

# **Nuneaton and Bedworth Borough Council**



## **Statement of Accounts 2019/20**

*The place of choice to live, work & visit.*

# **STATEMENT OF ACCOUNTS**

**2019/20**

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## **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 Council's 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 2019/20 (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.

These accounts have been prepared on a going concern basis. The concept of a going concern assumes that an organisation, its functions and services will continue in operational existence for the foreseeable future. However, there is a high degree of uncertainty about future levels of funding for local government and the future national economic outlook. The Council's management has used its judgement and determined that its financial strategy is robust and that this uncertainty is not yet sufficient to affect the assumptions underpinning the strategy and that the Council will continue as a going concern."

The Statement of Accounts presents the financial position and performance of the Council for the year ended 31<sup>st</sup> March 2020. 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 2019/20 budget setting process
- 2019/20 capital programme
- Financial performance of the Council 2019/20
- Non-financial performance of the Council 2019/20
- Corporate risks
- Core financial statements, including information on main changes to the accounts in 2019/20
- 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<sup>2</sup>. 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 129,000 (*source Office of National Statistics*) 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<sup>st</sup> 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.

Following elections in May 2018 the Council is under ‘No Overall Control’ with the following proportionality:

- 17 Labour
- 13 Conservative
- 3 Independent
- 1 Green

Due to Covid-19, all elections scheduled for May 2020 were deferred for 12 months and therefore the political structure remains unchanged at the date of publication of these accounts.

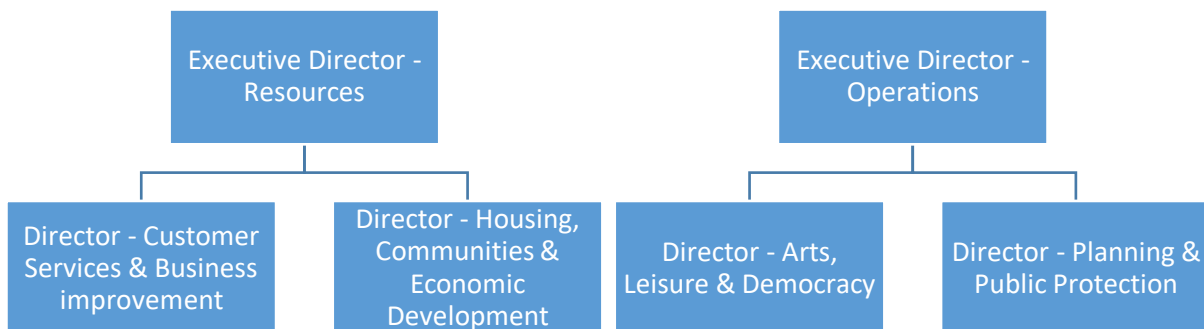
The Council has adopted the Leader and Cabinet model, as its political management structure arising from the Local Government and Public involvement in Health Act 2007. During 2019/20 the Leader of the Council and 4 other portfolio holders made up the Cabinet. The Cabinet members are held to account by a system of scrutiny which is also set out in the Council’s constitution. There were two scrutiny panels during 2019/20 undertaking this role covering all the services provided by the Council. Councillor Julie Jackson is the Council Leader and was Leader for the 2019/20 municipal year.

The management structure supports the work of Councillors. From June 2018 the Management Team consisted of two Executive Directors and 4 Directors, including those with statutory responsibility. The Director – Arts, Leisure and Democracy is the Councils Monitoring Officer, and the Executive Director - Resources is the Council’s Chief Finance Officer (Section 151 officer), who under statute is responsible for the administration of the Council’s financial affairs. The Executive Director – Operations is the Head of Paid Service.

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 has been in place since June 2018 with two Executive Directors leading the management team of the Council:



In April 2019 Council adopted the Delivering our Future 2019-31 strategic document which replaced the Community and Corporate Plans. In June 2019 Cabinet received a further report which incorporated the themes and priorities for the Delivering our Future Plan 2019-22.

Management Team lead on the delivery of the Plan which outlines our key themes and priorities up to 2022. Progress against the plan is monitored on a regular basis throughout each financial year. The Plan highlights three key themes for the Council, with a number of priorities sitting within each aim. Each of the themes and priorities are detailed below:

**Theme 1 : Transformation** – We want to take the Borough forward to reach its full potential, we want to create and develop opportunities to delivery the following priorities:

- Priority 1 – Economy and Business
- Priority 2 – People
- Priority 3 – Housing and Communities
- Priority 4 – Technology

**Theme 2 : Collaboration (achieving more by working together)** – We recognise the importance of working with others to deliver our vision and recognise that collaboration needs to be central to our work. Our areas of focus will be:

- Priority 1 – Communities
- Priority 2 – Partners, Businesses and Suppliers
- Priority 3 – Employees and Elected Members

**Theme 3 : Investment (making the most of what we have)** – We want to build and enhance what we have already. We want to encourage investment within the following priorities:

- Priority 1 – Getting the most from our assets
- Priority 2 – Maximising funding
- Priority 3 – Managing our resources
- Priority 4 – Promoting
- Priority 5 – Empowering
- Priority 6 – Environment
- Priority 7 – Environment (Heritage)

The Council also 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 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
- Rugby Borough Council – Procurement
- Home Environment Assessment & Response Team (HEART) – A county-wide partnership to deliver disabled adaptations and home improvements. Nuneaton and Bedworth is the lead authority.
- Building Control – South Staffordshire Partnership

## **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 and the decline of several major retailers in recent years and months will continue to create pressures on town centres both locally and nationally. Regeneration of both town centres in the Borough will be a priority for the Council in the short and medium term, with a particular focus on creating more mixed-use opportunities with less reliance on traditional retail.
- The national Welfare Reform agenda and the roll-out of Universal Credit continues to have 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. We have already created an additional temporary accommodation facility in Bedworth and are currently in the process of converting the Council House building into temporary accommodation.
- Financial planning from 2021 onwards is more uncertain due to the Spending Review, Fair Funding Review and Business Rates Review still to be undertaken and an uncertain timetable as to when these will occur. Furthermore, a reset of business rates is also expected and will be a significant risk for the Council.
- There continues to be uncertainty relating to the impact of UK's exit from the European Union and the economic impact nationally and locally.

## **WHAT WE PLANNED TO SPEND**

### **The 2019/20 Budget**

- The Council continues to face pressures from ongoing funding reductions – we now receive 65% less for our core funding than we did in 2010.
- For 2019/20 the Council needed around £1.3m of savings in order to set a balanced budget, and they included savings in staffing, contract savings, increased income from services and a changes to the council tax base, plus increased income from our trading arm, NABCEL.
- The Council chose to increase its element of the council tax for 2018/19 by 2.99% to £233.66 for a Band D. 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 11.76% 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 2019/20 included the final year of rent decreases in line with government regulation and an updated capital programme including provision for the acquisition and build of new properties to replace sales incurred under Right to Buy.

- 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 and 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 2019, 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 summary, the Council was required to draw £306k from balances compared to the budgeted contribution of £30k. A summary of the General Fund outturn for 2019/20 is shown in the table below:

	<b>BUDGET 2019/20 £000</b>	<b>OUTTURN 2019/20 £000</b>	<b>VARIANCE 2019/20 £000</b>
<b><u>Portfolio Analysis:</u></b>			
Arts, Leisure and Economic Development	5,581	5,543	(38)
Central Services and Refuse	4,765	4,604	(161)
Finance and Civic Affairs	3,607	4,450	843
Housing, Health and Communities	1,551	1,561	10
Planning and Development	(260)	(245)	15
<b>Portfolio Total</b>	<b>15,244</b>	<b>15,913</b>	<b>669</b>
Central Provisions	335	267	(68)
Reversal of Depreciation and Impairment	(3,092)	(3,266)	(174)
Contributions to/(from) Reserves	224	1,654	1,430
Financing of Capital Expenditure	2,618	1,024	(1,594)
PWLB Premiums	21	21	-
Investment Income	(362)	(362)	-
Minimum Revenue Provision	415	418	3
Interest Payable	445	444	(1)
<b>Council Net Expenditure</b>	<b>15,848</b>	<b>16,113</b>	<b>265</b>
<b>Financed by:</b>			
NBBC Council Tax Precept	(8,801)	(8,801)	-
New Homes Bonus & Other Gov' Grants	(1,360)	(1,521)	(161)
NBBC Share of Council Tax Surplus	(75)	(75)	-
Business Rates Retention	(5,642)	(5,410)	232
<b>Total Funding</b>	<b>(15,878)</b>	<b>(15,807)</b>	<b>71</b>
<b>2019/20 Transfer from/ (to) General Fund Balances</b>	<b>(30)</b>	<b>306</b>	<b>336</b>

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

<b>General Fund - Key Variances Analysis</b>	<b>£000</b>
<b>Overspends/ Under-recovery of income:</b>	
Net Subsidy losses including significantly increased cost of temporary accommodation leading to losses in subsidy received from DWP	760
Community Recreation - increased utility and pension costs	195
Additional recycling costs net of income from recycle	191
Increased Depreciation charges across all portfolios services	174
Other net spend pressures on rent allowances & rebates due to reduced recovery of overpayments identified, bad debts movements and additional staff costs (supported by grant income)	150
Reduced rental income on commercial properties	118
Reduction in income due to reduced level of Council Tax & NDR legal summonses being issued	80
Net reduced car park income, in part from last 2 weeks COVID impact	62
Reduced market income	59
Review of Sports need for borough (funded by reserve below portfolio)	56
Reduced licencing income (mostly taxi licencing)	36
Reduced income from caravan sites (rental income and sales)	28
Increased bank charges due to increase on-line card payments by customers	16
<b>Subtotal</b>	<b>1,925</b>
<b>Underspends/ Over-recovery of income:</b>	
Additional green waste income	(362)
Reduced overheads and operating costs across General Fund	(196)
Grounds Maintenance contract savings	(179)
Salary savings (net of agency costs & consultancy) across General Fund	(165)
Reduced Borough Plan spend	(125)
Increased income from Fees and Charges not reflected elsewhere	(70)
Reduced spend within Democratic Services due to lower support service recharges and reduced spend on subscriptions and seminars	(52)
Reduced cost of Camp Hill contributions	(33)
Recycling - transport savings	(28)
Civic Hall net underspend	(22)
Savings in relation to climbing wall	(13)
Refuse & Cleansing, increased transport costs offset by additional contribution from County Council for mileage and reduced running costs	(11)
<b>Subtotal</b>	<b>(1,256)</b>
<b>Net Portfolio Variance</b>	<b>669</b>
Reversal of Depreciation charged to services	(174)
Contributions from reserves to support revenue expenditure (i.e. Contributions from reserves net of Financing of Capital Expenditure)	(164)
Lower income from NNDR due to lower growth and increased appeals	232
Additional Government Grants received (incl Covid-19 and EU Exit Preparation Grants)	(161)
Other items	(66)
<b>Final Net Variance</b>	<b>336</b>

It should be noted that the substantial under recovery of Housing Benefit on temporary accommodation is due to the operation of the national Housing Benefit Subsidy system. The Council has seen a significant increase in the demand for temporary accommodation over the last few years but is only able to reclaim a small proportion of the cost from the Department of Work and Pensions. Work is ongoing to convert the Council House into a temporary accommodation facility to reduce the financial pressures once completed.

The General Fund also holds earmarked reserves of approximately £10.8m 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 31<sup>st</sup> March 2020 is £6.76m which will support the HRA Business Plan in future years. There are also earmarked reserves of £4.5m, which are primarily to finance the HRA capital programme in the medium term and cover risk, and resources held in the Major Repairs Reserve of £4.36m which is ring-fenced for capital purposes.

For 2019/20 there was a reduction in HRA balances of £5.40m compared to a budgeted reduction of £5.86m. A summary of this compared with the approved budget is shown below:-

### HRA Outturn Summary

	BUDGET	OUTTURN	VARIANCE
	2019/20	2019/20	2019/20
	£000	£000	£000
<b><u>Expenditure</u></b>			
Supervision & Management (General)	5,070	4,965	(105)
Supervision & Management (Special)	3,169	3,618	449
Repairs & Maintenance	5,253	5,349	96
Depreciation	8,000	8,301	301
Capital Expenditure	9,771	5,414	(4,357)
Interest Payable	2,188	2,046	(142)
<b>Total Expenditure</b>	<b>33,451</b>	<b>29,693</b>	<b>(3,758)</b>
<b><u>Income</u></b>			
Dwelling Rent Income	(23,025)	(23,072)	(47)
Non-Dwelling Rent Income	(630)	(573)	57
Other Income (Services & Facilities)	(1,947)	(2,141)	(194)
Interest Receivable	(72)	(75)	(3)
<b>Total Income</b>	<b>(25,674)</b>	<b>(25,861)</b>	<b>(187)</b>
<b>HRA Net Expenditure</b>	<b>7,777</b>	<b>3,832</b>	<b>(3,945)</b>
<b><u>Adjustments</u></b>			
Voluntary Contribution to Major Repairs Reserve	-	4,056	4,056
Transfers to/ (from) Earmarked Reserves	(1,916)	(2,481)	(565)
<b>Total Adjustments</b>	<b>(1,916)</b>	<b>1,575</b>	<b>3,491</b>
<b>Net HRA</b>	<b>5,861</b>	<b>5,407</b>	<b>(454)</b>

