather than being held in an available for sale reserve.

The financial impact of this and the 'expected credit loss model' is not material for this Council.

- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. The Council does not have any material revenue streams within the scope of the new standard.

Standards to be adopted in future years:

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities. The effective date of IFRS16 is 1 January 2019 and therefore it is anticipated that this will be adopted in the 2019/20 Code.

3) CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has 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.

- Under the new Business Rates Retention arrangements Billing Authorities acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the

Rating List. The Council has included a provision of £1.62m (£1.40m in 2016/17), which is our 40% share of the overall provision in the Business Rates Collection Fund of £4.06m (£3.51m in 2016/17).

4) 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 the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are detailed in the following table:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision – Business Rates Appeals	The Council has made a provision in the Collection Fund of £4.41m (of which 40% is a liability for Nuneaton and Bedworth. It is based on an estimate of the success rate of the total appeals outstanding, including the backdated element.	A 10% increase in successful appeals above the estimated provision would increase the overall liability in the Collection Fund by approximately £441k. However, each appeal is of different value and has a different backdated element and one large appeal being successful could significantly increase the liability.
Arrears	At 31st March 2018, the total arrears from sundry debts stood at £0.98m. The outstanding debts are reviewed each year and a provision for bad debts is made, dependent on the age of the debt and if an arrangement is in place. However, this is only an estimate based on previous experience and the amount provided for may not be sufficient, particularly in the current economic climate.	If collection rates were to deteriorate, the provision included in the accounts would need to increase. As different categories of provision are used depending on the type and age of debt, it is not possible to estimate how much the provision may need to increase by. However, the total provision at 31st March 2018 is £428k and so a 25% increase would lead to additional provision of £107k.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount on the asset falls. It is estimated that the annual depreciation charge for assets would increase by approximately £464k for every year that useful lives had to be reduced.
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 ages, 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.	A 0.5% decrease in the Real Discount Rate used would increase the scheme liabilities by approximately £19.58m (9%) A 0.5% increase in the Salary Increase Rate would increase the scheme liabilities by approximately £2.77m (1%) A 0.5% increase in the Pension Increase Rate would increase the scheme liabilities by approximately £16.54m (8%)

5) MATERIAL ITEMS OF INCOME AND EXPENSE

Where material items are not disclosed on the face of the Comprehensive Income and Expenditure Statement or detailed within the notes, the Council is required to list these separately.

For 2018/19 the council dwellings within the Housing Revenue Account were revalued. The net increase in the value of assets held on the balance sheet was approximately £6.29m, of which £12.64m net gain was credited to the Revaluation Reserve and £7.65m of revaluation losses were charged to the Housing (Housing Revenue Account) line within the Comprehensive Income and Expenditure Statement (with a corresponding credit within the Movement in Reserves Statement per regulations).

The same line within 2017/18 included a £16.5m credit for gains on revaluation of council dwellings.

This analysis can also be seen within the Housing Revenue Account on page 103

6) EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was re-authorised for issue by the Executive Director - Resources on 24th July 2018. Events taking place after this date are not reflected in the financial statements or notes.

There are no events after the balance sheet date that would materially affect the financial statements.

7) EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (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 councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

EXPENDITURE AND FUNDING ANALYSIS

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund & HRA Balances (Note 7a) £000	**Adjustments between the Funding & Accounting Basis (Note 7b) £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**		**Net Expenditure Chargeable to the General Fund & HRA Balances (Note 7a) £000**	**Adjustments between the Funding & Accounting Basis (Note 7b) £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**
4,433	1,618	**6,051**	Arts & Leisure	4,290	1,450	**5,740**
1,236	73	**1,309**	Central Services	1,001	96	**1,097**
3,224	2,423	**5,647**	Finance & Civic Affairs	3,240	(42)	**3,198**
4,220	561	**4,781**	Health & Environment	4,536	419	**4,955**
745	1,347	**2,092**	Housing (General Fund)	740	3,050	**3,790**
(6,230)	(16,408)	**(22,638)**	Housing (Housing Revenue Account)	(6,071)	8,053	**1,982**
(179)	1,927	**1,748**	Planning & Development	(167)	1,595	**1,428**
7,449	**(8,459)**	**(1,010)**	**Net Cost of Services**	**7,569**	**14,621**	**22,190**
(8,727)	(5,659)	**(14,386)**	Other Income & Expenditure	(10,496)	(8,151)	**(18,647)**
(1,278)	(14,118)	**(15,396)**	**Surplus or Deficit**	(2,927)	6,470	**3,543**
(26,211)			**Opening General Fund & HRA Balances**	(27,489)		
(1,278)			**Less/ Plus Surplus or (Deficit) on General Fund and HRA Balance in Year**	(2,927)		
(27,489)			**Closing General Fund & HRA Balance in Year ***	(30,416)		

**** For a split of this balance between the General Fund and the HRA - see the Movement in Reserves Statement***

7a – Reconciliation of amounts reported to management and the amounts chargeable to General Fund and HRA balances

2017/18	**Amounts as Reported for Resources Management**	**Removal of Depreciation reported at Portfolio Level**	**Removal of Earmarked Reserve Movements as not chargeable to Balances**	**Other Amounts Transferred between Net Cost of Services and Other Income & Expenditure per CIPFA Code**	**Net Expenditure Chargeable to the General Fund & HRA Balances per the EFA**
	£000	**£000**	**£000**	**£000**	**£000**
Arts & Leisure	5,507	(1,208)	(9)	-	**4,290**
Central Services	1,006	(5)	-	-	**1,001**
Finance & Civic Affairs	1,786	(127)	106	1,475	**3,240**
Health & Environment	4,922	(412)	26	-	**4,536**
Housing (General Fund)	944	(55)	(149)	-	**740**
Housing (HRA)	(3,121)	-	-	(2,950)	**(6,071)**
Planning & Development	444	(680)	69	-	**(167)**
Net Cost of Services	**11,488**	**(2,487)**	**43**	**(1,475)**	**7,569**
Other Income & Expenditure	(14,849)	2,487	391	1,475	**(10,496)**
(Surplus) or Deficit	**(3,361)**	**-**	**434**	**-**	**(2,927)**

2016/17	**Amounts as Reported for Resources Management**	**Removal of Depreciation reported at Portfolio Level**	**Removal of Earmarked Reserve Movements as not chargeable to Balances**	**Other Amounts Transferred between Net Cost of Services and Other Income & Expenditure per CIPFA Code**	**Net Expenditure Chargeable to the General Fund & HRA Balances per the EFA**
	£000	**£000**	**£000**	**£000**	**£000**
Arts & Leisure	5,669	(1,237)	1	-	**4,433**
Central Services	1,240	(4)	-	-	**1,236**
Finance & Civic Affairs	1,744	(84)	171	1,393	**3,224**
Health & Environment	4,678	(469)	11	-	**4,220**
Housing (General Fund)	748	(59)	56	-	**745**
Housing (HRA)	(2,413)	-	-	(3,817)	**(6,230)**
Planning & Development	536	(727)	12	-	**(179)**
Net Cost of Services	**12,202**	**(2,580)**	**251**	**(2,424)**	**7,449**
Other Income & Expenditure	(15,395)	2,580	1,664	2,424	**(8,727)**
(Surplus) or Deficit	**(3,193)**	**-**	**1,915**	**-**	**(1,278)**

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7b – Adjustments between accounting and funding basis

2017/18	**Adjustments for Capital Purposes**	**Net Changes for the Pension Adjustment**	**Other Adjustments**	**Total Adjustments Between Funding & Accounting Basis**
	£000	**£000**	**£000**	**£000**
Arts & Leisure	1,297	159	(6)	1,450
Central Services	5	92	(1)	96
Finance & Civic Affairs	27	(59)	(10)	(42)
Health & Environment	103	321	(5)	419
Housing (General Fund)	2,937	113	-	3,050
Housing (HRA)	7,674	387	(8)	8,053
Planning & Development	1,447	152	(4)	1,595
Net Cost of Services	**13,490**	**1,165**	**(34)**	**14,621**
Other Income & Expenditure	(9,955)	1,424	380	(8,151)
Total Adjustment	**3,535**	**2,589**	**346**	**6,470**

2016/17	**Adjustments for Capital Purposes**	**Net Changes for the Pension Adjustment**	**Other Adjustments**	**Total Adjustments Between Funding & Accounting Basis**
	£000	**£000**	**£000**	**£000**
Arts & Leisure	1,561	56	1	1,618
Central Services	45	32	(4)	73
Finance & Civic Affairs	2,569	(147)	1	2,423
Health & Environment	461	100	-	561
Housing (General Fund)	1,316	36	(5)	1,347
Housing (HRA)	(16,543)	184	(49)	(16,408)
Planning & Development	1,881	52	(6)	1,927
Net Cost of Services	**(8,710)**	**313**	**(62)**	**(8,459)**
Other Income & Expenditure	(5,651)	1,648	(1,656)	(5,659)
Total Adjustment	**(14,361)**	**1,961**	**(1,718)**	**(14,118)**

Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line and within other income and expenditure the adjustments are for:
- capital disposals with a transfer of the income on disposal of those assets
- statutory charge for capital financing (i.e. Minimum Revenue Provision)
- capital grants are adjusted for income not chargeable under generally accepted accounting practices.

Net Changes for Pension Adjustment – within services the adjustment represents the removal of the employer pension contributions and is replaced with current service costs and past service costs. Within Other Income and Expenditure, the adjustments are for the net interest on the defined liability.

Other Adjustments – These represent employee benefits adjustments within the services. The adjustments in Other Income and Expenditure are for the premiums and discounts chargeable in relation to debt repaid early and the difference between what is chargeable under statutory regulations for council tax and NNDR that was predicted to be received at the start of the year and the income recognised under generally accepted accounting practices. This latter adjustment is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

7c – Segmental Income

Income received on a segmental basis is analysed in the following table:

2016/17 £000		2017/18 £000
	Income from Services:	
(1,290)	Arts & Leisure	(1,248)
(313)	Central Services	(317)
(3,310)	Finance & Civic Affairs	(3,849)
(744)	Health & Environment	(738)
(430)	Housing (General Fund)	(908)
(25,610)	Housing (Housing Revenue Account)	(25,746)
(3,194)	Planning & Development	(3,371)
(34,891)	**Total**	**(36,177)**

8) EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2016/17 £000		2017/18 £000
	Expenditure:	
18,465	Employee benefits expenses	18,497
37,900	Housing Benefit payments	36,674
19,402	Other service expenses	21,744
(2,056)	Depreciation, amortisation, impairment & revaluations	16,817
4,235	Interest payments	3,984
10,567	Precepts and levies	9,559
590	Payments to the Housing Capital Receipts Pool	584
(903)	Gain on disposal of of assets	(387)
88,200	**Total Expenditure**	**107,472**
	Income:	
(34,891)	Fees, charges and other service income	(36,177)
(300)	Interest and investment income	(257)
(22,250)	Income from Council Tax, Non Domestic Rates	(21,282)
(36,793)	Government Grants (Housing Benefit)	(35,173)
(9,362)	Other grants and contributions	(11,040)
(103,596)	**Total Income**	**(103,929)**
(15,396)	**(Surplus)/ Deficit on the Provision of Services**	**3,543**

9) ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority 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, which is not necessarily in accordance with proper accounting practice.

The General Fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year, however, the balance is not available to be applied to fund HRA services.

Housing Revenue Account Balance
The Housing Revenue Account 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.

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 historic capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

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

Capital Grants Unapplied
The Capital Grants Unapplied 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.

	Usable Reserves				
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**
2017/18	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments to the 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:					
● Pensions costs (transferred to (or from) the Pensions Reserve)	(1,741)	(848)	-	-	-
● Financial instruments (transferred to the Financial Instruments Adjustments Account)	21	-	-	-	-
● Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	(401)	-	-	-	-
● Holiday Pay (transferred to the Accumulated Absences Reserve)	26	8	-	-	-
● 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)	(1,034)	(16,893)	-	-	(1,119)
Total Adjustments to Revenue Resources	**(3,129)**	**(17,733)**	**-**	**-**	**(1,119)**
Adjustments between Revenue and Capital Resources					
● Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	711	1,807	(2,518)	-	-
● Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(18)	(13)	31	-	-
● Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(584)	-	584	-	-
● Posting of HRA resources from revenue to the Major Repairs Reserve	-	7,787	-	(7,787)	-
● Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	431	-	-	-	-
● Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,424	847	-	-	-
Total Adjustments between Revenue and Capital Resources	**3,964**	**10,428**	**(1,903)**	**(7,787)**	**-**
Adjustments to Capital Resources					
● Use of the Capital Receipts Reserve to finance capital expenditure	-	-	3,075	-	-
● Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	7,400	-
● Application of capital grants to finance capital expenditure	-	-	-	-	533
Total Adjustments to Capital Resources	**-**	**-**	**3,075**	**7,400**	**533**
Total Adjustments	**835**	**(7,305)**	**1,172**	**(387)**	**(586)**

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	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
2016/17					
Adjustments to the 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:					
● Pensions costs (transferred to (or from) the Pensions Reserve)	(1,173)	(788)	-	-	-
● Financial instruments (transferred to the Financial Instruments Adjustments Account)	22	(2)	-	-	-
● Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	1,445	-	-	-	-
● Holiday Pay (transferred to the Accumulated Absences Reserve)	(20)	(8)	-	-	-
● Equal pay settlements (transferred to the Unequal Pay/ Back Pay Account)	33	56	-	-	-
● 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)	(9,579)	8,201	-	-	(496)
Total Adjustments to Revenue Resources	**(9,272)**	**7,459**	**-**	**-**	**(496)**
Adjustments between Revenue and Capital Resources					
● Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,383	2,442	(4,825)	-	-
● Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(11)	(16)	27	-	-
● Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(590)	-	590	-	-
● Posting of HRA resources from revenue to the Major Repairs Reserve	-	6,965	-	(6,965)	-
● Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	463	-	-	-	-
● Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,604	1,691	-	-	-
Total Adjustments between Revenue and Capital Resources	**4,849**	**11,082**	**(4,208)**	**(6,965)**	**-**
Adjustments to Capital Resources					
● Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,524	-	-
● Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	6,965	-
● Application of capital grants to finance capital expenditure	-	-	-	-	83
● Cash payments in relation to deferred capital receipts	-	-	(5)	-	-
Total Adjustments to Capital Resources	**-**	**-**	**1,519**	**6,965**	**83**
Total Adjustments	**(4,423)**	**18,541**	**(2,689)**	**-**	**(413)**

10) EARMARKED RESERVES

This note summarises the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans.

Balance at 31 Mar 17 £000		Balance at 31 Mar 18 £000
	General Fund Earmarked Reserves	
1,594	Risk Based Reserves	2,620
3,115	General Revenue Reserves	2,799
4,377	Capital Earmarked Reserves	3,515
1,542	Financial Planning Reserve	1,479
10,628	**Total General Fund**	**10,413**
	Housing Revenue Account Earmarked Reserves	
350	Risk Based Reserves	350
730	General Revenue Reserves	530
5,657	Capital Earmarked Reserves	5,638
6,737	**Total Housing Revenue Account**	**6,518**

11) OTHER OPERATING EXPENDITURE

2016/17 £000		2017/18 £000
590	Payments to the Government Housing Capital Receipts Pool	584
(903)	(Gains)/ losses on the disposal of non-current assets	(387)
(313)	**Total**	**197**

12) FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 £000		2017/18 £000
2,592	Interest payable & similar charges	2,576
1,643	Net interest on the net defined benefit pension liability	1,408
(300)	Interest receivable and similar income	(257)
(283)	Income & expenditure in relation to investment properties and changes in their fair value	(3,117)
3,652	**Total**	**610**

13) TAXATION AND NON-SPECIFIC GRANT INCOME

2016/17 £000		2017/18 £000
(7,764)	Council tax income	(8,085)
	Non domestic rates	
(14,486)	Billing authority share of income	(13,197)
9,898	Tariff payment to Central Government	8,792
669	Levy on growth	767
(522)	Section 31 Grants from Central Government	(1,107)
	Non-ringfenced government grants:	
(1,577)	Revenue Support Grant	(768)
(2,041)	New Homes Bonus	(1,866)
(1,128)	Disabled Facilities Grant	(1,418)
(58)	Other	(87)
	Ringfenced government grants:	
-	Warwickshire County Council	(70)
(283)	Department of Energy & Climate Change	-
(87)	Growing Places Infrastructure Fund	-
(187)	Local Authority Contributions for HEART	(2,036)
(159)	Other Capital grants & contributions	(379)
(17,725)	**Total**	**(19,454)**

14) PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 01 April 17	188,363	50,532	11,820	6,448	349	-	**257,512**
Additions	10,031	2,641	625	36	-	324	**13,657**
Accumulated Depreciation and Impairment to Gross Carrying Amount	(7,399)	(1,999)	-	-	-	-	**(9,398)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	12,642	6,602	-	-	-	-	**19,244**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	(7,647)	(504)	-	-	-	-	**(8,151)**
Derecognition - disposals	(1,485)	(583)	(477)	-	-	-	**(2,545)**
Assets reclassified (to)/ from Investment Properties	149	(684)	-	-	-	-	**(535)**
At 31 March 18	**194,654**	**56,005**	**11,968**	**6,484**	**349**	**324**	**269,784**
Accumulated Depreciation & Impairment							
At 01 April 17	-	(2,053)	(6,953)	(4,230)	(70)	-	**(13,306)**
Depreciation charge	(7,425)	(1,751)	(1,223)	(157)	(12)	-	**(10,568)**
Accumulated Depreciation written off to Gross Carrying Amount	7,399	1,992	-	-	-		**9,391**
Accumulated Impairment written off to Gross Carrying Amount	-	7	-	-	-	-	**7**
Impairment losses recognised in the Revaluation Reserve	-	(39)	-	-	-	-	**(39)**
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	(91)	-	-	-	-	**(91)**
Derecognition - disposals	26	63	467				**556**
Assets reclassified (to)/ from Investment Properties	-	40	-	-	-	-	**40**
At 31 March 18	**-**	**(1,832)**	**(7,709)**	**(4,387)**	**(82)**	**-**	**(14,010)**
Net Book Value							
at 31 March 17	188,363	48,479	4,867	2,218	279	-	244,206
at 31 March 18	**194,654**	**54,173**	**4,259**	**2,097**	**267**	**324**	**255,774**
Nature of Holdings at year end							
Owned	194,654	54,173	4,259	2,097	267	324	**255,774**

Comparative Movements in 2016/17:

	Council Dwellings £000	**Other Land & Buildings £000**	**Vehicles, Plant & Equipment £000**	**Infrastructure Assets £000**	**Community Assets £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
Cost or Valuation							
At 01 April 16	145,929	55,861	12,298	6,314	349	15	**220,766**
Additions	8,010	2,350	1,252	-	-	-	**11,612**
Accumulated Depreciation and Impairment to Gross Carrying Amount	(6,416)	(2,553)	-	-	-	-	**(8,969)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	25,899	1,083	-	-	-	-	**26,982**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	16,543	(3,796)	-	-	-	-	**12,747**
Derecognition - disposals	(1,602)	(1,371)	(1,730)	-	-	-	**(4,703)**
Assets reclassified (to)/ from Held for Sale	-	(850)	-	-	-	-	**(850)**
Assets reclassified (to)/ from Investment Properties	-	(73)	-	-	-	-	**(73)**
Other movements in Cost or Valuation	-	(119)	-	134	-	(15)	**-**
At 31 March 17	**188,363**	**50,532**	**11,820**	**6,448**	**349**	**-**	**257,512**
Accumulated Depreciation & Impairment							
At 01 April 16	-	(2,726)	(7,448)	(4,074)	(59)	-	**(14,307)**
Depreciation charge	(6,430)	(1,921)	(1,217)	(156)	(11)	-	**(9,735)**
Accumulated Depreciation written off to Gross Carrying Amount	6,416	2,389	-	-	-	-	**8,805**
Accumulated Impairment written off to Gross Carrying Amount	-	165	-	-	-	-	**165**
Impairment losses recognised in the Revaluation Reserve	-	(1)	-	-	-	-	**(1)**
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	(15)	-	-	-	-	**(15)**
Derecognition - disposals	14	56	1,712	-	-	-	**1,782**
At 31 March 17	**-**	**(2,053)**	**(6,953)**	**(4,230)**	**(70)**	**-**	**(13,306)**
Net Book Value							
at 31 March 16	145,929	53,135	4,850	2,240	290	15	206,459
at 31 March 17	**188,363**	**48,479**	**4,867**	**2,218**	**279**	**-**	**244,206**
Nature of Holdings at year end							
Owned	188,363	48,479	4,867	2,218	279	-	**244,206**

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- **Depreciation**

The following useful lives, as determined by the valuer, have been used in the calculation of depreciation on a straight line basis:

Council Dwellings:	20 to 60 years
Other Land and Buildings:	10 to 50 years
Vehicles, Plant Furniture and Equipment:	5 to 10 years
Infrastructure:	25 to 50 years

- **Capital Commitments**

Approximately £16m of minimum contract amounts are committed for future years for contracts in place at 31st March 2018 with a contract end date in the future.

These are all Housing Revenue Account contracts relating to council dwellings or new build, and include works to maintain decent homes, re-roofing works, upgrading/ replacement of fire doors and heating installations.

	Minimum contract amounts 2018/19 £000	Minimum contract amounts 2019/20 £000	Minimum contract amounts 2020/21 £000	Minimum contract amounts 2021/22 £000
Dwellings Contracts	5,900	5,250	4,050	650
New Build Contract	162	12	-	-
Total Capital Contracts	**6,062**	**5,262**	**4,050**	**650**

- **Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every 5 years.

The council housing stock has been revalued as at 31st March 2018 by Savills, an external organisation specialising in valuations. The valuer undertook a desktop review of beacon properties to inform their valuation.

The District Valuer has provided a valuation as at 31st March 2018 of specialised assets (e.g. leisure centres and museum).

Various other assets within Land and Buildings have been revalued by the Council's internal valuers. These include HRA garages and shops, car parks, caravan sites and allotments.

Valuations of assets were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). All valuations have been undertaken by a RICS qualified valuer.

The effective date of all revaluations was 31st March 2018.

The significant assumptions applied in estimating the fair values are:

- The current value of land and buildings has been determined either by reference to observable prices in an active market or by other valuation techniques (e.g. capitalisation of income streams)

- Vehicles, plant and equipment are capitalised at cost in the year of purchase and then held at historic cost in subsequent years due to the short life nature of the asset.

The effective date of valuations for assets held by the Council is analysed in the following table:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000	£000
Carried at historical cost	-	864	11,968	12,832
valued at fair value in:				
2017/18	194,654	41,373	-	236,027
2016/17	-	7,025	-	7,025
2015/16	-	3,034	-	3,034
2014/15	-	3,537	-	3,537
2013/14	-	172	-	172
Total Cost or Valuation	**194,654**	**56,005**	**11,968**	**262,627**

15) INVESTMENT PROPERTIES

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2018 are as follows:

Other significant observable inputs (Level 2)	Fair Value of Investment Properties:	Other significant observable inputs (Level 2)
31 March 17		**31 March 18**
£000		**£000**
795	Office accomodation	1,060
13,511	Retail units	13,849
2,184	Industrial	2,223
349	Residential	349
1,831	NABCEL	5,715
1,449	Other	1,183
20,119	**Balance at 31 March**	**24,379**

There have been no transfers between any of the fair value hierarchy levels during the year.

The fair value for the investment properties at Level 2 has been based on the market approach using current market conditions and inputs such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

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

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

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

Amounts reflected in the Comprehensive Income and Expenditure Statement

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:

2016/17 £000		2017/18 £000
(1,377)	Rental income from investment property	(1,349)
(57)	Other Income	(49)
439	Operating expenses arising from investment property	379
(995)	**Net (gain)/ loss**	**(1,019)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Movement in the Fair Value of Investment Property

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

2016/17 £000		2017/18 £000
20,252	Balance at 1 April	20,119
	Additions:	
425	Purchases	1,505
82	Subsequent expenditure	671
-	Disposals	(140)
(713)	Net gains/ (losses) from fair value adjustments reflected in Comprehensive Income & Expenditure	2,098
	Transfers:	
73	to/ from Property, Plant & Equipment	495
-	Adjustments to fair value on transfer reflected in Revaluation Reserve	(369)
20,119	**Balance at 31 March**	**24,379**

16) FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 17 £000	31 March 18 £000	31 March 17 £000	31 March 18 £000
Investments				
Loans and receivables (principal amount)	1,000	1,000	25,500	20,000
Loans and receivables (accrued interest)	-	-	63	79
Available-for-Sale Financial Assets at fair value	941	986	-	-
Total Investments	**1,941**	**1,986**	**25,563**	**20,079**
Cash and Cash Equivalents				
Loans and receivables	-	-	6,683	9,199
(short term and instant cash deposits)				
Debtors				
Loans and receivables	580	598	-	-
Financial assets carried at contract amounts	-	-	6,522	8,142
Total Debtors	**580**	**598**	**6,522**	**8,142**
Borrowings				
Financial liabilities at amortised cost (principal amount)	(80,721)	(80,713)	(2,579)	(80)
Financial liabilities at amortised cost (accrued interest)	-	-	(553)	(544)
Total Borrowings	**(80,721)**	**(80,713)**	**(3,132)**	**(624)**
Creditors				
Financial liabilities carried at contract amount	-	-	(7,276)	(7,564)
Total Creditors	**-**	**-**	**(7,276)**	**(7,564)**

Income, Expense, Gains and Losses

	2016/17				2017/18			
	Financial liabilities measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for Sale £000**	**Total £000**	**Financial liabilities measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Financial Assets: Available for Sale £000**	**Total £000**
Interest expense	2,592	-	-	**2,592**	2,576	-	-	**2,576**
Total expense in Surplus or Deficit on the Provision of Services	**2,592**	**-**	**-**	**2,592**	**2,576**	**-**	**-**	**2,576**
Interest income	-	(259)	(41)	**(300)**	-	(212)	(45)	**(257)**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(259)**	**(41)**	**(300)**	**-**	**(212)**	**(45)**	**(257)**
(Gains)/ Losses on revaluation			14	**14**			(45)	**(45)**
Surplus/ deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure			**14**	14			**(45)**	**(45)**
Net (gain)/ loss for the year	**2,592**	**(259)**	**(27)**	**2,306**	**2,576**	**(212)**	**(90)**	**2,274**

Fair Values of Assets and Liabilities

One of the Council's financial assets is measured at fair value on a recurring basis and is described in the following table, including the valuation techniques used to measure it.