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

<b>HRA Key Variances</b>	<b>£000</b>
<b>Overspends/ Under-recovery of income:</b>	
Cost of urgent security/ fire safety services (funded from earmarked reserves)	565
Additional contractor costs within repairs and maintenance due to vacancies with teams	264
Additional works on asbestos schemes (large projects)	103
Additional contribution to bad debt provision due to increased risk	82
Additional cost of insurance claims and legal costs (including valuation of Right to Buy applications)	67
Reduced garage rents income due to voids	57
<b>Subtotal</b>	<b>1,138</b>
<b>Underspends/ Over-recovery of income:</b>	
Salary underspends across HRA (net of agency spend)	(164)
Reduced interest payable & margin increased investment income as new debt delayed due to capital slippage	(145)
Reduced cost of Grounds Maintenance due to new contract savings	(114)
Reduced recharges from support services due to vacancies	(110)
Increased income from charges in Independent Living Schemes	(110)
Reduced spend on feasibility and consultancy for development strategy	(90)
Increased income from service charges and rechargeable repairs	(84)
Reduced cost of materials and disposal costs within Repairs and Maintenance (external contractors utilised)	(83)
Reduced spend on transport, training and other operating costs within Repairs and Maintenance	(63)
Increase in income from dwellings and hostel rents	(47)
Reduced operating costs within Supervision and Management	(17)
<b>Subtotal</b>	<b>(1,027)</b>
<b>Capital Financing Items:</b>	
Additional depreciation charges at year end due to revaluations and final stock count <i>(depreciation charges are contributed to the Major Repairs Reserve and are ring-fenced for capital spend needs per accounting regulations)</i>	301
Reduced capital spend financed by HRA revenue due to slippage	(4,357)
Voluntary contribution to the Major Repairs Reserve to fund capital slippage in 2020/21	4,056
<b>Subtotal</b>	<b>0</b>
Additional contribution from Earmarked Reserves to fund emergency security services	(565)
<b>Net Variance</b>	<b>(454)</b>

## **2019/20 Capital programme**

During 2019/20 the Council spent £10.4m on General Fund capital expenditure and £17.2m through the Housing Revenue Account

The major projects in the General Fund have been the purchase of investment properties and properties to lease totalling £1.0m. These assets will generate revenue rental income for the Council in future years. The continuation of the Camp Hill regeneration scheme required the purchase of properties for demolition (fully funded by external contributions by the developer) which totalled £1.2m. £1.2m was spent by end March 2020 in undertaking works to convert the Council House building to a facility to provide temporary accommodation to ease homeless pressures within the Borough. Approximately £5.2m was spent as part of the HEART programme in delivering private sector home improvement grants across the county for which NBBC is the lead organisation. There has been a total of £12.5m slippage of budgets into 2020/21. The key projects with significant programme slippage were £3.4m Sub-Regional Material Recycling Facility where drawdown of funding is likely to be required commencing February 2021, £2.4m Camp Hill acquisitions to continue with the site assembly for redevelopment, £2.5m Purchase of Investment Properties, £0.5m Vehicle Replacement programme for purchase of refuse vehicles already ordered but to be delivered later in the year, £2.5m HEART, £0.9m remaining allocation for the conversion works to the Council House

The HRA capital programme focused on the ongoing improvement works to tenant's homes, in respect of kitchens, bathrooms, windows, doors, central heating and structural repairs, amongst others. Included in the overall spend of £17.2m was £2.8m spent on acquisitions generating 22 additions to the stock, and £2.4m construction costs of new properties which will be completed during 2020/21. There has been total slippage of £7.0m where spend will now take place in 2020/21. This relates mainly to the ongoing construction programme for new dwellings (£5.1m), fire safety works (£0.67m), New IT system (£0.36m) and additional works to dwellings (£0.84m).

## **NON-FINANCIAL PERFORMANCE OF THE COUNCIL 2019/20**

### **What we achieved during the year**

The Delivering our Future Plan outlines the Council's strategic plan, themes and priorities over the period up to 2022. The indicators are monitored regularly and are reported to Management Team, Cabinet and Overview and Scrutiny Panels. By the end of 2019/20, 64% of the Plan actions were achieved (target 80% of 78 actions).

Some key achievements from this include:

- Adopted the Borough Plan and are proactively marketing employment land availability.
- Established a Borough Plan Committee under the Council's Constitution.
- Worked with Nuneaton Education Strategy Group to develop a strategy to reduce the long term gap in NVQ attainment between the borough and national statistics.
- Consulted on and adopted a revised Affordable Housing Supplementary Planning Document.

- Continually working with partners to reduce the levels of rough sleeping within the borough.
- Implemented a comprehensive on-line training system to support and develop Council employees.
- Implemented a new Anti-Social Behaviour strategy following consultation with partners.
- Added a secure on-line self service portal on the Council’s website to improve accessibility to information to customers council tax and NDR accounts.
- Increased turnover in NABCEL through expansion into new work streams.
- Developed a Leisure Facilities Option Review and undertook high level consultation with residents on the future opportunities for leisure facilities within the borough.

There are 8 actions within the Plan marked as “Red” as at the end of 2019/20 (10% of total actions) and these are detailed below:

<b>DOF Theme</b>	<b>Description</b>	<b>Comments</b>
Theme 1 – Transformation Priority 1 – Economy and Business	Increase the level of economic activity within the borough - Review the Local Discount Scheme	Economic Development post holder vacant since December resulting in slippage of this review
Theme 1 – Transformation Priority 3 – Housing and Communities	Continue to deliver the Council’s Development & Acquisition Strategy – Deliver a minimum of 25 new social housing homes	Delays relating to easement and Highways and Environment Agency regarding New Build. 22 Acquisitions completed.
Theme 1 – Transformation Priority 4 – Technology	Adopt a Digital Strategy - Produce a Digital Strategy	Drafted. Carry Forward to next year
Theme 3 – Investment Priority 1 – Getting the most from our assets	Adopt and implement a revised Play Strategy for the Borough - Undertake a Play Strategy review taking account of current provision and future developments	This has not been delivered given the requirement to retender the grounds maintenance, tree and infrastructure maintenance contracts, this will be pushed into the next financial year
Theme 3 – Investment Priority 3 – Managing Our Resources	To maximise future contributions to infrastructure development through the Community Infrastructure Levy (CIL) and s106 contributions - Consult on draft CIL charging schedule	Staff turnover required resources to be prioritised towards Town Centres Area Action Plan, Gypsy and Traveller site allocations, and Supplementary Planning Documents. Resources now in place and revised target date for consultation is autumn 2020
Theme 3 – Investment Priority 6 – Making the most of what we have	Implement the Air Quality Action Plan and monitor trends in air quality – Review the current Air Quality Action plan	Review not completed due to staff shortages in the service. To be completed in 2020/21

DOF Theme	Description	Comments
	Adopt a revised Parks and Countryside Strategy - Undertake Consultation on the priorities for Parks & Countryside facilities	This has not been delivered given the requirement to retender the grounds maintenance, tree and infrastructure maintenance contracts, this will be pushed into the next financial year
	Implement the approved Capital Scheme for the Marston Lane Cemetery extension - Submit and seek approval for a capital business case for the extension of Marston Lane Cemetery	This has not been delivered given the requirement to retender the grounds maintenance, tree and infrastructure maintenance contracts, this will be pushed into the next financial year. This would also require the agreement of Sport England to allow the use of the land

During 2019/20 there were two Overview and Scrutiny Panels (OSP's) covering all services provided by the Council:

- Internal – with a focus on Council services
- External – with a focus on external bodies that operate or have an impact upon the Borough

The Panels receive specific quarterly finance and performance reports for the services falling within their remit. Both Management Team and the OSP review performance and reasons for any significant variances to targets, with actions or mitigations considered and agreed where appropriate. The performance of some of our key services reported to the Panel are given below:

2019/20 MEASURE	2018/19 PERFORMANCE	2019/20 PERFORMANCE (Target)
<b>1. Business Improvement</b>		
The percentage of complaints responded to within 10 days. This includes interim acknowledgement where the issue is not resolved in full.	94%	94% (95%)
Number of days lost per FTE due to absence:		
- Short term absences	3.73 days	3.87 days (3.50)
- Long term illness	<u>6.14 days</u>	<u>5.64 days (5.25)</u>
- Total number of days	9.87 days	9.51 days (8.75)



<b>2019/20 MEASURE</b>	<b>2018/19 PERFORMANCE</b>	<b>2019/20 PERFORMANCE (Target)</b>
Percentage of invoices from suppliers paid within 30 days of receipt	97.09%	95.09% (95%)
<b>2. Planning and Environment</b>		
Planning Permission for affordable homes (25% good performance benchmark).	28.6%	24.3% (25%)
The percentage of household waste which has been sent by the Council for recycling / composting	41.35%	35.05% (32.35%)
<b>3. Housing</b>		
The percentage of Council dwellings with a valid landlord gas safety certificate (there is a requirement to renew certificates every 12 months).	98.92%	99.11% (97-100%)
Relet of property end to end time (turn-round is measured "end to end" from keys received from outgoing tenant to new tenancy date).	40 days	34 days (no target)
The percentage of sheltered housing alarm calls responded to within 60 seconds.	98.63%	98.00% (99-100%)
<b>4. Finance</b>		
Rent collection.	95.84%	95.53% (95.78%)
Council Tax collection.	97.04%	96.84% (97.20-100%)
Business Rates collection.	97.95%	97.40% (98.25-100%)
Speed of processing new benefits claims.	19.42 days	19.16 (22 days)
Speed of processing changes of circumstances benefits claims.	7.87 days	6.26 days (9 days)
The percentage of Council owned commercial property that is occupied.	92%	91% (95%)

## **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 one strategic risk that has 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

## **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 manages a growing portfolio of properties plus two Bed and Breakfast establishments and launched its second business stream – NABCEL Gas - in October 2018. Further information on the turnover and costs of NABCEL can be found in note 34 page 91.

## **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 116 of these accounts.

## THE FINANCIAL STATEMENTS

The Council's accounts for 2019/20 are set out on pages 25 to 115 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 £20.1m on the provision of services is reported for 2019/20 compared to a deficit of £5.2m for 2018/19.
  - ***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 £3.2m decrease in usable resources for 2019/20. The balance of these usable reserves stood at £33.4m as at 31<sup>st</sup> March 2020.
  - ***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 £267m (£270m 2018/19) mainly due to Council Dwellings of £210m (£210m 2018/19).
    - ***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 31<sup>st</sup> March 2020 was £77.7m (£81.2m in 2019).
    - ***Pensions*** – The pension fund deficit has reduced in the year to £49m from £63m and is required to be shown on the Balance Sheet of the Council. The reduced deficit is due to a combination of a higher discount rate compared to 2018/19 which reduces the value of liabilities in the fund, lower returns on assets due to the economic environment and also the 're-calibration' of the fund value as part of the recent formal revaluation (triennial review)
  - ***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.

## Main Changes to the Accounts 2019/20

There have been no changes to the format or disclosure requirements of the accounts for 2019/20.

## THE FUTURE – CHALLENGES AND OPPORTUNITIES

### COVID-19 Pandemic

The Covid-19 pandemic has had a considerable impact on the Council. The Government's lockdown, announced on 20th March 2020, has meant that many of the businesses and public facilities have been forced to close – significantly impacting on the local economy and the Council's income. Furthermore, the Council has had to put considerable resources into ensuring that rough sleepers are safe during this period and that the most vulnerable in our community are cared for. This comes with additional cost pressures.

#### Financial Impact

These additional costs did not had a dramatic impact on the financial outturn for 2019/20 as the pandemic only started to make a notable impact on the public's and businesses' behaviour in the last two weeks of March. However, the true scale of its impact on the Council's finances will be felt during 2020/21 and potentially further into the future. The Council is expecting substantial losses across many of its largest streams of income. These include parking, markets, planning fees as well as the Civic Hall. As with any recession, investment income is anticipated to reduce which will create further pressures on the Council's finances. On the expenditure front some of the key areas of additional pressure

will include the continuation of accommodation and support for rough sleepers and working with our key contractors to ensure recovery is appropriately managed.

It is difficult to quantify the impact of Covid-19 at this stage with any certainty, but the financial pressure on the Council will be substantial – even after the Government’s emergency Covid-19 funding for local authorities is taken into account. Due to the Council’s reliance on income from fees and charges as well as business rates and council tax, the Council has sought to hold risk reserves to ensure the Council is financially resilient in a recession. In order to mitigate the pressures faced this year, a significant level of reserves are likely to be required to be used in 2020/21. Moving forward, the Council will need to review its Medium Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council’s strategic objectives and ensure its reserves are still at a prudent level. The Covid-19 crisis has meant that the Council has had to review what its most critical services are and which are required to still be operational even during a global pandemic and despite the pressures is proud to have continued to service the residents of the Borough. The changing environment and “new normal” in which we are likely to find ourselves will require the Council to review its priorities and its delivery models.

The coronavirus pandemic has had a profound and unprecedented impact on all aspects of life in Borough. The Council already has a recovery approach in place, working in partnership with Warwickshire County Council, Coventry and Warwickshire LEP and West Midlands Combined Authority. This will continue through 2020/21 to ensure the Council can respond quickly to the emerging needs of residents and businesses.

### **General Fund – Medium Term Financial Position**

- The 2020/21 financial year financial settlement was a roll forward of the 2019/20 settlement due to Central Government priorities resulting in the deferral of a national Spending Review, the Fair Funding Review and review of the business rates system. Therefore the financial pressures expected were effectively deferred by a year. The Financial Plan from 2021 is therefore very uncertain and based on very broad assumptions about the impact of these various reviews.
- The Plan will be updated as more information becomes available but also to take into account the ongoing financial impact of Covid-19. The government has confirmed that the Fair Funding Review and move to 75% business rates retention has been deferred for a further year, but has not ruled out the possibility of a re-set of business rates baselines for April 2021. Therefore this could still present a significant risk to the Council.
- The Council is committed to developing and expanding its trading arm – NABCEL, with the continued aim of becoming self-financing and continues to seek new opportunities.
- Town Centre Regeneration will be even more of a priority for the Council post-COVID and the Council will be submitting bids to both the Future High Streets Fund and Towns Fund during 2020/21.
- 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.
- 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.

- It is evident 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.
- However, as referred to previously, the long term implications to the Council's finances and the overall community of Nuneaton and Bedworth from Covid-19 will require the Council to consider a "new normal" when formulating a budget and remodelling it's Medium Term Financial Plan.

### **Housing Revenue Account**

- The HRA maintains a 30-year Financial Business Plan, which had a significant review as part of the 2020/21 budget setting process.
- The Business Plan shows that the medium and longer term position for the HRA is sustainable and viable.
- 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. The removal of the HRA borrowing cap in the Autumn 2018 budget has provided greater opportunities to replace stock sold under Right to Buy, subject to affordability of borrowing costs and identifying suitable land.