Recurring fair value measurements	**Input level in fair value hierarchy & valuation technique**	**As at 31 March 17 £000**	**As at 31 March 18 £000**
Available for Sale:			
Property Fund	Level 1 - Unadjusted quoted prices in active markets for identical shares.	941	986
		941	**986**

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

- For loans from the Public Works Loans Board (PWLB) payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated for financial liabilities carried at amortised cost are as follows:

	31 March 17		**31 March 18**	
	Carrying amount £000	**Fair Value £000**	**Carrying amount £000**	**Fair Value £000**
PWLB debt	(81,734)	(90,951)	(79,226)	(86,043)
Non-PWLB debt	(2,049)	(3,200)	(2,040)	(3,128)
Short term borrowing	(71)	(71)	(71)	(71)
Short term creditors	(7,276)	(7,276)	(7,564)	(7,564)
Total Liabilities	**(91,130)**	**(101,498)**	**(88,901)**	**(96,806)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at balance sheet date. This shows a notional future loss (based on economic conditions at 31st March 2018) arising from a commitment to pay interest to lenders above current market rates. An alternative method of calculating fair value is to apply early repayment rates instead of new borrowing rates from the PWLB. Should this method of calculating fair value had been applied then the fair value of the liabilities would increase from £96.81m (as quoted above) to £104.1m.

The fair values calculated for financial assets carried at amortised cost are as follows:

	31 March 17 Carrying amount £000	31 March 17 Fair Value £000	31 March 18 Carrying amount £000	31 March 18 Fair Value £000
Cash & cash equivalents	6,683	6,683	9,199	9,199
Short term investments	25,563	25,563	20,079	20,079
Long term investments	1,000	1,051	1,000	1,034
Short term debtors	6,522	6,522	8,142	8,142
Long term debtors	580	580	598	598
Total Assets	**40,348**	**40,399**	**39,018**	**39,052**

The fair value of all short term assets is equal to the carrying amount as the majority of the assets are held short term and therefore the carrying amount is deemed to be the fair value of the asset.

17) DEBTORS

2016/17 £000		2017/18 £000
	Amounts due within one year (net of impairment):	
623	Central Government bodies	3,478
1,760	Other Local Authorities	1,196
683	Housing tenants	900
300	Council tax arrears	307
422	Business rates arrears	308
4,625	Other	4,136
653	Payments in advance	584
9,066	**Total**	**10,909**

Debtor balances are shown net of any provision held for bad or doubtful debts. For 2017/18 the total bad debt provision across all debt types was £3.41m (£3.43m for 2016/17).

18) CASH AND CASH EQUIVALENTS

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

2016/17 £000		2017/18 £000
5,967	Cash held by the Authority	4,771
722	Bank current accounts	4,433
6,689	**Total Cash and Cash Equivalents**	**9,204**

19) ASSETS HELD FOR SALE

2016/17 £000		2017/18 £000
-	Balance at 1 April:	740
	Assets newly classified as held for sale:	
850	Property, Plant and Equipment	-
(110)	Revaluation losses	-
740	**Balance outstanding at 31 March**	**740**

20) CREDITORS

2016/17 £000		2017/18 £000
(4,330)	Central Government bodies	(2,553)
(1,829)	Other Local Authorities	(2,069)
-	Public Corporations and trading funds	-
(5,393)	Other entities and individuals	(5,342)
(11,552)	**Total**	**(9,964)**

21) PROVISIONS

	Employee Related Provisions	Legal Claims	Business Rate Appeals	Total
	£000	**£000**	**£000**	**£000**
Balance at 01 April 17	**(622)**	**(37)**	**(1,402)**	**(2,061)**
Provisions made in year	(48)	-	(502)	(550)
Amounts used in year	511	-	282	793
Amounts reversed in year	-	-	-	-
Balance at end of 31 March 18	**(159)**	**(37)**	**(1,622)**	**(1,818)**

- ***Employee Provisions:***
  The Council received a number of equal pay claims in previous years. A provision has been included in the accounts based on an assessment of the claims and the maximum financial liability that the Council faces. This amounts to £42k for the General Fund and £69k for the HRA. The remaining provision balance relates to setting aside agreed redundancy and actuarial strain amounts for terminations agreed prior to 31st March 2018 but with a final leave date during 2018/19..

- ***Legal Claims:***

  - *Land Charges - Revocation of Personal Search Fees*: A group of Property Search Companies are claiming refunds of fees paid to the Council to access land charges data. The Council is reaching completion of the process of settling these claims. The remaining provision is held to cover any potential remaining legal costs.

- ***Business Rate Appeals*****:** Localisation of Business Rates came into effect from 1st April 2013 and means that local authorities retain a proportion of the business rates they collect in their area. We retain 40% of income, Warwickshire County Council 10% and Central Government 50%. This also means that local authorities share the risk from fluctuations in business rates, and the most significant source of volatility is appeals against rateable value. The Valuation Office is responsible for revaluing properties, the most recent being in 2017 which came into effect at 1st April 2017. Businesses can appeal this valuation and if successful the refund will be backdated to the last rating list. We have a significant amount of outstanding appeals, some going back to 2005 and this remains high whilst the Valuation Office prioritised their resources on the latest 2017 revaluation. An estimate has been made of the total value of outstanding appeals and included in the Collection Fund to be apportioned across the three bodies. The 40% proportion for Nuneaton and Bedworth is reflected in this note.

22) USABLE RESERVES

Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statement.

23) UNUSABLE RESERVES

31 March 17 £000		31 March 18 £000
(50,933)	Revaluation Reserve	(69,439)
59	Available for Sale Financial Instruments Reserve	14
(125,920)	Capital Adjustment Account	(122,917)
223	Financial Instruments Adjustment Account	202
52,898	Pensions Reserve	54,972
(441)	Deferred Capital Receipts Reserve	(441)
(535)	Collection Fund Adjustment Account	(134)
112	Unequal Pay Back Pay Account	112
171	Accumulated Absences Account	137
(124,366)	**Total Unusable Reserves**	**(137,494)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. 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 1st 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.

2016/17 £000			2017/18 £000
(24,840)	Balance at 1 April		(50,933)
(26,982)	Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(18,839)	
(26,982)	Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(18,839)
252	Difference between fair value depreciation and historical cost depreciation	27	
637	Accumulated gains on assets sold or scrapped	306	
889	Amount written off to the Capital Adjustment Account		333
(50,933)	**Balance at 31 March**		**(69,439)**

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains or losses made by the Council arising from changes in the value of its investments that have a quoted market price. Any balance is charged to the Provision of Services within the Comprehensive Income and Expenditure Statement when either an impairment of the asset occurs or the asset is disposed of and any accumulated gains or losses realised.

2016/17 £000			2017/18 £000
44	Balance at 1 April		59
15	Downward/ (Upward) revaluation of investments not charged to the Surplus/ Deficit on the Provision of Services	(45)	
15			(45)
59	**Balance at 31 March**		**14**

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 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 enhancement.

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 revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 9 includes details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000			2017/18 £000
(113,575)	Balance at 1 April		(125,920)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
9,750	Charges for depreciation and impairment of non-current assets	10,658	
(12,594)	Revaluation losses on Property, Plant and Equipment	8,153	
119	Amortisation of intangible assets	106	
1,313	Revenue expenditure funded from capital under statute	2,882	
3,921	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	2,129	
2,509			23,928
(889)	Adjusting amounts written out of the Revaluation Reserve		(333)
1,620	Net written out amount of the cost of non-current assets consumed in the year		23,595
	Capital financing applied in the year:		
(1,524)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,075)	
(6,965)	Use of Major Repairs Reserve to finance new capital expenditure	(7,400)	
(1,348)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(2,784)	
(83)	Application of grants to capital financing from the Capital Grants Unapplied Account	(533)	
(463)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(431)	
(4,295)	Capital expenditure charged against the General Fund and HRA Balances	(4,271)	
(14,678)			(18,494)
713	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(2,098)
(125,920)	**Balance at 31 March**		**(122,917)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2016/17 £000			2017/18 £000
243	Balance at 1 April		223
(20)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirments	(21)	
(20)	Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirments		**(21)**
223	**Balance at 31 March**		**202**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2016/17 £000		2017/18 £000
46,824	Balance at 1 April	52,898
4,113	Remeasurement of the net defined benefit pension liability	(515)
4,819	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,013
(2,858)	Employer's contributions and direct payments to pensioners payable in the year	(3,424)
52,898	**Balance at 31 March**	**54,972**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2016/17 £000		2017/18 £000
(446)	Balance at 1 April	(441)
5	Transfer to Capital Receipts Reserve upon receipt of cash	-
(441)	**Balance at 31 March**	**(441)**

Collection Fund Adjustment Account

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

2016/17 £000		2017/18 £000
910	Balance at 1 April	(535)
(1,445)	Amount by which council tax and NNDR income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	401
(535)	**Balance at 31 March**	**(134)**

Unequal Pay Back Pay Account

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

2016/17 £000		2017/18 £000
200	Balance at 1 April	112
(88)	Increase/ (Decrease) in provision for back pay in relation to Equal Pay cases	-
(88)	Amounts by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	**-**
112	**Balance at 31 March**	**112**

Accumulated Absences Account

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

2016/17 £000			2017/18 £000
144	Balance at 1 April		171
(144)	Settlement or cancellation of accrual made at the end of the preceding year	(171)	
171	Amounts accrued at the end of the current year	137	
27	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(34)**
171	**Balance at 31 March**		**137**

24) CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
(351)	Interest received	(245)
2,597	Interest paid	2,584

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

2016/17 £000		2017/18 £000
(9,749)	Depreciation & impairment	(10,658)
11,924	Revaluations	(6,055)
(119)	Amortisation	(106)
86	Increase/ (decrease) in impairment for bad debts	74
(1,945)	Movement in creditors	2,102
1,002	Movement in debtors	1,855
49	Movement in stock	(77)
13	Movement in provisions	242
(1,961)	Movement in pension liability	(2,589)
(3,921)	Carrying amount of non-current assets sold or de-recognised	(2,129)
(4,621)	**Total Adjustment**	**(17,341)**

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

2016/17 £000		2017/18 £000
4,825	Proceeds from the sale of Property, Plant & Equipment; Investment Property & Intangible Assets	1,807
1,515	Capital grants reflected in net surplus or deficit that relate to financing activities	3,683
6,340	**Total Adjustment**	**5,490**

25) CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17 £000		2017/18 £000
12,634	Purchase of property, plant and equipment; investment property and intangible assets	15,914
35,000	Purchase of short-term and long-term investments	32,500
(4,825)	Proceeds from the sale of property, plant and equipment; investment property and intangible assets	(1,807)
(27,500)	Proceeds from short-term and long-term investments	(38,000)
(1,783)	Other receipts from investing activities	(5,297)
13,526	**Net cash flows from investing activities**	**3,310**

26) CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17 £000		2017/18 £000
-	Cash receipts from short-term and long-term borrowing	-
(2,239)	Other receipts from financing activities	(71)
2,516	Repayments of short-term and long-term borrowing	2,507
1,167	Other payments for financing activities	47
1,444	**Net cash flows from financing activities**	**2,483**

27) ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2017/18.

28) TRADING OPERATIONS

The Council has established a number of trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council, other organisations or the general public. Additional information is now included from that previously published to allow analysis of performance before capital charges (i.e. depreciation, revaluation and impairment of assets). Details of those units are as follows:

2016/17			2017/18				
(Surplus) / Deficit Before Capital Charges	(Surplus) / Deficit After Capital Charges		Costs	Income	(Surplus) / Deficit Before Capital Charges	Capital Charges	(Surplus) / Deficit After Capital Charges
£000	£000		£000	£000	£000	£000	£000
107	149	Markets	451	(368)	**83**	49	**132**
9	9	Trade Waste	75	(97)	**(22)**	-	**(22)**
(937)	(259)	Car Parks	1,261	(2,169)	**(908)**	550	**(358)**
482	689	Civic Hall - shows and catering	1,427	(874)	**553**	223	**776**
(113)	(54)	Mobile Home Sites	9	(114)	**(105)**	50	**(55)**
(762)	(29)	Commercial properties	258	(878)	**(620)**	(2,058)	**(2,678)**
(85)	(104)	Industrial properties	88	(190)	**(102)**	(38)	**(140)**
(1,299)	**401**	**Total**	**3,569**	**(4,690)**	**(1,121)**	**(1,224)**	**(2,345)**

29) MEMBERS' ALLOWANCES

The Council paid the following amounts to Members of the Council during the year:

2016/17 £000		2017/18 £000
167	Basic allowance	167
83	Special responsibility	81
14	Other allowances/ expenses	13
264	**Total**	**261**

The Council also pays specific Councillor's internet and mobile phone costs totalling £2,180 (£2,860 2016/17) and provide Councillors with a car park season ticket to attend council meetings. The Mayor and Deputy Mayor also receive total allowances of £11,780 per annum.

30) OFFICERS' REMUNERATION

The remuneration paid to the Council's chief officers is as follows:

Post Title	Financial Year	Notes	Salaries, Fees & Allowances	Expenses & Benefits in Kind	Reparation for loss of Office	Pension Contributions	Total
			£	£	£	£	£
Managing Director	**2017/18**	**Note 1**	**91,218**	**838**	**46,042**	**2,532**	**140,630**
	2016/17	*Note 1*	*91,126*	*770*	*-*	*764*	*92,660*
Director - Finance & Procurement	**2017/18**		**73,133**	**316**	**-**	**14,505**	**87,954**
	2016/17	*Note 3*	*57,128*	*144*	*-*	*11,176*	*68,448*
Director - Housing and Communities	**2017/18**		**67,820**	**48**	**-**	**13,504**	**81,372**
	2016/17		*67,445*	*196*	*-*	*10,295*	*77,936*
Director - Assets & Street Services	**2017/18**		**67,702**	**450**	**-**	**13,504**	**81,656**
	2016/17		*67,027*	*473*	*-*	*10,295*	*77,795*
Director - Business Improvement	**2017/18**	**Note 2**	**54,889**	**17**	**-**	**10,950**	**65,856**
	2016/17	*Note 5*	*66,853*	*-*	*-*	*31,181*	*98,034*
Director - Regeneration & Public Protection	**2017/18**		***54,928***	***113***	**-**	***10,950***	***65,991***
	2016/17		*54,380*	*125*	*-*	*8,348*	*62,853*
Director - Governance & Recreation	**2017/18**	**Note 1**	***72,516***	***299***	**-**	***14,004***	***86,819***
	2016/17	*Note 1*	*72,029*	*353*	*-*	*10,677*	*83,059*
Financial Planning Manager (Acting Director - Finance)	**2017/18**						
	2016/17	*Note 4 & 6*	*52,257*	*264*	*-*	*7,449*	*59,970*
Total 2017/18			**482,206**	**2,081**	**46,042**	**79,949**	**610,278**
Total 2016/17			528,245	2,325	-	90,185	620,755

Note 1 - Includes Election Related Role.
Note 2 - Reduced hours reparation
Note 3 - Maternity leave for part of year
Note 4 - Acting Director - Finance & Procurement during maternity leave
Note 5 - Additional Pension costs relate to reduced hours in 2016/17 thereby generating savings in future years
Note 6 - Left February 2017

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

2016/17 Total Number of Employees	Remuneration Band	2017/18 Employees leaving during year	2017/18 Number Employed as at 31 March	2017/18 Total Number of Employees
4	£50,000 - £54,999	-	1	1
2	£55,000 - £59,999	-	1	1
-	£60,000 - £64,999	-	-	-
3	£65,000 - £69,999	1	2	3
1	£70,000 - £74,999	-	2	2
-	£75,000 - £89,999	-	-	-
1	£90,000 - £94,999	-	-	-
-	£95,000 - £134,999	-	-	-
-	£135,000 - £139,999	-	1	1
11		**1**	**7**	**8**

Note : Included in remuneration band £135-£139,999 is a provision for an employee whose redundancy has been agreed for early in 2018/19.

31) EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2016/17 £000		2017/18 £000
53	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year	53
11	Fees payable to Grant Thornton for the certification of grants and returns for the year	5
64	**Total**	**58**

32) GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18:

2016/17 £000		2017/18 £000
	Credited to Taxation and Non Specific Grant Income	
(19)	Contributions from leaseholders	(27)
(283)	Department of Energy & Climate Change	-
(187)	Other Local Authorities	(2,106)
(87)	Growing Places Infrastructure Fund	-
(140)	Developers & other minor contributions	(352)
(716)	**Total**	**(2,485)**
	Credited to Services	
(643)	Benefits Administration Grant	(616)
(294)	Housing Related Support Grant	-
(36,798)	Housing Benefit Subsidy	(35,199)
(236)	Elections Funding	(388)
(213)	Discretionary Housing Payment Grant	(294)
(133)	NNDR Cost of Collection Allowance	(130)
(1,796)	Other grants	(1,855)
(40,113)	**Total**	**(38,482)**

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year-end are as follows:

31 March 17 £000		31 March 18 £000
	Capital Grants Receipts in Advance	
(2,578)	Developers Contributions	(2,627)
(30)	Other Contributions	(30)
(281)	Other Local Authorities	(1,466)
(2,889)	**Total**	**(4,123)**

33) RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from Government departments are set out in notes 13 and 32.

Warwickshire County Council and Warwickshire Police and Crime Commissioner.

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 39.

£74,855 has been received from the Warwickshire Police and Crime Commissioner which has been used to finance various Warwickshire County Council community safety initiatives within Nuneaton and Bedworth in 2017/18 (£70,138 2016/17).

Council Members and Officers.

Based on existing key data sources, no material related party transactions have been identified amongst either the members or chief officers. These sources are:

- The Register of Members' Interests (as maintained in accordance with the Local Authorities (Members' Interest) Regulations 1992 (Statutory Instrument 1992/618)), and;
- Disclosure of direct or indirect pecuniary interests made in accordance with section 94 of the Local Government Act 1972;

In addition to their normal involvement on various Council Committees, most members also act as the Council's representative on a wide range of Outside and Voluntary Bodies – some such representation follows from their Committee membership(s). A list of representatives relevant to 2017/18 was approved at Council on 17th May 2017.

The Council provided financial assistance to certain voluntary and outside bodies during 2017/18 which included the following contributions:

2016-17	Organisation	2017-18	
£		£	Members
34,430	Warwickshire Employment Rights (Advice Rights)	32,444	1
57	Age UK	-	1
6,170	Bulkington Village Centre	6,290	1
8,293	Hartshill & Nuneaton Recreation Ground	8,459	2
2,025	Nuneaton & Bedworth Volunteer Bureau	-	-
5,330	Nuneaton & Bedworth Sports Forum	5,330	1
95,520	Nuneaton & Bedworth Citizens' Advice Bureau	90,000	-
6,118	Stockingford Community Centre	5,140	-
47,560	Warwickshire Community & Voluntary Action	42,569	-
11,800	Warwickshire Race Equality Partnership	11,746	1
2,108	Warwickshire Safeguarding Childrens Board	2,052	1
6,914	NBBC Healthy Living Network	11,984	-
19,990	Nuneaton Harriers Community Association Ltd	21,990	-

Nuneaton and Bedworth Community Enterprises Ltd (NABCEL)

The Council created a wholly owned subsidiary in 2013 - Nuneaton & Bedworth Community Enterprises Ltd (NABCEL) with the purpose of operating commercially and generating an income stream to support the General Fund in future years. The Council paid NABCEL a £10k start-up grant in 2014/15.

In accordance with Section 479A of the Companies Act 2006 the subsidiary company Nuneaton and Bedworth Community Enterprises Limited (Company No. 08670984) is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of guarantee provided by Nuneaton and Bedworth Borough Council.

As at 31st March 2018, Nuneaton and Bedworth Borough Council held a debtor on its balance sheet of £257,102 (2016/17: £92,561) in respect of money owed to it by NABCEL and a creditor of £36,410 as monies owed to NABCEL (2016/17 nil creditor balance)

HEART

Nuneaton and Bedworth Borough Council is the lead authority in managing the delivery of advice and assistance for disabled adaptations and home improvements to keep homes safe, secure and warm. This arrangement covers all of Warwickshire and is funded by contributions from each district to cover grant expenditure. For 2017/18 this included capital contributions of £596,434 from Rugby Borough Council, £660,446 from North Warwickshire Borough Council, £750,159 from Warwick District Council and £797,925 from Stratford on Avon District Council.

Healthy Living Network

The Council processes the payroll for the Healthy Living Network and in 2017/18 processed transactions totalling £203,571 (2016/17: £148,363) which is then repaid by the organisation. The Council also entered into service level agreements of £11,984 in 2017/18 (£6,914 in 2016/17) with the organisation for projects to support the community.

Pride in Camp Hill Ltd.

Due to the nature of the tri-partite agreement referred to in note 34, Pride in Camp Hill Ltd (PinCH) is considered to be a related party of the Borough Council. In 2017/18 the Council contributed £41,920 (2016/17: £51,920) towards the running costs of the company plus funding community chest expenditure of £16,093 (2016/17: £7,280).
At year end PinCH was a creditor on the Council's balance sheet of £9,413 (2016/17: £7280) and a debtor of £21,049 (2016/17: £6,449).

The Council guarantees a one third part of up to £100,000 deficit at the end of the project. Nuneaton and Bedworth Borough Council are the accountable body for phase 3 of this regeneration project. The total expenditure for the year can be found in note 34 to the accounts.

34) CAMP HILL

Camp Hill is a large regeneration project in the north of the Borough, with the aim of creating over 1,200 new properties (25% affordable) and various other community initiatives.

The Project is split into 3 main phases, with Phase 1 and 2 being managed by Pride in Camp Hill ltd. For Phase 3, NBBC is the accountable body and all transactions relating to this phase will be recognised in our accounts. Phase 3 is a tripartite agreement between NBBC, Advantage West Midlands (AWM) and Warwickshire County Council (WCC). AWM have contributed £4.9m to the scheme and Homes and Communities Agency (HCA - formerly English Partnerships) £3.1m. Nuneaton and Bedworth Borough Council's contribution is the land.

Following a tender exercise, Barratt were named as the preferred developer in 2007 and a Development Agreement was signed with them in October 2009. Acquisition and demolition of properties in Phase 3 began in 2006/07 and during 2017/18 £863k of capital expenditure was incurred by NBBC. This has been funded from the following:

	£
Capital Receipts	842,688
Housing and Communities Agency Grant	20,671
Total	**863,359**

Private properties that have been purchased are shown in the General Fund. Following acquisition, the properties have been revalued to their current value and a revaluation charge of £720k is shown in the accounts. The freehold will be transferred to homeowners when purchased and a capital receipt will be received from Barratt on a per plot basis. The first sales were completed in July 2010 and 26 plots of land have been sold in total during 2017/18. These are shown as disposals in the accounts and are reflected in the following table.

The opening and closing balance for the assets as included in the balance sheet is set out below.

	£
Opening balance (NBV)	1,510,000
Acquisitions in year	863,359
Disposals of land in year	(583,285)
Revaluations	(720,074)
Closing balance	**1,070,000**

35) CAPITAL EXPENDITURE AND FINANCING

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

2016/17 £000		2017/18 £000
90,795	**Opening Capital Financing Requirement**	**89,858**
	Capital Investment	
11,612	Property, Plant and Equipment	13,657
507	Investment Properties	2,176
266	Intangible Assets	236
1,313	Revenue Expenditure Funded from Capital under Statute	2,882
	Sources of Finance	
(1,524)	Capital receipts	(3,075)
(1,431)	Government grants and other contributions	(3,317)
(6,965)	Major Repairs Reserve	(7,400)
(4,295)	Sums set aside from revenue - direct revenue contributions	(4,271)
(463)	Sums set aside from revenue - Minimum Revenue	(431)
	Other Movements	
43	HRA Non Dwellings - impairments and revaluations	-
89,858	**Closing Capital Financing Requirement**	**90,315**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
483	Unsupported by government financial assistance	888
	Sums set aside from revenue:	
(463)	Minimum/ Voluntary Revenue Provision	(431)
43	HRA Non Dwellings impairments and revaluations	-
(1,000)	Sums set aside from capital receipts re Local Authority Mortgage Scheme	-
(937)	**Increase/(decrease) in Capital Financing Requirement**	**457**

36) LEASES

- **Council as Lessee**

Finance Leases

There are no finance leases outstanding at 31st March 2018.