### **Future Opportunities**

- The Council will continue with its aim to become self-financing and NABCEL, as its trading arm, will be critical to achieving this.
- The Council is committed to continuing digital transformation of its services to allow customers to access services in a way that suits them. We continue to implement new self-service systems 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 continues to be focused on the regeneration of its town centres. It has launched an ambitious 'Transforming Nuneaton' programme to develop and regenerate sites across the town centre. Funding from the Local Enterprise Partnership has already been secured and the Council is developing the formal bid to the government's 'Future High St' fund and Towns Fund to secure significant funding.
- A visioning document for the transformation of Bedworth Town Centre has also been developed and was consulted on during the early part of 2020. The challenge here will be identifying opportunities for external funding.
- The Council's new Delivering Our Future Plan was approved by Council in April and sets out the priorities of the Council for 2019-31 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.

*S Hines*

**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](mailto: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](http://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 25 to 115 have been prepared in accordance with the Code. They present a true and fair view of the financial position of the Council at 31<sup>st</sup> March 2020 and of its expenditure and income for the year ended 31<sup>st</sup> March 2020.

*S Hines*

**Simone Hines  
Executive Director - Resources  
Date 19<sup>th</sup> March 2021**

**APPROVAL OF THE ACCOUNTS**

The Council formally approved this Statement of Accounts in accordance with the delegations approved at the meeting of the Audit & Standards Committee held on 3<sup>rd</sup> November 2020

*J Tandy*

**Councillor J Tandy  
Chair of Audit &  
Standards Committee**

**Date 19<sup>th</sup> March 2020**

*S Croft*

**Councillor S Croft  
Vice Chair of Audit &  
Standards Committee**

*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

2018/19			2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
9,097	(1,494)	7,603	Arts, Leisure & Economic Development	8,807	(1,850)	6,957
7,175	(1,490)	5,685	Central Services & Refuse	7,658	(2,538)	5,120
37,386	(32,830)	4,556	Finance & Civic Affairs	34,270	(28,956)	5,314
6,948	(2,117)	4,831	Housing, Health & Communities (General Fund)	9,032	(2,132)	6,900
27,268	(25,309)	1,959	Housing, Health & Communities (HRA)	38,081	(25,786)	12,295
4,672	(3,355)	1,317	Planning & Development	6,241	(3,382)	2,859
<b>92,546</b>	<b>(66,595)</b>	<b>25,951</b>	<b>Cost of services</b>	<b>104,089</b>	<b>(64,644)</b>	<b>39,445</b>
589	(179)	410	Other operating expenditure	598	(1,108)	(510)
4,447	(4,186)	261	Financing & investment income & expenditure	5,245	(2,122)	3,123
10,067	(31,501)	(21,434)	Taxation & non-specific grant income & expenditure	10,432	(32,381)	(21,949)
		<b>5,188</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>20,109</b>
		(22,097)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets			(7,628)
		4,673	Remeasurement of the net defined benefit pension liability			(18,124)
		<b>(17,424)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(25,752)</b>
		<b>(12,236)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>(5,643)</b>

## **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 2019/20

	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
<b>Balance as at 31 March 19</b>	<b>(10,654)</b>	<b>(19,177)</b>	<b>(4,102)</b>	<b>(378)</b>	<b>(2,273)</b>	<b>(36,584)</b>	<b>(149,045)</b>	<b>(185,629)</b>
<b>Movement in reserves during 2019/20</b>								
(Surplus) or deficit on the provision of services	6,840	13,269	-	-	-	20,109	-	20,109
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(25,752)	(25,752)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>6,840</b>	<b>13,269</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,109</b>	<b>(25,752)</b>	<b>(5,643)</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	(8,336)	(5,381)	509	(3,978)	262	(16,924)	16,924	-
<b>(Increase)/ Decrease in 2019/20</b>	<b>(1,496)</b>	<b>7,888</b>	<b>509</b>	<b>(3,978)</b>	<b>262</b>	<b>3,185</b>	<b>(8,828)</b>	<b>(5,643)</b>
<b>Balance as at 31 March 20</b>	<b>(12,150)</b>	<b>(11,289)</b>	<b>(3,593)</b>	<b>(4,356)</b>	<b>(2,011)</b>	<b>(33,399)</b>	<b>(157,873)</b>	<b>(191,272)</b>
Adjustment for amounts earmarked for specific purposes (Earmarked Reserves - Note 10)	10,797	4,528						
<b>Remaining Unallocated Balance as at 31 March 20</b>	<b>(1,353)</b>	<b>(6,761)</b>						

## Movement in Reserves Statement 2018/19

	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
<b>Balance as at 31 March 18</b>	(12,035)	(18,381)	(3,268)	(387)	(1,828)	<b>(35,899)</b>	(137,494)	<b>(173,393)</b>
<b>Movement in reserves during 2018/19</b>								
(Surplus) or deficit on the provision of services	1,485	3,703	-	-	-	<b>5,188</b>	-	<b>5,188</b>
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(17,424)	<b>(17,424)</b>
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>1,485</b>	<b>3,703</b>	-	-	-	<b>5,188</b>	<b>(17,424)</b>	<b>(12,236)</b>
Adjustments between accounting basis & funding basis under regulations (Note 9)	(104)	(4,499)	(834)	9	(445)	<b>(5,873)</b>	5,873	-
<b>(Increase)/ Decrease in 2018/19</b>	<b>1,381</b>	<b>(796)</b>	<b>(834)</b>	<b>9</b>	<b>(445)</b>	<b>(685)</b>	<b>(11,551)</b>	<b>(12,236)</b>
<b>Balance as at 31 March 19</b>	<b>(10,654)</b>	<b>(19,177)</b>	<b>(4,102)</b>	<b>(378)</b>	<b>(2,273)</b>	<b>(36,584)</b>	<b>(149,045)</b>	<b>(185,629)</b>
Adjustment for amounts earmarked for specific purposes (Earmarked Reserves - Note 10)	8,993	7,008						
<b>Remaining Unallocated Balance as at 31 March 19</b>	<b>(1,661)</b>	<b>(12,169)</b>						

## **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 19 £000		Notes	31 March 20 £000
270,087	Property, Plant & Equipment	14	267,221
1,165	Heritage Assets		1,165
29,586	Investment Property	15	30,122
782	Intangible Assets		821
1,949	Long Term Investments	16	1,879
543	Long Term Debtors	16	486
<b>304,112</b>	<b>Long Term Assets</b>		<b>301,694</b>
29,125	Short Term Investments	16	24,155
133	Inventories		110
10,916	Short Term Debtors	17	10,780
5,722	Cash & Cash Equivalents	18	3,852
<b>45,896</b>	<b>Current Assets</b>		<b>38,897</b>
(4,053)	Short Term Borrowing	16	(513)
(13,659)	Short Term Creditors	19	(14,801)
(1,582)	Provisions	20	(2,051)
<b>(19,294)</b>	<b>Current Liabilities</b>		<b>(17,365)</b>
(77,205)	Long Term Borrowing	16	(77,205)
(62,890)	Pensions Liability	39	(48,871)
(4,990)	Capital Grants Receipts in Advance	31	(5,878)
<b>(145,085)</b>	<b>Long Term Liabilities</b>		<b>(131,954)</b>
<b>185,629</b>	<b>Net Assets</b>		<b>191,272</b>
(36,584)	Usable Reserves	21	(33,399)
(149,045)	Unusable Reserves	22	(157,873)
<b>(185,629)</b>	<b>Total Reserves</b>		<b>(191,272)</b>

*S Hines*

S Hines CPFA  
Executive Director - Resources

Dated: 19<sup>th</sup> March 2021

*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.

<b>2018/19</b> <b>£000</b>		<b>2019/20</b> <b>£000</b>
5,188	Net (surplus) or deficit on the provision of services	20,109
(29,500)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(35,718)
9,430	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	7,463
(14,882)	Net cash flows from Operating Activities	(8,146)
18,340	Investing Activities	6,550
24	Financing Activities	3,466
3,482	Net (increase) or decrease in cash & cash equivalents	1,870
9,204	Cash & cash equivalents at the beginning of the reporting period	5,722
<b>5,722</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	<b>3,852</b>

## Notes to the Accounts

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## **Notes to the Accounts**

### **1) ACCOUNTING POLICIES**

#### **GENERAL PRINCIPLES**

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31<sup>st</sup> March 2020. 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 2019/20, 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 31<sup>st</sup> March 2020.

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.
      - 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 95 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

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

### **Financial assets measured at amortised cost**

These 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### **Expected Credit Loss Model**

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

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

### **Financial assets measured at Fair Value through Profit or Loss**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial

instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

## **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 2019/20 (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 1<sup>st</sup> 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.

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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



## **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 22 to the Financial Statements on page 76

## **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 UK (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases - will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease

liabilities (there is recognition for low- value and short-term leases). The Council has a small number of operational leases in place which will be assessed in preparation of this new accounting treatment. At the present time the impact on the financial statements is not known nor can it be reasonably estimated. However, it is not anticipated these changes will have a material impact on the financial statements. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022.

IAS 19 Employee Benefits - will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

### **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 £2.02m (£1.55m in 2018/19), which is our 40% share of the overall provision in the Business Rates Collection Fund of £5.04m (£3.86m in 2018/19).

### **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 31<sup>st</sup> March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are detailed in the following table:

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
Provision – Business Rates Appeals	The Council has made a provision in the Collection Fund of £5.04m (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 £504k. 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	<p>At 31<sup>st</sup> March 2020, the total arrears from sundry debts stood at £1.09m. 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.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.</p>	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 31 <sup>st</sup> March 2020 is £439k and so a 25% increase would lead to additional provision of £110k.
Depreciation of 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount on the asset falls.</p> <p>It is estimated that the annual depreciation charge for assets would increase by approximately £554k for every year that useful lives had to be reduced.</p>

<u>Item</u>	<u>Uncertainties</u>	<u>Effect if Actual Results Differ from Assumptions</u>
<p>Valuation of Property, Plant &amp; Equipment and Investment Property</p>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</p> <p>Valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.</p>
<p>Pensions Liability</p>	<p>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. The assumptions used can be found in note 39, page 95</p>	<p>A 0.5% decrease in the Real Discount Rate used would increase the scheme liabilities by approximately £17.3m (9%)</p> <p>A 0.5% increase in the Salary Increase Rate would increase the scheme liabilities by approximately £1.6m (1%)</p> <p>A 0.5% increase in the Pension Increase Rate would increase the scheme liabilities by approximately £15.5m (8%)</p>

## 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 2019/20 the majority of council dwellings within the Housing Revenue Account were revalued. This has resulted in a net revaluation loss of £5.7m (2018/19: £15.9m gain), of which £9.2m was credited to the Revaluation Reserve (2018/19: £21.6m) and £14.9m revaluation losses being debited to the Housing Revenue Account within the Comprehensive Income and Expenditure Statement (2018/19: £5.8m).

The detailed movements can be seen in Note 14, page 64.

## 6) EVENTS AFTER THE BALANCE SHEET DATE

In the early part of 2020, the Coronavirus began to spread from China. In England, an enforced lockdown was implemented from 23 March. The impact on the Council's finances for 2019/20 was limited to minor losses in income from car parks and market rents and these are included within the CI&ES. The forecast outturn for the General Fund for the current year (2020/21) is a balanced position, with a contribution to reserves of £18k, in line with the original budget. However, there are some significant variances in the year, mostly due to COVID-19. Spend pressures related to COVID-19 for 2020/21 are estimated at £1.8m, which is largely related to increased homelessness demand, purchase of PPE and increased leisure management costs whilst the income streams have also been impacted, with the estimated loss of income for the year currently standing at £2.5m. There has been additional government support but it has not been sufficient to cover all costs and income losses, with the estimated shortfall being £252k. The Council has identified a number of other savings and contributions from reserves through the year to enable it to seek a balanced position in 2020/21 and a plan to transfer £50k to earmarked reserves to provide a resilience reserve for any further COVID pressures in 2021/22.

## 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.

2018/19			EXPENDITURE AND FUNDING ANALYSIS			2019/20		
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		
4,119	3,484	<b>7,603</b>	Arts, Leisure & Economic Development	3,819	3,138	<b>6,957</b>		
4,213	1,472	<b>5,685</b>	Central Services & Refuse	4,180	940	<b>5,120</b>		
4,357	199	<b>4,556</b>	Finance & Civic Affairs	4,825	489	<b>5,314</b>		
956	3,875	<b>4,831</b>	Housing, Health & Communities (General Fund)	1,243	5,657	<b>6,900</b>		
(4,424)	6,383	<b>1,959</b>	Housing, Health & Communities (HRA)	(3,554)	15,849	<b>12,295</b>		
(766)	2,083	<b>1,317</b>	Planning & Development	295	2,564	<b>2,859</b>		
<b>8,455</b>	<b>17,496</b>	<b>25,951</b>	<b>Net Cost of Services</b>	<b>10,808</b>	<b>28,637</b>	<b>39,445</b>		
(7,870)	(12,893)	<b>(20,763)</b>	Other Income & Expenditure	(4,416)	(14,920)	<b>(19,336)</b>		
585	4,603	<b>5,188</b>	<b>Surplus or Deficit</b>	6,392	13,717	<b>20,109</b>		
(30,416)			<b>Opening General Fund &amp; HRA Balances</b>	(29,831)				
585			<b>Less/ Plus Surplus or (Deficit) on General Fund and HRA Balance in Year</b>	6,392				
(29,831)			<b>Closing General Fund &amp; HRA Balance in Year *</b>	<b>(23,439)</b>				