Operating Leases

The Council has entered into several operating leases for the supply of the mayor's car, small office equipment items and land. The amount paid in 2017/18 was £43k and the Council is committed to further payments as detailed in the table below:

31 March 17 £000	Operating Leases	31 March 18 £000
43	Not later than one year	37
148	Later than one year not later than five years	148
2,388	Later than five years	2,314
2,579	**Total**	**2,499**

The Council also operates a salary sacrifice scheme for employees to lease vehicles for their personal use. As at 31st March 2018 there were 18 such leases in place and payment for these leases are covered through deductions from the employees' salaries. Figures for these lease arrangements are not included in the table above as they are cancellable leases and liability for the costs have been transferred to the employee thereby resulting in a nil cost to the Council. The Council would only become liable for any costs (i.e. early cancellation charges) should the employee leave the Council before the end of the lease arrangement. The car lease scheme is closed to any new agreements and the remaining leases will decrease over time as they expire.

- **Council as Lessor**

Operating Leases

The Council leases out property under operating leases ranging from properties let to charitable and community organisations, to town centre shops and industrial units. The gross value of assets where there are such leases was some £35.46m at 31st March 2018 with no accumulated depreciation. The income from such operating lease rentals during 2017/18 was £1.72m (£1.90m in 2016/17).

The future income from minimum lease payments for non-cancellable operating leases are shown below:

31 March 17 £000		31 March 18 £000
	Operating Leases	
630	Not later than one year	585
2,002	Later than one year not later than five years	1,852
69,301	Later than five years	68,882
71,933	**Total**	**71,319**

Finance Leases

There is no future income due in relation to land leased under finance leases.

37) IMPAIRMENT LOSSES

There were no material impairment losses recognised during 2017/18 (nil 2016/17).

38) TERMINATION BENEFITS

In 2017/18, the Council incurred total costs of £342k relating to 16 exit packages. Of these, 4 were compulsory and 12 voluntary. These packages include service restructures and reduction in employee hours thereby generating future savings to the Council.

The Council's is undergoing further review of its services in the 2018/19 financial year. As such, applications for voluntary redundancy will be continue to be considered in the future.

Exit Packages:

The table below details the number and cost of exit packages for 2017/18 and the previous financial year.

	Number of Compulsory Redundancies		Number of Voluntary Redundancies		Total Number of Exit Packages		Total Cost of Exit Packages	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Band Cost								
band £0-£20k	12	**4**	15	**7**	27	**11**	£255,844	**£98,225**
band £20-£40k	3	**0**	6	**1**	9	**1**	£243,777	**£27,500**
band £40-£60k	1	**0**	3	**3**	4	**3**	£180,284	**£131,505**
band £60-£80k	0	**0**	0	**0**	0	**0**	£0	**£0**
band £80-£100k	0	**0**	0	**1**	0	**1**	£0	**£84,883**
Grand Total	16	**4**	24	**12**	40	**16**	£679,905	**£342,113**

39) DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered by Warwickshire County Council – this is a funded defined benefit final 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.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

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

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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement during the year:

Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000		Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000
		Comprehensive Income and Expenditure Statement:		
		Cost of Services:		
3,036	-	Current service costs	4,378	-
140	-	Past service costs/ (gain)	227	-
		Financing and Investment Income and Expenditure		
1,493	150	Net Interest Expense	1,292	116
4,669	**150**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**5,897**	**116**
		Remeasurement of the defined benefit liability comprising:		
(22,390)	-	Return on plan assets (exluding the amount included in net interest expense)	(163)	-
30,132	307	Actuarial gains and losses arising on changes in financial assumptions	(3,488)	(109)
(2,045)	-	Changes in demographic assumptions	-	-
(1,891)	-	Other	(90)	-
-	-	Effect of Business Combinations and Disposals	3,335	-
8,475	**457**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**5,491**	**7**
		Movement in Reserves Statement:		
(4,669)	(150)	Reversal of net charges made to the Comprehensive Income and Expenditure Statement for post employment benefits in accordance with the code	(5,897)	(116)
		Actual amount charged against the General Fund Balance for pensions in the year:		
2,541		Employers' contributions payable to the scheme	3,116	
	317	Retirement benefits payable to pensioners		308

Pensions Assets and Liabilities Recognised in the Balance Sheet.

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

2016/17 £000		2017/18 £000
	Local Government Pension Scheme:	
202,565	Present value of the defined benefit obligation	212,418
(154,425)	Fair value of plan assets	(161,903)
	Discretionary Benefit Arrangements:	
4,758	Present value of the defined benefit obligation	4,457
52,898	**Net liability arising from the defined benefit obligation**	**54,972**

Reconciliation of the Movements in the Fair Value of Scheme Assets.

Local Government Pension Scheme 2016/17 £000		Local Government Pension Scheme 2017/18 £000
130,528	Balance at 1 April	154,425
4,513	Interest Income	3,952
	Remeasurement gain/ (loss)	
22,390	Return on assets excluding amounts included in the net interest expense	163
2,541	Contributions from employer	3,116
317	Contributions in respect of unfunded benefits	308
739	Contributions from employees	662
(6,603)	Benefits paid	(6,374)
-	Effect of business combination and disposals	5,651
154,425	**Balance at 31 March**	**161,903**

Reconciliation of Present Value of the Scheme Liabilities.

Local Government Pension Scheme 2016/17 £000	Discretionary Benefit Arrangements 2016/17 £000		Local Government Pension Scheme 2017/18 £000	Discretionary Benefit Arrangements 2017/18 £000
172,734	4,618	Balance at 1 April	202,565	4,758
3,036	-	Current service costs	4,378	-
6,006	150	Interest cost	5,244	116
739	-	Contributions from scheme participants	662	-
-	-	Effect of business combinations and disposals	8,986	-
		Remeasurement (gains) and losses:		
30,132	307	changes in financial assumptions	(3,488)	(109)
(2,045)	-	changes in demographic assumptions	-	-
(1,891)	-	Other	(90)	-
140	-	Past service cost	227	-
(6,286)	(317)	Benefits paid	(6,066)	(308)
202,565	**4,758**	**Balance at 31 March**	**212,418**	**4,457**

Local Government Pension Scheme Assets Analysis

Period Ended 31 Mar 2017 Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets		Period Ended 31 Mar 2018 Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets
				Equity Securities				
17,970	-	17,970	12%	Consumer	18,167	-	18,167	11%
6,568	-	6,568	4%	Manufacturing	6,445	-	6,445	4%
2,896	-	2,896	2%	Energy and Utilities	2,687	-	2,687	2%
8,260	-	8,260	5%	Financial Institutions	8,691	-	8,691	5%
5,594	-	5,594	4%	Health and Care	4,845	-	4,845	3%
4,406	-	4,406	3%	Information Technology	4,499	-	4,499	3%
7,364	-	7,364	5%	Other	6,810	-	6,810	4%
				Private Equity				
-	5,431	5,431	4%	All	-	5,897	5,897	4%
				Real Estate:				
14,475	-	14,475	9%	UK Property	16,504	-	16,504	10%
103	-	103	0%	Overseas Property	43	-	43	0%
				Investment Funds and Unit Trusts				
38,308	-	38,308	25%	Equities	41,612	-	41,612	26%
26,206	-	26,206	17%	Bonds	24,834	-	24,834	15%
-	6,741	6,741	4%	Hedge Funds	6,808	-	6,808	4%
-	1,861	1,861	1%	Infrastructure	-	2,350	2,350	2%
6,153	-	6,153	4%	Other	9,632	-	9,632	6%
				Cash and Cash Equivalents				
2,089	-	2,089	1%	All	2,079	-	2,079	1%
140,392	**14,033**	**154,425**	**100%**	**Total**	**153,656**	**8,247**	**161,903**	**100%**

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, etc. For 2017/18 both the Local Government Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2016/17	Discretionary Benefit Arrangements 2016/17		Local Government Pension Scheme 2017/18	Discretionary Benefit Arrangements 2017/18
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.5 years	22.5 years	Men	22.5 years	22.5 years
24.7 years	24.7 years	Women	24.7 years	24.7 years
		Longevity at 65 for future pensioners:		
24.3 years	-	Men	24.3 years	-
26.7 years	-	Women	26.7 years	-
3.0%	-	Rate of increase in salaries	3.0%	-
2.4%	2.4%	Rate of increase in pensions	2.4%	2.4%
2.5%	2.5%	Rate for discounting scheme liabilities	2.6%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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 other assumptions remain constant. This sensitivity analysis can be seen in Note 4, page 45.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employer's contributions at as constant a rate as possible with contribution rates set by the fund's actuary. Funding levels are monitored on an annual basis.

Employer's contributions for the period to 31st March 2019 are estimated to be approximately £2,650,000.

40) CONTINGENT ASSETS AND LIABILITIES

Contingent Asset:

Business Rates Pool – Local Volatility Fund: The Council is part of a Business Rates pool with Coventry, Warwickshire and all other Warwickshire districts, Part of the Memorandum of Understanding for the Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority. As at the end of March 2018, Nuneaton and Bedworth held £370k within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level or if we left the pool or the pool dissolved.

Contingent Liabilities:

Insurance claims: there were potential excess payments on outstanding liability claims at 31st March 2018 amounting to £133k. The actual eventual settlements will be met from relevant service budgets.

Business Rates Retention: With effect from 1st April 2013, local government funding changed significantly, with local authorities retaining a proportion of the business rates generated in their area.

Business rates retention also means that local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

The Valuation Office deals with appeals against Business Rates – the local authority has no control over the decision or the timing. The latest information from the Valuation Office detailing appeals outstanding has been assessed.

However, it is not possible to reliably estimate how many appeals will be successful and what proportion of the rateable value will be affected. The timing of decisions and any resulting interest due are also unknown. The financial impact of any successful appeals will be split across Nuneaton and Bedworth, Warwickshire County and Central Government in proportion to the local and central shares of business rates (40%:10%:50% respectively).

For the purposes of the Statement of Accounts, a provision has been included in the Collection Fund for the proportion of successful claims and the likely reduction in Rateable Value that would apply. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Council has therefore made no provision in the accounts for claims that are yet to be made. This is particularly difficult for 2017/18 due to the revaluation which came into effect from April 2017 and the new ‘Check, Challenge, Appeal’ process that is now being used by the VOA to administer appeals.

41) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- **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;

- **Re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

- **Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements and foreign exchange rates.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update. Quarterly performance reports are also submitted to the Audit Committee.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2017 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was £112.3m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £90.3m. The Operational Boundary is the expected level of debt and other long term liabilities during the year.
- The maximum amounts invested at any one time in any institution or financial group was set at £8m for Money Market Funds, part nationalised banks and other local authorities.
- The maximum exposures to the maturity structure of debt were set and are detailed within this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) 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 identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

This Council uses the creditworthiness service provided by Capita Treasury Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moodys and Standard and Poors, 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 Swap price spreads against a benchmark to give early warning of likely changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

The Council's maximum exposure to credit risk in relation to its investments and cash held in banks, building societies and managed funds of £32.2m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each 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 31st March 2018 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on financial assets, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 18 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 18 % C	Estimated maximum exposure to default and uncollectability at 31 March 18 £000 (A x C)	Estimated maximum exposure at 31 March 17 £000
Investments:					
AA Rated	1,000	0.03%	0.00%	-	-
A Rated	16,000	0.02%	0.00%	-	-
BBB Rated	6,000	0.02%	0.00%	-	-
Property Fund	985	0.00%	0.00%	-	-
Cash & Cash Equivalents					
AAA Rated	2,000	0.00%	0.00%	-	-
A Rated	6,172	0.00%	0.00%	-	-
Customers	1,415	27.13%	30.25%	428	464
				428	**464**

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it's counterparties in relation to deposits.