*\* 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

<b><u>2019/20</u></b>	<b>Amounts as Reported for Resources Management</b>	<b>Removal of Depreciation reported at Portfolio Level</b>	<b>Removal of Earmarked Reserve Movements as not chargeable to Balances</b>	<b>Other Amounts Transferred between Net Cost of Services and Other Income &amp; Expenditure per CIPFA Code</b>	<b>Net Expenditure Chargeable to the General Fund &amp; HRA Balances per the EFA</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Arts, Leisure & Economic Development	5,543	(1,436)	(288)	-	3,819
Central Services & Refuse	4,604	(540)	116	-	4,180
Finance & Civic Affairs	4,450	(103)	211	267	4,825
Housing, Health & Communities (General Fund)	1,561	(99)	(219)	-	1,243
Housing, Health & Communities (HRA)	5,407	-	-	(8,961)	(3,554)
Planning & Development	(245)	(630)	-	1,170	295
<b>Net Cost of Services</b>	<b>21,320</b>	<b>(2,808)</b>	<b>(180)</b>	<b>(7,524)</b>	<b>10,808</b>
Other Income & Expenditure	(15,606)	2,808	858	7,524	(4,416)
<b>(Surplus) or Deficit</b>	<b>5,714</b>	<b>-</b>	<b>678</b>	<b>-</b>	<b>6,392</b>
<b><u>2018/19</u></b>	<b>Amounts as Reported for Resources Management</b>	<b>Removal of Depreciation reported at Portfolio Level</b>	<b>Removal of Earmarked Reserve Movements as not chargeable to Balances</b>	<b>Other Amounts Transferred between Net Cost of Services and Other Income &amp; Expenditure per CIPFA Code</b>	<b>Net Expenditure Chargeable to the General Fund &amp; HRA Balances per the EFA</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Arts, Leisure & Economic Development	5,582	(1,456)	(7)	-	4,119
Central Services & Refuse	4,688	(485)	10	-	4,213
Finance & Civic Affairs	4,187	(115)	(127)	412	4,357
Housing, Health & Communities (General Fund)	1,334	(80)	(298)	-	956
Housing, Health & Communities (HRA)	(796)	-	-	(3,628)	(4,424)
Planning & Development	(222)	(608)	64	-	(766)
<b>Net Cost of Services</b>	<b>14,773</b>	<b>(2,744)</b>	<b>(358)</b>	<b>(3,216)</b>	<b>8,455</b>
Other Income & Expenditure	(15,116)	2,744	1,286	3,216	(7,870)
<b>(Surplus) or Deficit</b>	<b>(343)</b>	<b>-</b>	<b>928</b>	<b>-</b>	<b>585</b>



**7b – Adjustments between accounting and funding basis**

<b><u>2019/20</u></b>	<b>Adjustments for Capital Purposes</b>	<b>Net Changes for the Pension Adjustment</b>	<b>Other Adjustments</b>	<b>Total Adjustments Between Funding &amp; Accounting Basis</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Arts, Leisure & Economic Development	2,917	220	1	3,138
Central Services & Refuse	551	377	12	940
Finance & Civic Affairs	(81)	566	4	489
Housing, Health & Communities (General Fund)	5,464	186	7	5,657
Housing, Health & Communities (HRA)	14,892	927	30	15,849
Planning & Development	2,294	272	(2)	2,564
<b>Net Cost of Services</b>	<b>26,037</b>	<b>2,548</b>	<b>52</b>	<b>28,637</b>
Other Income & Expenditure	(12,735)	1,557	(3,742)	(14,920)
<b>Total Adjustment</b>	<b>13,302</b>	<b>4,105</b>	<b>(3,690)</b>	<b>13,717</b>

<b><u>2018/19</u></b>	<b>Adjustments for Capital Purposes</b>	<b>Net Changes for the Pension Adjustment</b>	<b>Other Adjustments</b>	<b>Total Adjustments Between Funding &amp; Accounting Basis</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Arts, Leisure & Economic Development	3,290	185	9	3,484
Central Services & Refuse	1,188	267	17	1,472
Finance & Civic Affairs	39	197	(37)	199
Housing, Health & Communities (General Fund)	3,689	179	7	3,875
Housing, Health & Communities (HRA)	5,792	628	(37)	6,383
Planning & Development	1,760	312	11	2,083
<b>Net Cost of Services</b>	<b>15,758</b>	<b>1,768</b>	<b>(30)</b>	<b>17,496</b>
Other Income & Expenditure	(13,904)	1,476	(465)	(12,893)
<b>Total Adjustment</b>	<b>1,854</b>	<b>3,244</b>	<b>(495)</b>	<b>4,603</b>

**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:

2018/19 £000		2019/20 £000
<b>Income from Services:</b>		
(1,239)	Arts, Leisure & Economic Development	(1,279)
(1,265)	Central Services & Refuse	(2,287)
(1,789)	Finance & Civic Affairs	(1,597)
(1,495)	Housing, Health & Communities (General Fund)	(1,349)
(25,215)	Housing, Health & Communities (HRA)	(25,704)
(4,770)	Planning & Development	(4,997)
<b>(35,773)</b>	<b>Total</b>	<b>(37,213)</b>

**8) EXPENDITURE AND INCOME ANALYSED BY NATURE**

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

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
	<b>Expenditure:</b>	
18,568	Employee benefits expenses	21,497
31,828	Housing Benefit payments	27,847
23,725	Other service expenses	26,619
17,353	Depreciation, amortisation, impairment & revaluations	29,808
4,005	Interest payments	4,027
10,067	Precepts and levies	10,432
589	Payments to the Housing Capital Receipts Pool	598
<b>106,135</b>	<b>Total Expenditure</b>	<b>120,828</b>
	<b>Income:</b>	
(35,773)	Fees, charges and other service income	(37,213)
(444)	Interest and investment income	(367)
(22,669)	Income from Council Tax, Non Domestic Rates	(22,715)
(29,902)	Government Grants (Housing Benefit)	(26,008)
(11,980)	Other grants and contributions	(13,308)
(179)	Gain on Disposal of Assets	(1,108)
<b>(100,947)</b>	<b>Total Income</b>	<b>(100,719)</b>
<b>5,188</b>	<b>(Surplus)/ Deficit on the Provision of Services</b>	<b>20,109</b>

## 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 or 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
	£000	£000	£000	£000	£000
<b>2019/20</b>					
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
● Pensions costs (transferred to (or from) the Pensions Reserve)	(2,657)	(1,448)	-	-	-
● Financial instruments (transferred to the Financial Instruments Adjustments Account)	21	-	-	-	-
● Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	(265)	-	-	-	-
● Holiday Pay (transferred to the Accumulated Absences Reserve)	(22)	(30)	-	-	-
● 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)	(6,971)	(24,130)	-	-	(1,302)
● Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the movement in fair value in investments classified as Fair Value through Profit & Loss	(70)	-	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(9,964)</b>	<b>(25,608)</b>	<b>-</b>	<b>-</b>	<b>(1,302)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
● Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	784	2,474	(3,258)	-	-
● Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(17)	17	-	-
● Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(598)	-	598	-	-
● Posting of HRA resources from revenue to the Major Repairs Reserve	-	12,356	-	(12,356)	-
● Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	418	-	-	-	-
● Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,024	5,414	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,628</b>	<b>20,227</b>	<b>(2,643)</b>	<b>(12,356)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
● Use of the Capital Receipts Reserve to finance capital expenditure	-	-	3,160	-	-
● Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	8,378	-
● Application of capital grants to finance capital expenditure	-	-	-	-	1,564
● Cash payments in relation to deferred capital receipts	-	-	(8)	-	-
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>3,152</b>	<b>8,378</b>	<b>1,564</b>
<b>Total Adjustments</b>	<b>(8,336)</b>	<b>(5,381)</b>	<b>509</b>	<b>(3,978)</b>	<b>262</b>

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
<b>2018/19</b>					
<b>Adjustments to the Revenue Resources</b>					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
● Pensions costs (transferred to (or from) the Pensions Reserve)	(2,103)	(1,142)	-	-	-
● Financial instruments (transferred to the Financial Instruments Adjustments Account)	21	-	-	-	-
● Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	482	-	-	-	-
● Holiday Pay (transferred to the Accumulated Absences Reserve)	(49)	(31)	-	-	-
● 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)	(4,762)	(15,232)	-	-	(1,570)
● Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the movement in fair value in investments classified as Fair Value through Profit & Loss	(37)	-	-	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(6,406)</b>	<b>(16,336)</b>	<b>-</b>	<b>-</b>	<b>(1,570)</b>
<b>Adjustments between Revenue and Capital Resources</b>					
● Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,782	2,228	(5,010)	-	-
● Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	(6)	(12)	18	-	-
● Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(589)	-	589	-	-
● Posting of HRA resources from revenue to the Major Repairs Reserve	-	7,991	-	(7,991)	-
● Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	429	1,000	-	-	-
● Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	3,686	630	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>6,302</b>	<b>11,837</b>	<b>(4,403)</b>	<b>(7,991)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
● Use of the Capital Receipts Reserve to finance capital expenditure	-	-	3,574	-	-
● Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	8,000	-
● Application of capital grants to finance capital expenditure	-	-	-	-	1,125
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>3,569</b>	<b>8,000</b>	<b>1,125</b>
<b>Total Adjustments</b>	<b>(104)</b>	<b>(4,499)</b>	<b>(834)</b>	<b>9</b>	<b>(445)</b>

## 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.

<b>Balance at 31 Mar 19 £000</b>		<b>Balance at 31 Mar 20 £000</b>
<b>General Fund Earmarked Reserves</b>		
2,740	Risk Based Reserves	2,656
3,044	General Revenue Reserves	3,119
1,921	Capital Earmarked Reserves	3,747
1,288	Financial Planning Reserve	1,275
<b>8,993</b>	<b>Total General Fund</b>	<b>10,797</b>
<b>Housing Revenue Account Earmarked Reserves</b>		
350	Risk Based Reserves	350
404	General Revenue Reserves	371
6,254	Capital Earmarked Reserves	3,807
<b>7,008</b>	<b>Total Housing Revenue Account</b>	<b>4,528</b>

## 11) OTHER OPERATING EXPENDITURE

<b>2018/19 £000</b>		<b>2019/20 £000</b>
589	Payments to the Government Housing Capital Receipts Pool	598
(179)	(Gains)/ losses on the disposal of non-current assets	(1,108)
<b>410</b>	<b>Total</b>	<b>(510)</b>

## 12) FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19 £000		2019/20 £000
2,546	Interest payable & similar charges	2,491
1,459	Net interest on the net defined benefit pension liability	1,536
(444)	Interest receivable and similar income	(367)
(3,300)	Income & expenditure in relation to investment properties and changes in their fair value	(537)
<b>261</b>	<b>Total</b>	<b>3,123</b>

A breakdown of total income and expenditure in relation to investment properties, which includes gains or losses on revaluation, can be found in note 15 to the accounts, page 68.

## 13) TAXATION AND NON-SPECIFIC GRANT INCOME

2018/19 £000		2019/20 £000
(8,519)	Council tax income	(8,918)
	Non domestic rates	
(14,150)	Billing authority share of income	(13,797)
9,061	Tariff payment to Central Government	9,264
1,006	Ley on growth	1,168
(1,273)	Section 31 Grants from Central Government	(1,737)
	Non-ringfenced government grants:	
(269)	Revenue Support Grant	-
(1,305)	New Homes Bonus	(1,383)
(1,572)	Disabled Facilities Grant	(1,456)
(148)	Other	(138)
	Ringfenced government grants:	
(1,401)	Warwickshire County Council	(198)
(120)	Homes England	(711)
(135)	Other Local Authorities	(413)
(2,475)	Local Authority Contributions for HEART	(3,318)
(134)	Other Capital grants & contributions	(312)
<b>(21,434)</b>	<b>Total</b>	<b>(21,949)</b>



**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
<b>Cost or Valuation</b>							
At 01 April 19	211,429	54,768	12,771	6,541	349	50	<b>285,908</b>
Additions	14,770	3,677	282	-	-	2,366	<b>21,095</b>
Accumulated Depreciation and Impairment to Gross Carrying Amount	(7,946)	(2,402)	-	-	-	-	<b>(10,348)</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	9,176	9,385	-	-	-	-	<b>18,561</b>
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	(14,893)	(494)	-	-	-	-	<b>(15,387)</b>
Derecognition - disposals	(1,889)	(240)	(119)	-	-	-	<b>(2,248)</b>
Assets reclassified (to)/ from Investment Properties	-	(1)	-	-	-	-	<b>(1)</b>
<b>At 31 March 20</b>	<b>210,647</b>	<b>64,693</b>	<b>12,934</b>	<b>6,541</b>	<b>349</b>	<b>2,416</b>	<b>297,580</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 01 April 19	(1,116)	(2,069)	(8,000)	(4,543)	(93)	-	<b>(15,821)</b>
Depreciation charge	(7,907)	(2,058)	(1,269)	(155)	(11)	-	<b>(11,400)</b>
Accumulated Depreciation written off to Gross Carrying Amount	7,946	1,917	-	-	-	-	<b>9,863</b>
Accumulated Impairment written off to Gross Carrying Amount	-	485	-	-	-	-	<b>485</b>
Impairment losses recognised in the Revaluation Reserve	-	(10,933)	-	-	-	-	<b>(10,933)</b>
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	(2,668)	-	-	-	-	<b>(2,668)</b>
Derecognition - disposals	41	-	74	-	-	-	<b>115</b>
<b>At 31 March 20</b>	<b>(1,036)</b>	<b>(15,326)</b>	<b>(9,195)</b>	<b>(4,698)</b>	<b>(104)</b>	<b>-</b>	<b>(30,359)</b>
<b>Net Book Value</b>							
at 31 March 19	210,313	52,699	4,771	1,998	256	50	270,087
<b>at 31 March 20</b>	<b>209,611</b>	<b>49,367</b>	<b>3,739</b>	<b>1,843</b>	<b>245</b>	<b>2,416</b>	<b>267,221</b>
<b>Nature of Holdings at year end</b>							
Owned	209,611	49,367	3,739	1,843	245	2,416	<b>267,221</b>
Finance Lease	-	-	-	-	-	-	-

## Comparative Movements in 2018/19:

	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
<b>Cost or Valuation</b>							
At 01 April 18	194,654	56,005	11,968	6,484	349	324	<b>269,784</b>
Additions	8,553	4,835	1,808	57	-	306	<b>15,559</b>
Accumulated Depreciation and Impairment to Gross Carrying Amount	(6,462)	(1,915)	-	-	-	-	<b>(8,377)</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	21,644	673	-	-	-	-	<b>22,317</b>
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	(5,786)	(2,538)	-	-	-	-	<b>(8,324)</b>
Derecognition - disposals	(1,656)	(3,032)	(1,005)	-	-	-	<b>(5,693)</b>
Assets reclassified (to)/ from Held for Sale	-	740	-	-	-	-	<b>740</b>
Assets reclassified (to)/ from Investment Properties	(98)	-	-	-	-	-	<b>(98)</b>
Other movements in Cost or Valuation	580	-	-	-	-	(580)	-
<b>At 31 March 19</b>	<b>211,429</b>	<b>54,768</b>	<b>12,771</b>	<b>6,541</b>	<b>349</b>	<b>50</b>	<b>285,908</b>
<b>Accumulated Depreciation &amp; Impairment</b>							
At 01 April 18	-	(1,832)	(7,709)	(4,387)	(82)	-	<b>(14,010)</b>
Depreciation charge	(7,611)	(2,016)	(1,256)	(156)	(11)	-	<b>(11,050)</b>
Accumulated Depreciation written off to Gross Carrying Amount	6,462	1,750	-	-	-	-	<b>8,212</b>
Accumulated Impairment written off to Gross Carrying Amount	-	165	-	-	-	-	<b>165</b>
Impairment losses recognised in the Revaluation Reserve	-	(219)	-	-	-	-	<b>(219)</b>
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	(63)	-	-	-	-	<b>(63)</b>
Derecognition - disposals	31	146	965	-	-	-	<b>1,142</b>
Assets reclassified (to)/ from Investment Properties	2	-	-	-	-	-	<b>2</b>
<b>At 31 March 19</b>	<b>(1,116)</b>	<b>(2,069)</b>	<b>(8,000)</b>	<b>(4,543)</b>	<b>(93)</b>	<b>-</b>	<b>(15,821)</b>
<b>Net Book Value</b>							
at 31 March 18	194,654	54,173	4,259	2,097	267	324	255,774
<b>at 31 March 19</b>	<b>210,313</b>	<b>52,699</b>	<b>4,771</b>	<b>1,998</b>	<b>256</b>	<b>50</b>	<b>270,087</b>
<b>Nature of Holdings at year end</b>							
Owned	210,313	52,699	4,771	1,998	256	50	<b>270,087</b>

- **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 £8.5m of minimum contract amounts are committed for future years (£15m as at 31<sup>st</sup> March 2019). These are for contracts in place as at 31<sup>st</sup> March 2020 and relate to HRA council dwellings and include works to maintain decent homes, re-roofing works, upgrading/ replacement of fire doors and heating installations. This can be analysed by financial years of:

- ◆ 2020/21 : £4.3m
- ◆ 2021/22 : £1.2m
- ◆ 2022/23 : £0.8m

A further £0.9m relates to the remaining contract value for conversion works to the Council House which is due to be completed during 2020/21 (nil as at 31<sup>st</sup> March 2019)

- **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.

94% of the council housing stock has been revalued as at 31<sup>st</sup> March 2020 by the Council's internal valuer.

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, allotments, Civic Hall, some leisure facilities, Council Depot, the Town Hall and Council House

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 31<sup>st</sup> March 2020.

The significant assumptions applied in estimating the fair values are:

- ◆ The current value of dwellings and land and buildings are determined either by reference to observable prices in an active market or by other valuation

techniques (e.g. capitalisation of income streams). However, the Outbreak of Covid19 has impacted global markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of ‘material uncertainty’ as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid19 on the economy. Therefore, values have been based on the situation prior to Covid19, on the assumption that values will be restored when the real estate market becomes more fluid.

- ◆ 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 £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost		864	12,934	13,798
valued at fair value in:				
2019/20	196,911	53,200	-	250,111
2018/19	-	7,678	-	7,678
2017/18	13,736	84	-	13,820
2016/17	-	1,768	-	1,768
2015/16	-	1,099	-	1,099
<b>Total Cost or Valuation</b>	<b>210,647</b>	<b>64,693</b>	<b>12,934</b>	<b>288,274</b>

## 15) INVESTMENT PROPERTIES

### Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31<sup>st</sup> March 2020 are as follows:

Other significant observable inputs (Level 2)	Fair Value of Investment Properties:	Other significant observable inputs (Level 2)
31 March 19 £000		31 March 20 £000
1,055	Office accommodation	1,060
17,034	Retail units	17,148
2,232	Industrial	2,275
349	Residential	349
7,753	Utilised by NABCEL	7,877
1,163	Other	1,413
<b>29,586</b>	<b>Balance at 31 March</b>	<b>30,122</b>

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).

However, the Outbreak of Covid19 has impacted global markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.

Valuations are therefore reported on the basis of 'material uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid19 on the economy. Therefore, values have been based on the situation prior to Covid19, on the assumption that values will be restored when the real estate market becomes more fluid.

### 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:

<b>2018/19</b>	<b>2019/20</b>
<b>£000</b>	<b>£000</b>
(1,421) Rental income from investment property	(1,639)
(105) Other Income	(116)
442 Operating expenses arising from investment property	1,032
<b>(1,084) Net (gain)/ loss</b>	<b>(723)</b>

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:

<b>2018/19</b>	<b>2019/20</b>
<b>£000</b>	<b>£000</b>
24,379 Balance at 1 April	29,586
Additions:	
3,047 Purchases	327
153 Subsequent expenditure	394
(305) Disposals	-
2,216 Net gains/ (losses) from fair value adjustments reflected in Comprehensive Income & Expenditure	(186)
Transfers:	
96 to/ from Property, Plant & Equipment	1
<b>29,586 Balance at 31 March</b>	<b>30,122</b>

## 16) FINANCIAL INSTRUMENTS

The following categories of financial instrument are carried in the Balance Sheet

### Financial Assets:

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
	2019	2020	2019	2020	2019	2020	2019	2020
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised Cost:</b>								
Principal	-	-	543	486	29,000	24,000	9,061	8,890
Accrued interest	-	-	-	-	125	155	-	-
Cash & Cash Equivalents (CCE)	-	-	-	-	5,716	3,851	-	-
CCE Accrued Interest	-	-	-	-	6	1	-	-
<b>Amortised Cost Total</b>	-	-	<b>543</b>	<b>486</b>	<b>34,847</b>	<b>28,007</b>	<b>9,061</b>	<b>8,890</b>
Fair Value through Profit and Loss	1,949	1,879	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>1,949</b>	<b>1,879</b>	<b>543</b>	<b>486</b>	<b>34,847</b>	<b>28,007</b>	<b>9,061</b>	<b>8,890</b>
Non-Financial Assets	-	-	-	-	-	-	1,855	1,890
<b>Total</b>	<b>1,949</b>	<b>1,879</b>	<b>543</b>	<b>486</b>	<b>34,847</b>	<b>28,007</b>	<b>10,916</b>	<b>10,780</b>

### Financial Liabilities:

	Non-Current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31	31	31	31	31	31	31	31
	March	March	March	March	March	March	March	March
	2019	2020	2019	2020	2019	2020	2019	2020
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Amortised Cost:</b>								
Principal	(77,205)	(77,205)	-	-	(3,508)	-	(10,680)	(11,721)
Accrued interest	-	-	-	-	(545)	(513)	-	-
<b>Amortised Cost Total</b>	<b>(77,205)</b>	<b>(77,205)</b>	<b>-</b>	<b>-</b>	<b>(4,053)</b>	<b>(513)</b>	<b>(10,680)</b>	<b>(11,721)</b>
Non-Financial Assets	-	-	-	-	-	-	(2,979)	(3,080)
<b>Total</b>	<b>(77,205)</b>	<b>(77,205)</b>	<b>-</b>	<b>-</b>	<b>(4,053)</b>	<b>(513)</b>	<b>(13,659)</b>	<b>(14,801)</b>

## Gains and Losses

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

2018/19	2019/20
<b>Surplus or Deficit on the Provision of Services £000</b>	<b>Surplus or Deficit on the Provision of Services £000</b>
Net (Gains)/ Losses on:	
37 Financial assets measured at fair value through profit or loss	69
<b>37 Total Net (Gains)/ Losses</b>	<b>69</b>
Interest Revenue:	
(355) Financial assets measured at amortised cost	(353)
(76) Other financial assets measured at fair value	(83)
(50) Dividend income	-
<b>(481) Total Interest Revenue</b>	<b>(436)</b>
<b>2,546 Interest Expense</b>	<b>2,491</b>

## Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them:

Recurring fair value measurements	Input level in fair value hierarchy & valuation technique	As at 31 March 19 £000	As at 31 March 20 £000
<b>Available for Sale:</b>			
Property Fund	Level 1 - Unadjusted quoted prices in active markets for identical shares.	1,949	1,879
		<b>1,949</b>	<b>1,879</b>

Except for the financial assets carried at fair value (described above), all other financial assets and liabilities, represented by amortised cost and long term debtors 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, new 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 19		31 March 20	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
PWLB debt	(79,226)	(87,282)	(75,694)	(81,409)
Non-PWLB debt	(2,032)	(3,115)	(2,024)	(3,104)
Short term borrowing	-	-	-	-
Short term creditors	(10,680)	(10,680)	(11,721)	(11,721)
<b>Total Financial Instrument Liabilities</b>	<b>(91,938)</b>	<b>(101,077)</b>	<b>(89,439)</b>	<b>(96,234)</b>

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 31<sup>st</sup> March 2020) 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 £96.2m (as quoted above) to £109.1m.

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

	31 March 19		31 March 20	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Cash & cash equivalents	5,717	5,717	3,852	3,852
Short term investments	29,125	29,125	24,155	24,155
Long term investments	-	-	-	-
Short term debtors	9,061	9,061	8,890	8,890
Long term debtors	543	543	486	486
<b>Total Assets</b>	<b>44,446</b>	<b>44,446</b>	<b>37,383</b>	<b>37,383</b>

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

2018/19 £000		2019/20 £000
<b>Amounts due within one year (net of impairment):</b>		
Central Government bodies:		
323	Ministry for Housing, Communities & Local Government	127
0	Department for Works & Pensions	1,619
849	HM Revenue & Customs	628
0	Other Government Departments	69
3,271	Other Local Authorities	1,931
741	Housing tenants	506
352	Council tax arrears	427
341	Non-domestic rates arrears	452
4,514	Other	4,315
525	Payments in advance	706
<b>10,916</b>	<b>Total</b>	<b>10,780</b>

Debtor balances are shown net of any allowance held for bad or doubtful debts. For 2019/20 the total impairment allowance across all debt types was £4.19m (£3.55m for 2018/19).

## Local Taxation

The amounts included in the above table for local taxation (council tax and non-domestic rates) are net of impairment allowances. The past due but not impaired amounts for Nuneaton and Bedworth Borough Council's proportion of local taxation can be analysed by age as follows:

2018/19 £000		2019/20 £000
<b>Council Tax:</b>		
264	Less than 1 year	327
120	1 to 2 years	149
187	2 to 5 years	217
94	More than 5 years	133
<b>665</b>		<b>826</b>
<b>Non-Domestic Rates:</b>		
192	Less than 1 year	239
78	1 to 2 years	62
172	2 to 5 years	98
39	More than 5 years	61
<b>481</b>		<b>460</b>

## 18) CASH AND CASH EQUIVALENTS

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

2018/19 £000		2019/20 £000
3,611	Cash held by the Authority	3,006
2,111	Bank current accounts	846
<b>5,722</b>	<b>Total Cash and Cash Equivalents</b>	<b>3,852</b>

## 19) CREDITORS

2018/19 £000		2019/20 £000
Central Government bodies:		
(2,654)	Ministry for Housing, Communities & Local Government	(4,391)
(2,498)	Department for Works & Pensions	-
(333)	HM Revenue & Customs	(331)
-	Other Government Departments	(33)
(2,446)	Other Local Authorities	(2,194)
(5,728)	Other entities and individuals	(7,852)
<b>(13,659)</b>	<b>Total</b>	<b>(14,801)</b>

**20) PROVISIONS**

	<b>Legal Claims</b>	<b>Business Rate Appeals</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 01 April 19</b>	<b>(37)</b>	<b>(1,545)</b>	<b>(1,582)</b>
Provisions made in year	-	(526)	(526)
Amounts used in year	-	57	57
<b>Balance at end of 31 March 20</b>	<b>(37)</b>	<b>(2,014)</b>	<b>(2,051)</b>

- **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 1<sup>st</sup> 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 1<sup>st</sup> 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 2010 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.

**21) 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.

**22) UNUSABLE RESERVES**

<b>31 March 19</b> <b>£000</b>		<b>31 March 20</b> <b>£000</b>
(88,480) Revaluation Reserve		(93,860)
51 Financial Instruments Revaluation Reserve		121
(122,853) Capital Adjustment Account		(112,656)
181 Financial Instruments Adjustment Account		160
62,890 Pensions Reserve		48,871
(436) Deferred Capital Receipts Reserve		(428)
(616) Collection Fund Adjustment Account		(351)
218 Accumulated Absences Account		270
<b>(149,045) Total Unusable Reserves</b>		<b>(157,873)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation,
- or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1<sup>st</sup> 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.

<b>2018/19</b> <b>£000</b>		<b>2019/20</b> <b>£000</b>
(69,439) Balance at 1 April		(88,480)
(22,097) Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7,628)	
(22,097) Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(7,628)
832 Difference between fair value depreciation and historical cost depreciation	1,635	
2,224 Accumulated gains on assets sold or scrapped	613	
<b>3,056</b> Amount written off to the Capital Adjustment Account		<b>2,248</b>
<b>(88,480) Balance at 31 March</b>		<b>(93,860)</b>

## Financial Instruments Revaluation Reserve

The Ministry for Housing, Communities and Local Government (MHCLG) has introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. In the Council's case this relates to its investments in the CCLA Property Fund. This over-ride expires on 31<sup>st</sup> March 2023 and unless extended, all fair value movements will then impact on the General Fund balance.

Financial Instruments Revaluation Reserve		
2018/19 £000		2019/20 £000
	- Balance at 1 April	51
	14 Amounts transferred from Available for Sale Reserve on transition per IFRS9	-
	37 Movement in Fair Value through Profit & Loss on Pooled Investment Funds	70
<b>51</b>		<b>70</b>
<b>51</b>	<b>Balance at 31 March</b>	<b>121</b>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert 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 1<sup>st</sup> 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.