The Council does not generally allow credit for its customers, such that £0.978m of the £1.415m balance is past its due date for repayment. The past due amount can be analysed by age as follows:

	31 March 18 £000	31 March 17 £000
Less than three months	145	311
Three to six months	168	115
Six months to one year	171	153
More than one year	494	561
	978	**1,140**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks 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.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

The maturity analysis of external borrowing and the borrowing rates are as follows:

	31 March 18 Average Rate %	31 March 18 Amount £000	31 March 17 Average Rate %	31 March 17 Amount £000
PWLB	3.13%	78,705	3.08%	81,205
Other Lenders	4.07%	2,017	4.05%	2,025
	3.15%	**80,722**	**3.10%**	**83,230**
less than one year	4.08%	2,009	1.50%	2,508
Maturing in 1 - 2 years	2.80%	3,508	4.08%	2,008
Maturing in 2 - 5 years	2.91%	13,000	2.98%	8,009
Maturing in 5 - 10 years	3.05%	52,250	2.91%	48,000
Maturing in 10 - 15 years	3.13%	3,955	3.36%	16,705
Maturing in over 15 years	4.43%	6,000	4.43%	6,000
	3.15%	**80,722**	**3.10%**	**83,230**

The maturity analysis of the external borrowing and the approved maximum levels as approved in the Treasury Management Strategy are shown below:

	31 Mar 18 Maximum Exposure Allowable	31 Mar 18 Maximum Exposure at year end	31 Mar 17 Maximum Exposure Allowable	31 Mar 17 Maximum Exposure at year end
less than one year	20%	2%	20%	3%
Maturing in 1 - 2 years	20%	4%	20%	2%
Maturing in 2 - 5 years	20%	16%	20%	10%
Maturing in 5 - 10 years	75%	65%	75%	58%
Maturing in more than 10 years	100%	5%	100%	27%

Market Risk

Interest rate risk – the Council is exposed to interest rate movements on its borrowings 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 variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charges to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on the revenue balances)
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, 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, subject to influences from Government grants (i.e. HRA).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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	-
Increase in interest receivable on variable rate investments	(170)
Net Impact on Surplus or Deficit on the Provision of Services	**(170)**
Decrease in fair value of fixed rate borrowings (no impact on the Provision of Services or Other Comprehensive Income and Expenditure)	(6,530)

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

Price risk – The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

However, it does have holdings in a property fund managed by CCLA. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the value of the shares.

The shares in the fund are classified as Available for Sale, meaning that all movements in price will impact on gains and losses recognised in the Available for Sale Reserve. Any gains or losses accumulated in the Available for Sale reserve would only become chargeable to the Provision of Services in the Consolidated Income and Expenditure Statement at the point the shares were sold and these gains or losses realised.

Housing Revenue Account

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 government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Income and Expenditure Statement

2016/17 £000		2017/18 £000	2017/18 £000
	Expenditure:		
5,245	Repairs and maintenance	5,206	
7,364	Supervision and management	6,506	
(9,813)	Depreciation and impairment of non-current assets *(Ref Note 5)*	15,461	
136	Debt management costs	136	
333	Movement in the allowance for bad debts	404	
3,265	**Total Expenditure**		**27,713**
	Income:		
(23,663)	Dwelling rents	(23,243)	
(564)	Non-dwelling rents	(581)	
(1,882)	Charges for services and facilities	(1,943)	
(26,109)	**Total Income**		**(25,767)**
(22,844)	**Net Cost of HRA Services**		**1,946**
178	HRA services' share of Corporate and Democratic Core		69
28	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		(33)
(22,638)	**Total Net Cost/ (Income) for HRA Services as reported in the Comprehensive Income and Expenditure Statement**		**1,982**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(838)	(Gain) or loss on sale of HRA non-current assets		(335)
2,150	Interest payable and similar charges		2,131
(24)	Interest and investment income		(28)
604	Pensions interest cost and expected return on pensions assets		461
(19)	Capital grants and contributions receivable		(27)
(20,765)	**(Surplus)/ deficit for the year on HRA services**		**4,184**

Movement on the HRA Statement

2016/17 £000		2017/18 £000	£000
(13,036)	Balance on the HRA at the end of the previous year		(15,260)
(20,765)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	4,184	
18,541	Adjustments between accounting basis and funding basis under statute	(7,305)	
(2,224)	(Increase) or decrease on the HRA		(3,121)
(15,260)	**Balance on the HRA at the end of the current year**		**(18,381)**

An analysis of the adjustments of £7,305k is detailed in the table below:

2016/17 £000		2017/18 £000
(2)	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	-
137	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	620
838	Gain or loss on sale of HRA non-current assets	335
(788)	HRA share of contributions to or from the Pensions Reserve	(848)
1,691	Capital expenditure funded by the HRA	847
6,773	Transfer to/ (from) the Major Repairs Reserve	7,787
9,892	Transfer to/ (from) the Capital Adjustment Account	(16,046)
18,541	**Total adjustments between accounting basis and funding basis under statute**	**(7,305)**

Notes to the Housing Revenue Account

1) HOUSING STOCK

The Council was responsible for the management of approximately 5,700 dwellings during the year. The changes in stock levels during the year were:

	Houses and Bungalows	Flats and Maisonettes	Total
Housing stock as at 01 April 17	3,440	2,349	**5,789**
Acquisitions	1	-	**1**
Transfers from the General Fund	-	2	**2**
Sales	(28)	(13)	**(41)**
Housing stock as at 31 March 18	**3,413**	**2,338**	**5,751**

2) HRA FIXED ASSETS MOVEMENTS

	-----------------Non-current assets-----------------				
	Council Dwellings £000	Other Land and Buildings £000	Plant/ Vehicles & Equipment £000	Infrastructure Assets £000	Total £000
Cost or Valuation					
As at 01 April 17	188,363	4,885	1,097	134	**194,479**
Additions	10,031	57	-	-	**10,088**
Revaluations	(2,404)	371	-	-	**(2,033)**
Derecognition - disposals	(1,485)	-	-	-	**(1,485)**
Assets category reclassification	149	-	-	-	**149**
As at 31 March 18	**194,654**	**5,313**	**1,097**	**134**	**201,198**
Accumulated Depreciation & Impairment					
As at 01 April 17	-	-	(191)	(5)	**(196)**
Depreciation charge	(7,425)	(147)	(209)	(5)	**(7,786)**
Revaluations	7,399	130	-	-	**7,529**
Derecognition - disposals	26	-	-	-	**26**
As at 31 March 18	**-**	**(17)**	**(400)**	**(10)**	**(427)**
Net Book Value					
at 31 March 17	188,363	4,885	906	129	**194,283**
at 31 March 18	**194,654**	**5,296**	**697**	**124**	**200,771**
Nature of holdings at year end					
Owned	**194,654**	**5,296**	**697**	**124**	**200,771**

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The vacant possession value of Council Dwellings at 31st March 2018 was estimated to be £486.6m. The difference between this and the Balance Sheet Value of £194.6m represents the economic cost to the Council of providing council housing at less than open market rents.

3) CAPITAL EXPENDITURE

The Housing Revenue Account capital expenditure and its financing was:

2016/17 £000		2017/18 £000
	Capital Expenditure:	
	Property, Plant & Equipment:	
8,010	Dwellings	10,031
107	Land & Buildings	57
383	Plant/ Vehicles & Equipment	-
-	Assets Under Construction	320
175	Intangible Assets	98
8,675	**Total Capital Expenditure**	**10,506**
	Funded by:	
-	Usable capital receipts	2,232
1,691	Revenue contributions	847
19	External grants and contributions	27
6,965	Major Repairs Reserve	7,400
8,675	**Total Funding**	**10,506**

4) MAJOR REPAIRS RESERVE

Contributions to and the use of the Major Repairs Reserve are detailed below:

2016/17 £000		2017/18 £000
-	Balance at 1 April	-
(6,773)	Transfer from the HRA equal to depreciation	(7,787)
(192)	Additional voluntary contribution transferred from the HRA	-
6,965	Amounts applied to finance capital expenditure	7,400
-	**Balance at 31 March**	**(387)**

5) GROSS RENT OF DWELLINGS

This is the total rent income for the year after making allowances for vacant properties. During the year vacancies amounted to 1.64% of the total rent income (2016/17: 1.48%). Rents for the year averaged £78.59 a week compared to £79.20 in 2016/17, based on a 52 week rent year.

6) RENT ARREARS AT 31st MARCH

2016/17 £000		2017/18 £000
2,647	Gross arrears	2,691
1,937	Bad debt provision	1,790
11.2%	Gross arrears as percentage of gross rent income	11.6%

7) CAPITAL RECEIPTS

2016/17 £000		2017/18 £000
(2,426)	Sale of dwellings under right to buy	(1,807)
590	Amounts pooled to Central Government	584
(1,836)	**Net capital receipts**	**(1,223)**

8) PENSIONS RESERVE CONTRIBUTION

2016/17 £000		2017/18 £000
(184)	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	(387)
(604)	Net Interest on pension liability	(461)
(788)	**Total**	**(848)**

Collection Fund

Income and Expenditure Statement

2016/17 Business Rates £000	2016/17 Council Tax £000	2016/17 Total £000		2017/18 Business Rates £000	2017/18 Council Tax £000	2017/18 Total £000
			INCOME			
-	(60,115)	(60,115)	Income from council tax	-	(63,121)	(63,121)
(36,462)	-	(36,462)	Income collectable from business ratepayers	(35,970)	-	(35,970)
			Contributions towards previous year estimated deficit:			
(1,162)	-	(1,162)	- Nuneaton and Bedworth Borough Council	-	-	-
(290)	-	(290)	- Warwickshire County Council	-	-	-
(1,452)	-	(1,452)	- Central Government	-	-	-
(161)	-	(161)	Decrease in provision for appeals	-	-	-
(39,527)	**(60,115)**	**(99,642)**	**Total Income**	**(35,970)**	**(63,121)**	**(99,091)**
			EXPENDITURE			
			Apportionment of previous year estimated surplus:			
-	99	99	- Nuneaton and Bedworth Borough Council	237	63	300
-	89	89	- Warwickshire Police and Crime Commissioner	59	56	115
-	565	565	- Warwickshire County Council	-	367	367
		-	- Central Government	296	-	296
			Precepts, demands and shares:			
14,178	7,687	21,865	- Nuneaton and Bedworth Borough Council	13,377	8,007	21,384
-	6,855	6,855	- Warwickshire Police and Crime Commissioner	-	6,978	6,978
3,545	44,598	48,143	- Warwickshire County Council	3,344	47,208	50,552
17,723	-	17,723	- Central Government	16,721	-	16,721
			Charges to the collection fund:			
243	386	629	- Increase in bad debt provision	309	318	627
-	-	-	- Increase in provision for appeals	1,257	-	1,257
33	-	33	- Transitional payments payable	1,282	-	1,282
133	-	133	- Cost of collection allowance	130	-	130
35,855	**60,279**	**96,134**	**Total Expenditure**	**37,012**	**62,997**	**100,009**
(3,672)	164	(3,508)	**(Surplus)/ Deficit for the year**	1,042	(124)	918
2,546	(821)	1,725	Fund Balance Brought Forward	(1,126)	(657)	(1,783)
(1,126)	**(657)**	**(1,783)**	**Fund balance at 31st March: (Surplus)/ Deficit**	**(84)**	**(781)**	**(865)**
			Analysis of Fund Balance (Surplus)/ Deficit			
(450)	(85)	(535)	- Nuneaton and Bedworth Borough Council	(34)	(101)	(135)
-	(76)	(76)	- Warwickshire Police and Crime Commissioner	-	(88)	(88)
(113)	(496)	(609)	- Warwickshire County Council	(8)	(592)	(600)
(563)	-	(563)	- Central Government	(42)	-	(42)
(1,126)	**(657)**	**(1,783)**		**(84)**	**(781)**	**(865)**

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Notes to the Collection Fund

1) NATIONAL NON-DOMESTIC RATES (NNDR)

The total non-domestic rateable value at 31st March 2018 was £87,798,092 (£84,371,120 as at 31st March 2017) and the national non-domestic rate multiplier for the year was 47.9p (2016/17: 49.7p). The small business rate relief can be applied in qualifying circumstances and provided a reduced multiplier of 46.6p for 2017/18 (2016/17: 48.4p). There has been a significant increase in the rateable value and a reduction in the multiplier since 31st March 2017 as the new revaluation took effect from 1st April 2017.

From 1st April 2013 the collection and re-distribution of NNDR has changed. Previously, billing authorities collected NNDR on behalf of central government and made a payment for the amounts due to be collected to the national pool, which was then redistributed in the form of grant to each authority based on a spending needs assessment. The NNDR reforms which commenced in April 2013 removed the national pool and replaced the single payment to central government and grant reallocation by an apportionment methodology. The result of these changes means that amounts due to be collected, adjusted for appeals, costs and allowance for bad debts, are redistributed to central government, the billing authority and the county council on a 50% / 40% / 10% basis. These transfers are shown within the precepts, demands and shares section of the collection fund statement.