2018/19 £000		2019/20 £000
(122,917)	Balance at 1 April	(122,853)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
11,112	Charges for depreciation and impairment of non-current assets	14,068
8,324	Revaluation losses on Property, Plant and Equipment	15,386
142	Amortisation of intangible assets	166
3,613	Revenue expenditure funded from capital under statute	5,569
4,857	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	2,133
28,048		37,322
(3,056)	Adjusting amounts written out of the Revaluation Reserve	(2,248)
24,992	Net written out amount of the cost of non-current assets consumed in the year	35,074
	Capital financing applied in the year:	
(3,574)	Use of Capital Receipts Reserve to finance new capital expenditure	(3,160)
(8,000)	Use of Major Repairs Reserve to finance new capital expenditure	(8,378)
(4,268)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,105)
(1,125)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,564)
(1,429)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(418)
(4,316)	Capital expenditure charged against the General Fund and HRA Balances	(6,438)
(22,712)		(25,063)
(2,216)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	186
(122,853)	<b>Balance at 31 March</b>	(112,656)

## 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.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
202	Balance at 1 April	181
(21)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	(21)
<b>(21)</b>	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 requirements	<b>(21)</b>
<b>181</b>	<b>Balance at 31 March</b>	<b>160</b>



## 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.

<b>2018/19</b>		<b>2019/20</b>
<b>Restated</b>		
<b>£000</b>		<b>£000</b>
54,972	Balance at 1 April	62,890
4,673	Remeasurement of the net defined benefit pension liability	(18,124)
6,518	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	7,743
(3,273)	Employer's contributions and direct payments to pensioners payable in the year	(3,638)
<b>62,890</b>	<b>Balance at 31 March</b>	<b>48,871</b>

## 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.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(441)	Balance at 1 April	(436)
5	Transfer to Capital Receipts Reserve upon receipt of cash	8
<b>(436)</b>	<b>Balance at 31 March</b>	<b>(428)</b>

### 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.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(134)	Balance at 1 April	(616)
(482)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from that calculated for the year in accordance with statutory requirements	265
<b>(616)</b>	<b>Balance at 31 March</b>	<b>(351)</b>

### 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 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
137	Balance at 1 April	218
(137)	Settlement or cancellation of accrual made at the end of the preceding year	(218)
218	Amounts accrued at the end of the current year	270
<b>81</b>	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	<b>52</b>
<b>218</b>	<b>Balance at 31 March</b>	<b>270</b>

**23) CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(312)	Dividends and Interest received	(467)
2,545	Interest paid	2,522

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

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
(11,112)	Depreciation & impairment	(14,068)
(6,108)	Revaluations	(15,573)
(142)	Amortisation of intangible assets	(166)
(143)	Increase/ (decrease) in impairment for bad debts	(105)
(2,093)	Movement in creditors	1,025
(1,844)	Movement in debtors	(31)
(30)	Movement in stock	(23)
111	Movement in provisions	(469)
(3,245)	Movement in pension liability	(4,105)
(4,857)	Carrying amount of non-current assets sold or de-recognised	(2,133)
(37)	Other non-cash items	(70)
<b>(29,500)</b>	<b>Total Adjustment</b>	<b>(35,718)</b>

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

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
4,991	Proceeds from the sale of Property, Plant & Equipment; Investment Property & Intangible Assets	3,241
4,439	Capital grants reflected in net surplus or deficit that relate to financing activities	4,222
<b>9,430</b>	<b>Total Adjustment</b>	<b>7,463</b>

## 24) CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £000		2019/20 £000
19,591	Purchase of property, plant and equipment; investment property and intangible assets	22,292
57,000	Purchase of short-term and long-term investments	24,000
(5,010)	Proceeds from the sale of property, plant and equipment; investment property and intangible assets	(3,249)
(48,000)	Proceeds from short-term and long-term investments	(29,000)
(5,241)	Other receipts from investing activities	(7,493)
<b>18,340</b>	<b>Net cash flows from investing activities</b>	<b>6,550</b>

## 25) CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £000		2019/20 £000
(585)	Other receipts from financing activities	(71)
79	Repayments of short-term and long-term borrowing	3,508
530	Other payments for financing activities	29
<b>24</b>	<b>Net cash flows from financing activities</b>	<b>3,466</b>

## 26) ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2019/20.

**27) 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:

2018/19			2019/20				
(Surplus) / Deficit			(Surplus) / Deficit		(Surplus) / Deficit		
Before Capital Charges	After Capital Charges		Costs	Income	Before Capital Charges	Capital Charges	After Capital Charges
£000	£000		£000	£000	£000	£000	£000
46	100	Markets	436	(318)	118	53	171
(32)	(32)	Trade Waste	68	(92)	(24)	-	(24)
(826)	(207)	Car Parks	1,320	(2,034)	(714)	2,279	1,565
541	817	Civic Hall - shows and catering	1,393	(841)	552	288	840
(115)	(72)	Mobile Home Sites	10	(110)	(100)	281	181
(532)	(2,737)	Commercial properties	426	(1,018)	(592)	629	37
(94)	(104)	Industrial properties	94	(178)	(84)	(14)	(98)
(430)	(430)	NABCEL	84	(525)	(441)	-	(441)
609	765	Green Waste	507	(894)	(387)	147	(240)
<b>(833)</b>	<b>(1,900)</b>	<b>Total</b>	<b>4,338</b>	<b>(6,010)</b>	<b>(1,672)</b>	<b>3,663</b>	<b>1,991</b>

**28) MEMBERS' ALLOWANCES**

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

2018/19		2019/20	
£000		£000	
171	Basic allowance	174	
65	Special responsibility	64	
13	Other allowances/ expenses	13	
<b>249</b>	<b>Total</b>	<b>251</b>	

The Mayor and Deputy Mayor also received total allowances of £5,876 per annum (£5,857 2018/19).

**29) 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	Pension Contributions	Total
			£	£	£	£
<b>Managing Director</b>	<b>2019/20</b>	<i>Note 2</i>	-	-	-	-
	<i>2018/19</i>		22,826	212	1,073	24,111
<b>Executive Director - Resources</b>	<b>2019/20</b>	<i>Note 1</i>	<b>88,163</b>	<b>360</b>	<b>17,566</b>	<b>106,089</b>
	<i>2018/19</i>		78,038	327	15,513	93,878
<b>Executive Director - Operations</b>	<b>2019/20</b>	<i>Note 1</i>	<b>85,004</b>	<b>348</b>	<b>16,513</b>	<b>101,865</b>
	<i>2018/19</i>		77,077	391	15,294	92,762
<b>Director - Housing, Communities &amp; Economic Development</b>	<b>2019/20</b>		<b>71,200</b>	-	<b>14,178</b>	<b>85,378</b>
	<i>2018/19</i>		69,366	-	13,873	83,239
<b>Director - Customer Services &amp; Business Improvement</b>	<b>2019/20</b>		<b>56,959</b>	-	<b>11,392</b>	<b>68,351</b>
	<i>2018/19</i>		55,842	-	11,168	67,010
<b>Director - Planning &amp; Public Protection</b>	<b>2019/20</b>		<b>57,158</b>	<b>82</b>	<b>11,392</b>	<b>68,632</b>
	<i>2018/19</i>		56,027	127	11,168	67,322
<b>Director - Arts, Leisure &amp; Democracy</b>	<b>2019/20</b>	<i>Note 1</i>	<b>73,684</b>	<b>197</b>	<b>14,687</b>	<b>88,568</b>
	<i>2018/19</i>		73,190	295	14,375	87,860
<b>Total</b>	<b>2019/20</b>		<b>432,168</b>	<b>987</b>	<b>85,728</b>	<b>518,883</b>
<i>Total</i>	<i>2018/19</i>		432,366	1,352	82,464	516,182

Note 1 - Includes Election related pay.

Note 2 - Postholder left June 2018 following restructure of management team

The Council's other employees (i.e. those not included in the analysis above) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2018/19 Total Number of Employees	Remuneration Band	2019/20 Total Number of Employees
1	£50,000 - £54,999	9
-	£55,000 - £59,999	-
-	£60,000 - £64,999	1
<b>1</b>		<b>10</b>

### 30) 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:

2018/19 £000		2019/20 £000
41	Fees payable to Grant Thornton LLP with regard to the external audit services carried out by the appointed auditor for the year	49
11	Fees payable to Grant Thornton LLP for the certification of grants and returns for the year	16
<b>52</b>	<b>Total</b>	<b>65</b>

**31) GRANT INCOME**

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

2018/19 £000		2019/20 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(64)	Contributions from leaseholders	(222)
(120)	Homes England	(711)
(4,011)	Other Local Authorities	(3,929)
(70)	Developers & other minor contributions	(90)
<b>(4,265)</b>	<b>Total</b>	<b>(4,952)</b>
	<b>Credited to Services</b>	
(562)	Benefits Administration Grant	(490)
(170)	Homelessness Support	(332)
(29,902)	Housing Benefit Subsidy	(26,008)
(72)	Elections Funding	(324)
(271)	Discretionary Housing Payment Grant	(252)
(131)	NNDR Cost of Collection Allowance	(131)
-	Towns Fund	(173)
-	Future High Streets Fund	(150)
(1,942)	Other grants	(1,790)
<b>(33,050)</b>	<b>Total</b>	<b>(29,650)</b>

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 19 £000		31 March 20 £000
	<b>Capital Grants Receipts in Advance</b>	
(2,790)	Developers Contributions	(3,791)
(16)	Other Contributions	(16)
(2,184)	Other Local Authorities	(2,071)
<b>(4,990)</b>	<b>Total</b>	<b>(5,878)</b>



## 32) 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 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 31.

### **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, page 95.

£84,614 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 2019/20 (£86,838 2018/19).

### **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 2019/20 was approved at Council on 15<sup>th</sup> May 2019.

The Council provided financial assistance to certain voluntary and outside bodies during 2019/20 which included the following contributions:

2018/19 £	Organisation	2019/20	
		£	Members
13,530	Warwickshire Employment Rights (Advice Rights)	-	1
2,550	Bulkington Village Centre	2,580	1
8,789	Hartshill & Nuneaton Recreation Ground	9,079	2
7,330	Nuneaton & Bedworth Sports Forum	7,330	1
90,068	Nuneaton & Bedworth Citizens' Advice Bureau	85,312	-
5,140	Stockingford Community Centre	5,140	-
44,673	Warwickshire Community & Voluntary Action	40,524	-
4,900	Warwickshire Race Equality Partnership	6,880	1
10,963	NBBC Healthy Living Network	-	-
18,990	Nuneaton Harriers Community Association Ltd	18,990	-

### 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.

Due to turnover in NABCEL during 2019/20 not being material in the context of the Council's accounts, group accounts have not been prepared however note 34 provides additional information.

As at 31<sup>st</sup> March 2020, Nuneaton and Bedworth Borough Council held a debtor on its balance sheet of £523,367 (2018/19: £442,751) in respect of money owed to it by NABCEL and a creditor of £371,740 as monies owed to NABCEL (2018/19: £214,015).

### 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. Capital contributions received from each authority can be seen in the table below:

2018/19 £	HEART Contributions	2019/20 £
716,203	Rugby Borough Council	636,119
648,960	North Warwickshire Borough Council	700,334
816,286	Warwick District Council	899,233
974,414	Stratford on Avon District Council	953,963

A total of £2.06m of unspent contributions from the above authorities is held within Capital Grants Receipts in Advance to be utilised in future years.

### **Healthy Living Network**

The Council processes the payroll for the Healthy Living Network and in 2019/20 processed transactions totalling £283,372 (2018/19: £207,732) which is then repaid by the organisation.

### **Pride in Camp Hill Ltd.**

Due to the nature of the tri-partite agreement referred to in note 33, Pride in Camp Hill Ltd (PinCH) is considered to be a related party of the Borough Council. In 2019/20 the Council contributed £8,995 (2018/19: £30,057) towards the running costs of the company. At year end there was a nil balance in relation to creditor amounts on the Council's balance sheet (2018/19: £8,767) and a debtor of £19,083 (2017/18: £27,180).

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 33 to the accounts.

## **33) 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 2019/20 £1.16m of capital expenditure was incurred by the Council. This was fully funded from receipts from the developer.

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 £1.07m is shown in the accounts. The freehold will be transferred to homeowners when purchased and a capital receipt will be received from Barratt.

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

	£
Opening balance (NBV)	330,000
Acquisitions in year	1,160,769
Disposals of land in year	(240,000)
Revaluations	(1,070,769)
<b>Closing balance</b>	<b>180,000</b>

### 34) NUNEATON AND BEDWORTH COMMUNITY ENTERPRISES LIMITED (NABCEL)

NABCEL is a wholly owned subsidiary of the Council created in 2013, providing a range of services.

- NABCEL Homes: Providing a range of quality homes and flats for rent within Nuneaton and Bedworth.
- NABCEL Property Management: Managing short term accommodation on behalf of the Council.
- NABCEL Gas Services: Undertaking repairs, servicing and installation of boilers.

Group accounts have not been prepared as for 2019/20 it is deemed that the revenue amounts across service areas within the Net Cost of Services of the Comprehensive Income and Expenditure Statement are not material to require group accounts to be prepared. However, as the business continues to expand it is considered prudent to include details within a note to the accounts.

For the year 2019/20 the turnover of NABCEL totalled £2.53m of which £2.20m was generated from agreements with Nuneaton and Bedworth Borough Council. After costs and allowable expenses of £2.34m (of which £455k was payment to NBBC for property charges), NABCEL generated a net profit before taxation of £187k

Income was generated through the following service areas:

	2019/20 £000
<b>NABCEL Service Income</b>	
Rental	(640)
Management Fee	(47)
Gas Servicing	(659)
Gas Installations	(1,100)
Gas Rebate	(86)
Other	(2)
	<b>(2,534)</b>

It should be noted that the 2019/20 figures quoted are subject to audit by NABCEL's external auditors.

### 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.

2018/19 £000	2019/20 £000
<b>90,314 Opening Capital Financing Requirement</b>	<b>90,286</b>
Capital Investment	
15,559 Property, Plant and Equipment	21,095
3,200 Investment Properties	721
9 Heritage Assets	-
303 Intangible Assets	206
3,613 Revenue Expenditure Funded from Capital under Statute	5,569
Sources of Finance	
(3,574) Capital receipts	(3,160)
(5,393) Government grants and other contributions	(6,670)
(8,000) Major Repairs Reserve	(8,378)
(4,316) Sums set aside from revenue - direct revenue contributions	(6,438)
(1,429) Sums set aside from revenue - Minimum Revenue	(418)
<b>90,286 Closing Capital Financing Requirement</b>	<b>92,813</b>
<b>Explanation of movements in year:</b>	
Increase in underlying need to borrow:	
1,401 Unsupported by government financial assistance	2,945
Sums set aside from revenue:	
(1,429) Minimum/ Voluntary Revenue Provision	(418)
<b>(28) Increase/(decrease) in Capital Financing Requirement</b>	<b>2,527</b>

### 36) LEASES

- **Council as Lessee**

#### Finance Leases

There are no finance leases outstanding at 31<sup>st</sup> March 2020.

#### 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 2019/20 was £57k and the

Council is committed to further payments as detailed in the table below:

31 March 19 £000		31 March 20 £000
	<b>Operating Leases</b>	
57	Not later than one year	57
177	Later than one year not later than five years	157
2,277	Later than five years	2,289
<b>2,511</b>	<b>Total</b>	<b>2,503</b>

- **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 £41.54m at 31st March 2020 with no accumulated depreciation. The income from such operating lease rentals during 2019/20 was £2.28m (£2.05m in 2018/19).

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

31 March 19 £000		31 March 20 £000
	Operating Leases	
542	Not later than one year	475
1,755	Later than one year not later than five years	1,732
68,495	Later than five years	68,078
<b>70,792</b>	<b>Total</b>	<b>70,285</b>

### Finance Leases

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

**37) IMPAIRMENT LOSSES**

During 2019/20 impairments of £13.60m were recognised of which £12.63m were from income producing car parks. This was following an assessment of their value as at 31<sup>st</sup> March 2020 as income levels had significantly decreased as at valuation date due to Covid19. It is expected that their values will increase as lockdown measures are reduced and income increases and therefore this impairment will be reversed during 2020/21.

Of the £12.63m impairment for car parks, £1.97m was recognised in the Planning & Development portfolio within the Comprehensive Income and Expenditure Statement with the remainder being charged to the Revaluation Reserve.

Accounting regulations allow for these charges to be reversed through the Movement in Reserves Statement to ensure that there is no impact on General Fund resources.

There were no material impairment losses recognised during 2018/19 (nil 2017/18).

**38) TERMINATION BENEFITS**

In 2019/20, the Council incurred total costs of £66k relating to 2 exit packages as part of a service restructure.

**Exit Packages:**

The table below details the number and cost of exit packages for 2019/20 and the previous financial year.

	Number of Compulsory Redundancies		Number of Voluntary Redundancies		Total Number of Exit Packages		Total Cost of Exit Packages	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
<b>Band Cost</b>								
band £0-£20k	0	0	0	0	0	0	£0	£0
band £20-£40k	0	1	1	1	1	2	£21,318	£65,505
<b>Grand Total</b>	0	1	1	1	1	2	£21,318	£65,505

## **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 2018/19 £000	Discretionary Benefit Arrangements 2018/19 £000		Local Government Pension Scheme 2019/20 £000	Discretionary Benefit Arrangements 2019/20 £000
<b>Comprehensive Income and Expenditure Statement:</b>				
Cost of Services:				
5,268	-	Current service costs	5,588	-
47	-	Past service costs/ (gain)	619	-
Financing and Investment Income and Expenditure				
1,350	109	Net Interest Expense	1,433	103
<b>6,665</b>	<b>109</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>7,640</b>	<b>103</b>
Remeasurement of the defined benefit liability comprising:				
Return on plan assets (excluding the amount included in net interest expense)				
(7,378)	-		18,668	-
12,079	9	Actuarial gains and losses arising on changes in financial assumptions	(16,316)	(391)
-	-	Changes in demographic assumptions	(6,660)	-
(37)	-	Other	(13,425)	-
<b>11,329</b>	<b>118</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(10,093)</b>	<b>(288)</b>
<b>Movement in Reserves Statement:</b>				
(6,665)	(109)	Reversal of net charges made to the Comprehensive Income and Expenditure Statement for post employment benefits in accordance with the code	(7,640)	(103)
Actual amount charged against the General Fund Balance for pensions in the year:				
3,230		Employers' contributions payable to the scheme	3,342	
	299	Retirement benefits payable to pensioners		296

### 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:

2018/19 £000		2019/20 £000
	Local Government Pension Scheme:	
229,815	Present value of the defined benefit obligation	199,044
(171,201)	Fair value of plan assets	(153,865)
	Discretionary Benefit Arrangements:	
4,276	Present value of the defined benefit obligation	3,692
<b>62,890</b>	<b>Net liability arising from the defined benefit obligation</b>	<b>48,871</b>

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

Local Government Pension Scheme 2018/19 £000		Local Government Pension Scheme 2019/20 £000
161,903	Balance at 1 April	171,201
4,186	Interest Income	4,084
	Remeasurement gain/ (loss)	
7,378	Return on assets excluding amounts included in the net interest expense	(18,668)
3,230	Contributions from employer	3,342
299	Contributions in respect of unfunded benefits	296
822	Contributions from employees	793
(6,617)	Benefits paid	(7,183)
<b>171,201</b>	<b>Balance at 31 March</b>	<b>153,865</b>



## Local Government Pension Scheme Assets Analysis

Period Ended 31 Mar 2019				Period Ended 31 Mar 2020				
Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets		Quoted prices in active markets	Quoted prices not in active markets	Total	Percentage of total assets
£000	£000	£000			£000	£000	£000	
<b>Equity Securities</b>								
8,239	-	8,239	5%	Consumer	-	-	-	0%
3,401	-	3,401	2%	Manufacturing	-	-	-	0%
205	-	205	0%	Energy and Utilities	-	-	-	0%
3,745	-	3,745	2%	Financial Institutions	-	-	-	0%
4,062	-	4,062	2%	Health and Care	-	-	-	0%
4,223	-	4,223	3%	Information Technology	-	-	-	0%
5,329	-	5,329	3%	Other	-	-	-	0%
<b>Debt Securities</b>								
-	4,876	4,876	3%	Other	-	4,893	4,893	3%
<b>Private Equity</b>								
-	8,714	8,714	5%	All	-	7,363	7,363	5%
<b>Real Estate:</b>								
18,687	-	18,687	11%	UK Property	15,037	-	15,037	10%
29	-	29	0%	Overseas Property	13	-	13	0%
<b>Investment Funds and Unit Trusts</b>								
64,500	-	64,500	38%	Equities	88,198	-	88,198	57%
28,186	-	28,186	17%	Bonds	23,641	-	23,641	15%
-	3,953	3,953	2%	Infrastructure	-	4,048	4,048	3%
10,632	-	10,632	6%	Other	8,525	-	8,525	6%
<b>Cash and Cash Equivalents</b>								
2,420	-	2,420	1%	All	2,147	-	2,147	1%
<b>153,658</b>	<b>17,543</b>	<b>171,201</b>	<b>100%</b>	<b>Total</b>	<b>137,561</b>	<b>16,304</b>	<b>153,865</b>	<b>100%</b>

The accounts of the Warwickshire Pension Fund include a disclosure note about the material uncertainty in respect of the property fund it holds of £217m. Details of these can be found in Note 5 of the Warwickshire Pension Fund Accounts. The Council's proportion of these funds is approximately 6.92% which equates to £15.050m. Therefore, less certainty can be attached to the valuation of these assets as at 31<sup>st</sup> March 2020.

## 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 2019/20 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 31<sup>st</sup> March 2019.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2018/19	Discretionary Benefit Arrangements 2018/19		Local Government Pension Scheme 2019/20	Discretionary Benefit Arrangements 2019/20
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.5 years	22.5 years	Men	21.6 years	21.6 years
24.7 years	24.7 years	Women	23.8 years	23.8 years
		Longevity at 65 for future pensioners:		
24.3 years	-	Men	22.5 years	-
26.7 years	-	Women	25.4 years	-
3.1%	-	Rate of increase in salaries	2.7%	-
2.5%	2.5%	Rate of increase in pensions	1.9%	1.9%
2.4%	2.4%	Rate for discounting scheme liabilities	2.3%	2.3%

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 49.

## 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 31<sup>st</sup> March 2021 are estimated to be approximately £3.214m.

## 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 2020, Nuneaton and Bedworth held £851k 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:

**Business Rates Retention:** With effect from 1<sup>st</sup> 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.

**Legal Claim:** There is an ongoing claim against the Council for £100k for loss of income incurred by a contractor of the Council whilst the Council were undertaking improvement works on a property utilised by the claimant. At the present time there is insufficient evidence to substantiate whether the claim would be successful and therefore a provision has not been recognised as at 31<sup>st</sup> March 2020.

## 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 and Standards Committee.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2019 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2019/20 was £106.26m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was set at £92.26m. 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 Link 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 £28.9m 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 31<sup>st</sup> March 2020 that this was likely to crystallise.

## Amounts Arising from Expected Credit Losses

### Credit Risk Exposure

The Council has assessed it’s short and long term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

A summary of the credit quality of the Council’s investments as at 31<sup>st</sup> March 2020 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and collectability:

Estimated maximum exposure at 31 March 19 £000	Amount at 31 March 20 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 20 % C	Estimated maximum exposure to default and uncollectability at 31 March 20 £000 (A x C)
<b>Investments:</b>				
- A Rated	24,000	0.05%	0.00%	-
- Property Fund	1,879	0.00%	0.00%	-
<b>Cash &amp; Cash Equivalents</b>				
- AAA Rated	3,000	0.04%	0.00%	-
<b>428</b>	<b>Customers</b>	<b>1,603</b>	<b>35.28%</b>	<b>439</b>
<b>428</b>				<b>439</b>

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 £1.09m of the £1.60m balance is past its due date for repayment. The past due amount can be analysed by age as follows:

31 March 19 £000		31 March 20 £000
110	<b>Less than three months</b>	220
155	<b>Three to six months</b>	163
127	<b>Six months to one year</b>	274
483	<b>More than one year</b>	433
<b>875</b>		<b>1,090</b>

### 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 19		31 March 20	
Average Rate	Amount	Average Rate	Amount
%	£000	%	£000
3.13%	78,705	3.15%	75,205
4.08%	2,008	4.10%	2,000
	<b>PWLB</b>		
	<b>Other Lenders</b>		
<b>3.15%</b>	<b>80,713</b>	<b>3.17%</b>	<b>77,205</b>
2.80%	3,508	3.13%	4,500
3.13%	4,500	0.00%	-
2.71%	16,000	2.73%	26,000
3.13%	48,705	3.22%	38,705
0.00%	-	0.00%	-
4.35%	8,000	4.35%	8,000
	<b>less than one year</b>		
	<b>Maturing in 1 - 2 years</b>		
	<b>Maturing in 2 - 5 years</b>		
	<b>Maturing in 5 - 10 years</b>		
	<b>- Maturing in 10 - 15 years</b>		
	<b>Maturing in over 15 years</b>		
<b>3.15%</b>	<b>80,713</b>	<b>3.17%</b>	<b>77,205</b>

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

31 Mar 19		31 Mar 20	
Maximum Exposure Allowable	Maximum Exposure at year end	Maximum Exposure Allowable	Maximum Exposure at year end
20%	4%	20%	6%
20%	6%	20%	0%
20%	20%	50%	34%
75%	60%	75%	50%
100%	10%	100%	10%
	<b>less than one year</b>		
	<b>Maturing in 1 - 2 years</b>		
	<b>Maturing in 2 - 5 years</b>		
	<b>Maturing in 5 - 10 years</b>		
	<b>Maturing in more than 10 years</b>		

## 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:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(152)
<b>Net Impact on Surplus or Deficit on the Provision of Services</b>	<b>(152)</b>
Decrease in fair value of fixed rate borrowings (no impact on the Provision of Services or Other Comprehensive Income and Expenditure)	(5,186)

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. However, the Ministry for Housing, Communities and Local Government (MHCLG) has introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. In the Council's case this relates to its investments in the CCLA Property Fund. This over-ride expires on 31<sup>st</sup> March 2023 and unless extended, all fair value movements will then impact on the General Fund balance.