The introduction of these reforms did not changed the amounts due to be paid by businesses.

2) CALCULATION OF COUNCIL TAX BASE

The Council Tax Base calculation starts with the number of chargeable dwellings in each of the valuation bands. Adjustments are made to take account of any exempt dwellings, disabled reductions, discounts and anticipated new dwellings. Additionally each of the valuation band is converted to an equivalent number of Band D dwellings. Finally allowances are made for estimated collection rates and contributions in lieu of Council Tax (e.g. from the Ministry of Defence).

In order to collect the total precept requirements of £62.2m (2016/17: £59.1m) a Band D Council Tax of £1,711.15 was determined (2016/17: £1,656.29).

In April 2013 the national council tax benefit system was replaced with a local council tax support scheme. The effect of these changes is reflected in a change in the council tax base calculation as support is now provided in the form of a discount instead of a benefit, resulting in lower council tax bills issued for those in receipt of support.

The effect of these changes can be seen in the following table detailing the calculation of the council tax base:

Valuation Band (Multiplier)	Number of chargeable properties 2017/18	Number of chargeable properties 2016/17	Adjusted property base (Band D Equivalent) 2017/18	Adjusted property base (Band D Equivalent) 2016/17
A - Disabled Relief Reduction (5/9)	**38**	38	**21**	21
A - (6/9)	**17,716**	17,678	**11,811**	11,785
B - (7/9)	**11,740**	11,632	**9,131**	9,047
C - (8/9)	**11,797**	11,661	**10,486**	10,365
D - (9/9)	**6,493**	6,460	**6,493**	6,460
E - (11/9)	**2,316**	2,199	**2,831**	2,688
F - (13/9)	**637**	600	**920**	867
G - (15/9)	**149**	140	**248**	233
H - (18/9)	**6**	6	**12**	12
Totals	**50,892**	50,414	**41,953**	41,478
Reduction due to estimated Council Tax Support needs			**(5,096)**	**(5,271)**
Resultant Band D Equivalents			**36,857**	**36,207**
Assumed Collection Rate			**98.50%**	98.50%
Plus adjustment for Armed Forces Dwellings			**41**	43
Total Taxbase			**36,345**	35,707

Annual Governance Statement

Nuneaton and Bedworth Borough Council

ANNUAL GOVERNANCE STATEMENT
For the period 1st April 2017 to 31st March 2018

Scope of responsibility

Nuneaton and Bedworth Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, Councillors and Senior Officers are responsible for putting in place proper arrangements for the governance of Nuneaton and Bedworth Borough Council's affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

To this end, Nuneaton and Bedworth Borough Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016*.

This statement explains how Nuneaton and Bedworth Borough Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievements 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 risk to 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 system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Nuneaton and Bedworth Borough 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 governance framework has been in place at Nuneaton and Bedworth Borough Council for the year ended 31st March 2018 and up to the date of approval of the Annual Report and Statement of Accounts.

The governance environment

Nuneaton and Bedworth Borough Council's governance arrangements are set out in our Local Code of Corporate Governance, which is available on our website – https://www.nuneatonandbedworth.gov.uk/downloads/file/1825/local_code_corporate_governance

Review of effectiveness

Nuneaton and Bedworth Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors and the Audit and Governance Manager's Annual Report;
- Directors within the Authority who have responsibility for the development and maintenance of the internal control environment; and
- comments made by the external auditors and other review agencies and inspectorates.

Assurance statements have been received from the Managing Director and Directors setting out their confirmation that the control systems in place are adequate and that they are being complied with.

The review for the 2017-18 statement has been carried out by the Management Team and the final statement was approved on 24th April 2018.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

Corporate Governance and Council

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect.
- The Council reviews the Local Code of Corporate Governance on a regular basis and adopts an action plan to deal with any issues. The Audit Committee approved a revised Local Code in March 2017 which is consistent with the principles set out in the Cipfa/Solace Delivering Good Governance in Local Government Framework 2016.
- The Anti-Fraud and Bribery Strategy and Fraud Response Plan demonstrate the Council's commitment to the prevention and detection of all types of fraud, corruption and bribery and extends to members, employees and partners. It also puts the onus on managers to create an environment in which employees, contractors and partners feel able to approach them with concerns. A revised Anti-Fraud and Bribery Strategy was approved by the Audit and Standards Committee in January 2018.
- The Audit and Governance Manager has been appointed as the Council's 'Whistleblowing Officer' and will be the first point of contact to receive concerns that are raised under the Council's Confidential Reporting Code.
- Scrutiny Panels (SP's) can 'call in' a decision which has been made by the Cabinet, Portfolio Holder, or other authorised decision taker, where it has not yet been implemented, to enable them to consider whether the decision is appropriate. They allow

people to have a greater say in Council matters by holding public inquiries into matters of local concern.

- The Council's Partnership Framework supports the planning and delivery of effective partnership working and ensures that any partnerships the Council is involved in are managed with appropriate governance arrangements. A revised Framework was approved by the Audit and Standards Committee in March 2018.
- Scrutiny Panels receive regular reports on the work of the key partnerships
- The Council has in place a Proceeds of Crime (Anti Money Laundering) Framework, which aims to maintain high standards of conduct and prevent criminal activity through money laundering. . A revised Framework was approved by the Audit and Standards Committee in November 2017.
- On the 17^{th} April 2013 the Council approved a revised policy for inclusion in the Constitution on Gifts & Hospitality which incorporates the changes brought about by the Bribery Act 2010**.** The policy will be reviewed during 2018 and a revised version presented to the Audit and Standards Committee.
- An annual report is presented to Elected Members to consider the Register of Members Interests and the content of the registers of Gifts and Hospitality for Members and Officers. The last report was presented to the Audit and Standards Committee in November 2017.
- The Council has approved changes to the Constitution where appropriate to ensure decision making is legal, timely and robust. There is a Constitution Working Group which oversees and make recommendations on the Constitution.
- The Council has a trading arm – NABCEL – which operates commercially. A governance review has taken place during 2017/18 and there is now a Shareholder Agreement in place which sets out clearly the decision making responsibilities of both NABCEL and the Council as the only shareholder. The Shareholder Role is exercised through a politically balanced committee of Cabinet.

Information Management

- A revised Information Governance Framework, ICT Code of Conduct for Employees and the Members Protocol for use of the Council's ICT Resources was approved by the Portfolio Holder for Central Services in August 2017
- The Corporate Governance Group (CGG) has taken on the role of the Corporate Information Governance Group (CIGG). The CGG consider information management issues on a monthly basis and approve an action plan for the Operational Information Management Group to monitor
- The Information Management Group is made up of Senior Managers that represent all Council Directorates
- The Monitoring Officer has been appointed as the Senior Information Risk Owner and the Audit and Governance Manager is his Deputy
- A Data Protection Officer was appointed in November 2017
- A Project Plan has been developed which creates a framework for the Council to become compliant with the General Data Protection Regulation and the Data Protection Bill by 25 May 2018. This includes a review of all relevant policies and procedures, increased

training and awareness for staff, and implementing technology and process changes in all high risk areas.

- Monthly highlight reports on progress against the Project Plan are presented to the Corporate Governance Group. A report was also taken to the Audit and Standards Committee in January 2018 to raise awareness with Elected Members.
- A briefing note to raise awareness of the Law Enforcement Directive which comes into force on the 5th May 2018 and compliments the General Data Protection Regulation was presented to the Council's Management Team in February 2018
- The Council carries out an annual compliance check to ensure its infrastructure is sufficiently secure to connect to the Public Service Network. The current certificate expires on 17th June 2018.
- The Council has been assessed as meeting the Government backed Cyber Essentials Scheme and as such has defences that are satisfactory against commodity based cyber-attacks. This certificate expires December 2018

Audit and Standards Committee

- The Audit Committee and Standards Committee were merged into one Committee in 2017
- The purpose of the Council's Audit and Standards Committee is to provide independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- The Terms of Reference and composition for the Audit and Standards Committee were agreed by Full Council in May 2017.

Management Team

- The Management Team meets on a weekly basis and reviews progress on performance measures, risk management, reviews and inspections at the end of each month. These are done by exception to focus attention on key issues that may require action. MT and Cabinet also receive a monthly Strategic Performance Report showing key financial and non financial performance data, using a 'traffic light' system. The format and content of this report is currently being reviewed.
- Following an inspection of Rotherham MBC in relation to child sexual exploitation, a gap analysis of NBBC's arrangements was completed and a report taken to Management Team. An action plan was developed and reported to Elected Members during 2016 and a further report confirming that appropriate action had been taken was presented to the Economic and Corporate Overview and Scrutiny Panel in March 2017. Two of the key changes that have been introduced are mandatory CSE training for taxi drivers and hoteliers and a revised licensing policy to strengthen procedures.
- Following on from the budget process for 2018/19, a restructure of the Management Team was consulted on during February and March 2018. The outcome of this restructure is the redundancy of the Managing Director post and the creation of two Executive Director posts. From June 2018 the Management Team will therefore consist of two Executive Directors and four Directors.

Performance Management

- The TEN Performance Management System is used to report performance to officers and members and the public and highlight under-performing services. Corrective action plans are then put in place to address issues .Performance management is reported to Scrutiny Panel's on a quarterly basis during the year, via integrated finance and performance reports.
- The Council's Performance Framework was updated and approved by the Audit Committee in November 2016 and is now included in the Council's Constitution.
- Greater use of benchmarking is now used in both Finance and Performance Reports to enable the Council to be measured against good performance and the intention is to continually enhance this further on an on-going basis
- The Council continues to use Lean Systems methodology as a means of improving service delivery and overall value for money. A number of reviews have taken place in 2017/18, including Planned Maintenance in Housing, which is now complete and Land and Property which is at the experimental stage. A lean review of the Licensing service is planned for 2018/19. Services that have previously been through a lean review continue to review and embed continuous improvement which ensures continual monitoring and review to ensure the service is still providing an effective service to its customers.

Financial Management Arrangements

- The Council has appointed a Chief Financial Officer (CFO), which is a statutory post responsible for the financial management arrangements of the authority. The Director – Finance and Procurement is the CFO and is a member of the Management Team reporting to the Managing Director. The role conforms to the requirements within the updated CIPFA statement on the role of the CFO in Local Government.
- The Financial and Contract Procedure Rules are used by all officers and members to ensure effective use of resources and robust and transparent decision making. Both the FPR's and CPR's were reviewed in early 2017 and approved by the Audit Committee and Council in March and April 2017.
- The high level Financial Plan was reported to Cabinet in February 2018 as part of the budget setting report. It outlined the savings required over the period 2018-2022, based on the 4 year funding allocations offered by central government. The key messages from the Plan are communicated to all employees and the plan will be updated again during the course of 2018-19, and when further information on the government's Fair Funding Review becomes available.
- The Treasury Management Strategy is reviewed each year as a result of the economic conditions and historic investments in Icelandic banks. We have continued to keep our Counterparty list under review, in liaison with our external advisors. The Audit & Standards Committee has received reports on our Treasury activity quarterly during the year and twice yearly to Cabinet and Council
- The Corporate Governance Group monitors current and planned expenditure and income, highlighting emerging issues that will impact upon forward financial planning.

Risk Management

- The Council's Risk Management Strategy was last updated and approved by the Audit Committee in November 2016. Risks are managed using Strategic and Operational Risk Registers
- The Audit and Standards Committee is required to consider the Council's Strategic Risk Register and ensure that it adequately addresses the risks and priorities of the Council.
- The Audit and Standards Committee is also responsible for monitoring the effective development and operation of risk management across the Council.
- Overview and Scrutiny Panels receive quarterly reports on the risks within the Strategic Risk Register that are relevant to their area of responsibility. At the end of the financial year they have sight of the full register
- The Council insures against the risk of loss, particularly financial loss. The levels of cover and the excess amounts are continually reviewed and updated to reduce exposure to an acceptable level
- Since 1st April 2016 the insurance service has been provided by Warwickshire County Council under a formal service level agreement

Internal Audit

- Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It is responsible for monitoring the quality and effectiveness of the control environment comprising risk management, control and governance.
- A risk model is used to formulate the internal and computer audit plans which are agreed by the Management Team and approved by the Audit and Standards Committee.
- Where necessary, internal audit will identify areas for improvement and make recommendations and agree an action plan for Service Managers. A summary of the issues arising is presented to the Audit Committee twice a year. The last reports were considered by the Committee in July and November 2017.
- The Internal Audit section is subject to regular inspection and report by the Council's external auditors who aim to place reliance on the work carried out by the section.
- A review of the effectiveness of Internal Audit is completed annually; a peer review was completed during 2013/14 to ensure compliance with the Public Sector Internal Audit Standards and the results reported to the Audit Committee in June 2013. A further external review is planned for 2018.

Identifying the needs of Officers and Members

- The Council has continued to develop Senior Managers with specific key learning topics, including regular finance updates, delivered at quarterly away days and is embedding the council's values throughout the organisation.
- The Council has established a Learning, Empowerment and Development (LEAD) Group to provide an opportunity for all Directorates to have an input into training and development activities and priorities and to create solutions to training needs.

- Staff are updated on corporate issues through regular communication updates, in addition to specific publications from the Managing Director, as well as annual finance updates and training opportunities.
- Elected member induction training is planned to take place in June 2018, following the local elections in May. This included specific finance and governance training sessions.

Significant governance issues

An update on the Action Plan from 2016/17 is given below:

Action	Responsible Officer	Completion Date
The Anti-Fraud and Bribery Strategy to be updated	Audit and Governance Manager	January 2018
The Proceeds of Crime (Anti Money Laundering) Framework to be updated	Audit and Governance Manager	November 2017
The format and content of the Strategic Performance Report presented to Management Team be reviewed	Audit and Governance Manager	In progress
Complete the information audit and identify the information asset owners	Director – Business Improvement and Audit and Governance Manager	In progress
Appoint a Data Protection Officer and review all policies and procedures to ensure compliance with the General Data Protection Regulations	Audit and Governance Manager	November 2017
Review and update the Council's Corporate Plan	Management Team	In progress (see below)
Training for employees and Elected Members on the Council's governance arrangements	Creditors and Procurement Manager and Audit and Governance Manager	March 2018 employees
The Partnership Framework to be updated	Audit and Governance Manager	March 2018
Review and combine Business Continuity plans updated by individual service units in 2015/16 to understand the corporate implications.	Director – Regeneration and Public Protection	Ongoing – (see below)
Review the Council's arrangements for preventing cybercrime and implement any risk mitigation measures	Director – Business Improvement	December 2017

The review of the governance framework during 2017-18 has identified the following issues:

Action	Responsible Officer	Completion Date
Training for Elected Members on the Council's governance arrangements	Director Governance and Recreation and Audit and Governance Manager	June 2018
The Gifts and Hospitality Policy to be updated	Director Governance and Recreation	November 2018
Continue to work towards compliance with the General Data Protection Regulation, Data Protection Bill and Law Enforcement Directive	Data Protection Officer and Audit and Governance Manager	May 2018 and ongoing
Implement a corporate Document Retention Policy	Audit and Governance Manager	December 2018
Review and combine Business Continuity plans to understand the corporate implications.	Director – Regeneration and Public Protection	September 2018
Implement a single plan to replace the current Community and Corporate Plans	Management Team	March 2019

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. This Statement is intended to provide reasonable assurance on the strength of the authority's governance arrangements, although no system of control can provide absolute assurance against material misstatement or loss. The review of the control environment and governance framework has concluded that it is sound and fit for purpose and the actions needed above will ensure that further improvements are made. These issues will be addressed during 2018/19 and the action plan will be monitored by the Corporate Governance Group.

Signed (Leader): …………………………………………..……
Councillor Julie Jackson
Date:

Signed (Executive Director - Operations): ……………………………..………
Brent Davis
Date:
Leader & Executive Director on behalf of Nuneaton and Bedworth Borough Council

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Head of Financial Services.

Glossary of Terms

Agency

Where one Authority (the main Authority) pays another Authority (the agent) to do work for them.

Approved Budget

The budget which has been approved by full Council, adjusted to reflect in year virements (i.e. transfers between budgets).

Authorised limit

This represents the maximum amount of our debt at any one time during the year, under the new Prudential borrowing regime that was introduced from April 2004.

Band D Equivalent

The weighted number of domestic properties subject to Council Tax in a Local Authority's area. It is expressed as a proportion to Band D which is the middle property band (e.g. 1 Band H = 2 Band D; 1 1/2 Band A = 1 Band D).

Billing Authority

The Local Authority, which collects the Council Tax. In Warwickshire, the District or Borough Council is the billing Authority.

Budget

A statement of our spending plans. The Council's financial year starts on 1 April and ends on 31 March.

Business rates (National Non-Domestic Rate – NNDR)

Businesses pay business rates instead of Council Tax. Each year, the Government sets the rate in the pound and business rates are collected by the billing Authority. From April 2013 business rates are collected by the billing authority and distributed on a prescribed basis – 50% Central Government; 40% Billing Authority (Nuneaton and Bedworth Borough Council) and 10% County Council (Warwickshire County Council).
The amount charged is based on multiplying the rateable value of each business property by the national rate in the pound.

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

Capital programme

Our plan of future spending on capital projects such as buying land, buildings, vehicles and equipment.

Capital receipt

Income from selling assets that have a long-term value. Capital receipts can be used to finance new capital expenditure within rules set by central government, but they cannot be used to finance day-to-day spending.

Capital spending

Spending on assets that have a lasting value, for example, land, buildings and large items of equipment such as vehicles.

Capital spending charged to revenue

Paying for capital spending direct from the Council's revenue monies.

Capping

A power under which the Government may limit the maximum level of Local Authority spending or increases in that level year on year, which it considers excessive. It is a tool to restrain increases in Council Tax.

Cash-flow statement

Summarises cash paid to and received from other organisations and individuals for capital and revenue purposes.

CIPFA

Chartered Institute of Public Finance and Accountancy. One of the major accountancy institutes which specialises in the public sector.

Collection Fund

A fund managed by the billing Authority (this Council) to receive Business Rates income and to make payments to the County Council, Central Government and this Council based on the proportionate share. It also collects Council Tax and pays the precept demands to the County Council, Police and Crime Commissioner and this Council.

Council Tax

A tax charged on domestic householders based on their property band. There are eight bands of property values. The amount paid will depend on which band your property is in. Reductions are given for empty properties or if you live on your own. In Warwickshire, the District or Borough Council issues Council Tax bills and collects the Council Tax.

Council Tax Base

An assessment by each billing Authority of the number of converted to Band D equivalents (the average band), after properties, allowing for non-collection and new properties, on which a tax can be charged.

Council Tax surpluses/losses

The District Councils' tax bases are calculated using estimated collection rates. Actual collection rates in a given year may give rise to a surplus/deficit to be taken into account when setting tax levels for the following year. Amounts in respect of Council Tax are shared between the District Council concerned, the County Council and the Police and Crime Commissioner pro-rata to the share of the aggregate of the precepts and demands on the collection fund. These surpluses and losses are applied to reduce or increase the spending of the Authority.

Creditors

People or organisations we owe money to for work, goods or services, which have not been paid for by the end of the financial year.

Current assets

Short-term assets that constantly change in value such as stocks, debtors and bank balances.

Current liabilities

Monies that are due to be paid in less than one year such as bank overdrafts and money owed to suppliers.

Current service cost

The current service cost is the increase in the value of the pension scheme's future pension liabilities arising from the employee's on-going membership of the pension scheme.

Current spending

The yearly running costs of Local Authorities, not including specific grants and the cost of buying our assets.

Curtailment costs

Curtailment costs are the amounts of money that are paid to a new pension scheme when a defined group of staff transfer from one pension scheme to another. The costs represent the value of the pension rights accrued by the transferring staff.

Debtors

People who owe us money that is not paid by the end of the financial year.

Depreciation

The drop in the value of assets such as buildings and vehicles which reflects wear and tear, age and the asset becoming out of date.

Earmarked reserves

Money set aside for a specific purpose.

Financial Year

Our financial year starts on 1 April and ends on 31 March.

General reserves

Money set aside to be used in the future to meet unforeseen eventualities.

Government grants

Payment by the Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or to fund local services generally (revenue support grant).

Gross spending

The overall cost of providing our services before allowing for government grants or other income.

International Financial Reporting Standards (IFRS)

Accounting standards/ practices on the way we need to treat certain items in our accounts.

Inventories

Goods bought which have not yet been used.

Leasing

A method of renting the use of vehicles, machinery and equipment. The items do not belong to us, but are the property of the leasing company to whom we pay rentals.

Levy

A charge against the Authority based on a proportion of any excess business rates collectable compared to the governments determined level of rates collectable.

Liabilities

Money we will have to pay to people or organisations in the future.

Loss

The amount left over when expenses are higher than all income received.

Minimum revenue provision (MRP)

The statutory minimum amount by which the Council must set aside each year to repay loans.

Net book value

The value of an asset after depreciation and impairment charges

Net interest on the net defined benefit pension liability

The change during the period in the net defined benefit liability that arises from the passage of time. This includes allowance for interest on the current service cost.

Net spending

The cost of providing a service after allowing for specific grants and other income from fees and charges (i.e. not including Council Tax and money from the Government).

Operating leases

A specific type of lease under which ownership of the goods and any profits or losses remain with the company (the lessor) leasing the goods to us.

Overheads

Spending on items not directly related to the supply of our services, for example, office cleaning costs.

Past service costs

The past service cost is the extra liability that arises when the Council grants extra retirement benefits that did not exist before.

Petty Cash

Small sums of cash kept by departments to pay minor expenses.

Precept

The amount each non-billing Authority, (County Council, Police and Crime Commissioner) asks a billing Authority (this Council) to collect every year to meet their spending.

Property, Plant and Equipment

An item that is intended to be used for several years such as a building or a vehicle.

Provisions

Money set aside to meet specific service liabilities, and to meet spending.

Prudential Code

A statutory code of practice that sets out the framework for Local Authority capital finance that ensures:

- Capital expenditure plans are affordable;
- All external borrowing and other long term liabilities are within prudent and sustainable levels; and
- Treasury management decisions are taken in accordance with professional good practice.

Prudential System

A system introduced from April 2004 which allows Local Authorities to determine how much long-term borrowing they can afford to undertake to fund capital expenditure. This system replaced the previous complex regulatory framework of capital controls with a system based on self-regulation by Local Authorities. The system is enshrined in the Prudential Code.

Rateable Value (RV)

A value placed on all non-domestic properties (businesses) on which rates have to be paid, broadly based on the rent that the property might earn, after deducting the cost of repairs and insurance. The rateable value is determined by the Inland Revenue's Valuation Office Agency.

Reimbursements

Payments we receive for work we do for other public organisations, for example, the Government.

Reserves and funds

Savings we have built up from surpluses.

Revaluation Reserve

Store of gains on the revaluation of fixed assets.

Revenue spending

Spending on the day-to-day running of services - mainly wages, running expenses of buildings and equipment, and debt charges. These costs are met from the Council Tax, government grants, fees and charges.

Revenue Support Grant

The main government grant to support Local Authority services.

Specific grants

Payments from the Government to cover Local Authority spending on a particular service or project. Specific grants are usually a fixed percentage of the costs of a service or project.

Surplus

The remainder after taking away all expenses from income.

Tariff

A payment to Central Government calculated as the difference between the Business Rates Baseline (the governments assumed level of collectable business rates) and the Spending Needs Baseline (the governments assumed level of spending required by the Authority).

Tax Base

The tax base is an assessment by each billing Authority of the likely yield of a Council Tax of £1, taking into account the number of properties on which a tax can be levied. The Tax base counts properties as Band D equivalents .For setting Council Tax, the tax base is based on the District or Borough Council's number of Band D equivalent properties within each Local Authority area, allowing for non-collection of Council Tax and new properties.

PWLB

The Public Works Loans Board is a government agency, which provides long-term loans to Local Authorities at favourable interest rates only slightly higher than those at which the Government itself can borrow.

Virement

The transfer of budget from one spending head to another. Limits on the amount of transfers are specified in the Council's Financial Regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nuneaton & Bedworth Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income & Expenditure Account, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Notes to the Accounts, including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement and associated notes, the Collection Fund Income and Expenditure Statement and associated notes. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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 Authority 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 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.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director - Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director - Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Executive Director - Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 2 to 124, including the Narrative Report, the Annual Governance Statement and Glossary of Terms, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice
Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice
In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the

Statement of Accounts, set out on pages 2 to 124, including the Narrative Report, the Annual Governance Statement and Glossary of Terms, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Executive Director - Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities and Certificate of Authorisation set out on pages 18 and 19, the Authority is required to 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 this authority, that officer is the Executive Director - Resources. The Executive 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director - Resources is responsible for assessing the Authority’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 Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit & Standards Committee is Those Charged with Governance.

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.

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing 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 be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of objections brought to our attention in the prior year by local authority electors under Section 27 of the Local Audit and Accountability Act 2014. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Grant Patterson

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

The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT
30 July 2018