## 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

2018/19 £000		2019/20 £000	£000
	<b>Expenditure:</b>		
5,760	Repairs and maintenance	5,556	
7,039	Supervision and management	8,278	
13,783	Depreciation and impairment of non-current assets	23,193	
136	Debt management costs	136	
457	Movement in the allowance for bad debts	558	
<b>27,175</b>	<b>Total Expenditure</b>	<b>37,721</b>	
	<b>Income:</b>		
(22,724)	Dwelling rents	(23,072)	
(571)	Non-dwelling rents	(573)	
(2,014)	Charges for services and facilities	(2,141)	
<b>(25,309)</b>	<b>Total Income</b>	<b>(25,786)</b>	
<b>1,866</b>	<b>Net Cost of HRA Services</b>		<b>11,935</b>
141	HRA services' share of Corporate and Democratic Core		150
(48)	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		210
<b>1,959</b>	<b>Total Net Cost/ (Income) for HRA Services as reported in the Comprehensive Income and Expenditure Statement</b>		<b>12,295</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(583)	(Gain) or loss on sale of HRA non-current assets		(585)
2,101	Interest payable and similar charges		2,046
(103)	Interest and investment income		(75)
513	Pensions interest cost and expected return on pensions assets		521
(184)	Capital grants and contributions receivable		(933)
<b>3,703</b>	<b>(Surplus)/ deficit for the year on HRA services</b>		<b>13,269</b>

## Movement on the HRA Statement

2018/19 £000		2019/20 £000	£000
(18,381)	Balance on the HRA at the end of the previous year		(19,177)
3,703	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	13,269	
(4,499)	Adjustments between accounting basis and funding basis under statute	(5,381)	
(796)	(Increase) or decrease on the HRA		7,888
<b>(19,177)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(11,289)</b>

An analysis of the adjustments of £5,381k is detailed in the table below:

2018/19 £000		2019/20 £000
38	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	4,025
583	Gain or loss on sale of HRA non-current assets	586
(1,142)	HRA share of contributions to or from the Pensions Reserve	(1,448)
630	Capital expenditure funded by the HRA	5,414
7,991	Transfer to the Major Repairs Reserve	8,301
(12,599)	Other transfers to/ (from) the Capital Adjustment Account	(22,259)
<b>(4,499)</b>	<b>Total adjustments between accounting basis and funding basis under statute</b>	<b>(5,381)</b>

## 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 19	3,382	2,335	5,717
Acquisitions	22	-	22
Property Conversions	(9)	18	9
Sales	(35)	(10)	(45)
<b>Housing stock as at 31 March 20</b>	<b>3,360</b>	<b>2,343</b>	<b>5,703</b>

## 2) HRA FIXED ASSETS MOVEMENTS

	-----Non-current assets-----				Total £000
	Council Dwellings £000	Other Land and Buildings £000	Plant/ Vehicles & Equipment £000	Infrastructure Assets £000	
<b>Cost or Valuation</b>					
As at 01 April 19	211,429	5,474	1,081	134	218,118
Additions	14,770	4	-	-	14,774
Revaluations	(13,663)	67	-	-	(13,596)
Derecognition - disposals	(1,889)	-	(60)	-	(1,949)
<b>As at 31 March 20</b>	<b>210,647</b>	<b>5,545</b>	<b>1,021</b>	<b>134</b>	<b>217,347</b>
<b>Accumulated Depreciation &amp; Impairment</b>					
As at 01 April 19	(1,116)	(83)	(600)	(15)	(1,814)
Depreciation charge	(7,907)	(192)	(197)	(5)	(8,301)
Revaluations	7,946	138	-	-	8,084
Derecognition - disposals	41	-	37	-	78
<b>As at 31 March 20</b>	<b>(1,036)</b>	<b>(137)</b>	<b>(760)</b>	<b>(20)</b>	<b>(1,953)</b>
<b>Net Book Value</b>					
at 31 March 19	210,313	5,391	481	119	216,304
<b>at 31 March 20</b>	<b>209,611</b>	<b>5,408</b>	<b>261</b>	<b>114</b>	<b>215,394</b>
<b>Nature of holdings at year end</b>					
Owned	209,611	5,408	261	114	215,394

The vacant possession value of Council Dwellings at 31<sup>st</sup> March 2020 was estimated to be £524m. The difference between this and the Balance Sheet Value of £2109.6m 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:

2018/19 £000		2019/20 £000
<b>Capital Expenditure:</b>		
Property, Plant & Equipment:		
8,553	Dwellings	14,770
351	Land & Buildings	4
306	Assets Under Construction	2,366
3	Intangible Assets	80
<b>9,213</b>	<b>Total Capital Expenditure</b>	<b>17,220</b>
<b>Funded by:</b>		
-	Borrowing not attracting Government support	1,655
399	Usable capital receipts	839
630	Revenue contributions	5,414
184	External grants and contributions	934
8,000	Major Repairs Reserve	8,378
<b>9,213</b>	<b>Total Funding</b>	<b>17,220</b>

### 4) MAJOR REPAIRS RESERVE

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

2018/19 £000		2019/20 £000
(387)	Balance at 1 April	(378)
(7,991)	Transfer from the HRA equal to depreciation	(8,301)
-	Additional voluntary contribution transferred from the HRA	(4,055)
8,000	Amounts applied to finance capital expenditure	8,378
<b>(378)</b>	<b>Balance at 31 March</b>	<b>(4,356)</b>

The additional contribution made to the Reserve during 2019/20 is to set aside resources to fund capital expenditure that was originally profiled to be spent during 2019/20 but due to programme slippage will now be completed during 2020/21.



**5) GROSS RENT OF DWELLINGS**

Amounts reported in the Income and Expenditure statement is net rent income due after making allowances for vacant properties. Gross rent is calculated as the rent due on all dwelling stock for the year and losses from voids and vacancies amounted to 1.65% of the gross rent income (2018/19: 1.87%). Average rent for the year was £76.56 a week compared to £77.41 in 2018/19, based on a 53 week rent year.

**6) RENT ARREARS AT 31<sup>st</sup> MARCH**

2018/19 £000		2019/20 £000
2,710	Gross arrears	2,620
1,969	Bad debt provision	2,114
11.9%	Gross arrears as percentage of gross rent income	11.4%

**7) CAPITAL RECEIPTS**

2018/19 £000		2019/20 £000
(2,125)	Sale of dwellings under right to buy	(2,460)
589	Amounts pooled to Central Government	598
<b>(1,536)</b>	<b>Net capital receipts</b>	<b>(1,862)</b>

**8) PENSIONS RESERVE CONTRIBUTION**

2018/19 £000		2019/20 £000
(629)	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	(927)
(513)	Net Interest on pension liability	(521)
<b>(1,142)</b>	<b>Total</b>	<b>(1,448)</b>

## Collection Fund

### Income and Expenditure Statement

----- 2018/19 -----			----- 2019/20 -----		
Business Rates £000	Council Tax £000	Total £000	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>					
	(67,756)	(67,756)		(72,865)	(72,865)
(36,519)		(36,519)	(35,830)		(35,830)
Contributions towards previous year estimated deficit:					
(64)	-	(64)	176	-	176
(16)	-	(16)	44	-	44
(80)	-	(80)	221	-	221
<b>(36,679)</b>	<b>(67,756)</b>	<b>(104,435)</b>	<b>(35,389)</b>	<b>(72,865)</b>	<b>(108,254)</b>
<b>Total Income</b>					
<b>EXPENDITURE</b>					
Apportionment of previous year estimated surplus:					
-	95	95	-	75	75
-	83	83	-	68	68
-	560	560	-	451	451
Precepts, demands and shares:					
13,718	8,437	22,155	13,741	8,801	22,542
-	7,585	7,585	-	8,587	8,587
3,429	50,712	54,141	3,435	53,927	57,362
17,148	-	17,148	17,177	-	17,177
Charges to the collection fund:					
194	375	569	341	600	941
419	-	419	1,316	-	1,316
400	-	400	18	-	18
131	-	131	131	-	131
<b>35,439</b>	<b>67,847</b>	<b>103,286</b>	<b>36,159</b>	<b>72,509</b>	<b>108,668</b>
<b>Total Expenditure</b>					
(1,240)	91	(1,149)	770	(356)	414
(84)	(781)	(865)	(1,324)	(690)	(2,014)
<b>(1,324)</b>	<b>(690)</b>	<b>(2,014)</b>	<b>(554)</b>	<b>(1,046)</b>	<b>(1,600)</b>
<b>Fund balance at 31st March: (Surplus)/ Deficit</b>					
<b>Analysis of Fund Balance (Surplus)/ Deficit</b>					
(530)	(87)	(617)	(222)	(129)	(351)
-	(79)	(79)	-	(126)	(126)
(132)	(524)	(656)	(55)	(791)	(846)
(662)	-	(662)	(277)	-	(277)
<b>(1,324)</b>	<b>(690)</b>	<b>(2,014)</b>	<b>(554)</b>	<b>(1,046)</b>	<b>(1,600)</b>

## Notes to the Collection Fund

### 1) NATIONAL NON-DOMESTIC RATES (NNDR)

The total non-domestic rateable value at 31<sup>st</sup> March 2020 was £87,624,385 (£88,134,561 as at 31<sup>st</sup> March 2019) and the national non-domestic rate multiplier for the year was 50.4p (2018/19: 49.3p). The small business rate relief can be applied in qualifying circumstances and provided a reduced multiplier of 49.1p for 2019/20 (2018/19: 48.0p).

From 1<sup>st</sup> 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 £71.3m (2018/19: £66.7m) a Band D Council Tax of £1,893.45 was determined (2018/19: £1,794.54).

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		Adjusted property base (Band D Equivalent)	
	2019/20	2018/19	2019/20	2018/19
<b>A - Disabled Relief Reduction (5/9)</b>	<b>39</b>	37	<b>22</b>	21
<b>A - (6/9)</b>	<b>17,966</b>	17,976	<b>11,977</b>	11,984
<b>B - (7/9)</b>	<b>11,896</b>	11,844	<b>9,252</b>	9,212
<b>C - (8/9)</b>	<b>12,014</b>	11,955	<b>10,679</b>	10,627
<b>D - (9/9)</b>	<b>6,672</b>	6,569	<b>6,672</b>	6,569
<b>E - (11/9)</b>	<b>2,498</b>	2,420	<b>3,053</b>	2,958
<b>F - (13/9)</b>	<b>676</b>	639	<b>976</b>	923
<b>G - (15/9)</b>	<b>160</b>	152	<b>267</b>	253
<b>H - (18/9)</b>	<b>7</b>	5	<b>14</b>	10
<b>Totals</b>	<b>51,928</b>	<b>51,597</b>	<b>42,912</b>	<b>42,557</b>
<b>Reduction due to estimated Council Tax Support needs</b>			<b>(4,521)</b>	<b>(4,841)</b>
<b>Resultant Band D Equivalents</b>			<b>38,391</b>	<b>37,716</b>
<b>Assumed Collection Rate</b>			<b>98.00%</b>	98.50%
<b>Plus adjustment for Armed Forces Dwellings</b>			<b>41</b>	37
<b>Total Taxbase</b>			<b>37,664</b>	<b>37,187</b>

## **Annual Governance Statement**

### **Nuneaton and Bedworth Borough Council**

#### **ANNUAL GOVERNANCE STATEMENT**

**For the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020**

#### **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 31<sup>st</sup> March 2020 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.

## **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 Head of Audit and Governance'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 Executive Directors 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 2019-20 statement has been carried out by the Management Team and the final statement was approved on 23<sup>rd</sup> June 2020.

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 and Standards Committee approved a revised Local Code in July 2018, 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 Head of Audit and Governance 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<sup>th</sup> 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 2020/21 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 2019.
- 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. There is 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.
- The Council has a zero tolerance to all forms of fraud, error and corruption. The Council employs a Counter Fraud Officer who works closely with the Revenue and Benefits and Housing Teams to identify, deter and prevent fraud and error.
- The Council has a joint working arrangement with the Department for Work and Pensions so cases which involve both Housing Benefit and a Council Tax Reduction will be investigated jointly
- The Council's Management Team has an action plan to prepare for the UK's exit from the European Union. This has included preparing guidance for local businesses and writing to suppliers to seek assurance about their ability to continue with Council contracts, particularly in light of a No Deal Brexit.

## **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 s151 Officer has been appointed as the Senior Information Risk Owner and the Head of Audit and Governance is her Deputy
- A Data Protection Officer was appointed in November 2017
- The Council has introduced an electronic process for reporting data breaches and near misses internally to the Data Protection Officer and to the Senior Information Risk Owner to ensure that all appropriate action can be taken promptly
- All data breaches and near misses are discussed with the Corporate Governance and Information Governance Groups to enable any lessons learned to be shared
- All employees and senior managers have received data protection training
- Subject Access and other information rights requests are processed in line with the new statutory timescales
- 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 August 2020
- The Council was assessed as meeting the Government backed Cyber Essentials Scheme and as such has defences that are satisfactory against commodity based cyber-attacks. The certificate expired in December 2018 and was to be renewed when the unsupported Northgate Housing Software was replaced. There have been significant delays with the new CX Housing System and these were highlighted during the Public Service Network Compliance assessment. The Council was still assessed as being satisfactory but the certificate cannot be renewed until the unsupported Northgate System is removed. The current go live date is 28 September 2020.

### **Audit and Standards Committee**

- 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 an 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.
- In order to ensure high standards of conduct and probity, the Committee also plays a key part in strengthening and maintaining the highest standards of ethical conduct which the public is entitled to expect from both Members and Officers of the Council

### **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.
- Since June 2018 the Management Team structure has consisted of two Executive Directors and a four Directors.



## Performance Management

- The TEN Performance Management System is used to report performance to officers, 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 and Standards Committee in November 2019 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 2019/20, including Insurance Claims which is now complete and Corporate Income Recovery which is at the experimental stage. Further to the lean review work undertaken in 2019 as part of the new Grounds Maintenance contract, implementation of the customer feedback system is being tested as of 18<sup>th</sup> June. This will be followed up with a full launch in July/August 2020 and updated.  
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 Executive Director – Resources is the CFO and is a member of the Management Team. 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 2019/20 and were due to be approved by the Audit Committee in March 2020. However, that meeting was cancelled due to the emerging COVID19 pandemic and so they were approved under Delegated Authority by the Executive Director – Resources in May 2020.
- The revised Financial Plan was reported to Cabinet in September 2019. It outlined the savings required over the period 2020-2023, based on the one-year 'roll-over' settlement offered by central government for 2020/21. The key messages from the Plan are communicated to all employees and the plan will be updated again during the course of 2020/21. This will take into account the estimated financial impact of COVID19 as well as any further information on the government's Spending Review, Business Rates Review and Fair Funding Review.
- The Treasury Management Strategy is reviewed each year, as a result of the economic conditions and investments in Icelandic banks. We have continued to keep our Counterparty list under review, in liaison with our external advisors. The Audit and

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 and Standards Committee in November 2019. 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 1<sup>st</sup> 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 and Standards Committee twice a year. The last reports were considered by the Committee in July 2019 and January 2020.
- The Internal Audit section is subject to regular inspection and report by the Council's external auditors. A review of the effectiveness of Internal Audit is completed annually; an external quality assessment was completed in January 2019 to ensure compliance with the Public Sector Internal Audit Standards. The overall conclusion was that the internal audit service complies with the Public Sector Internal Audit Standards and provides an efficient and effective service to the Council.

## 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’s values now form part of the recruitment process and employee’s annual development reviews.
- The Council has implemented a Corporate Training System, DELTA (Develop, Enhance, Learn, Train, and Accomplish) which holds all training courses including mandatory ones. The system holds employees individual training records and sends notifications for refreshers. This will give the Council a more effective method of ensuring all training, specifically mandatory, is up to date and will ensure that an attendance record is maintained.
- Staff are updated on corporate issues through regular communication updates, in addition to specific publications from Management Team, as well as annual finance updates and training opportunities. Corporate Governance Training for Elected Members takes place annually

## Significant governance issues

An update on the Action Plan from 2019/20 is given below:

Action	Responsible Officer	Completion Date
Develop a delivery plan for the Council’s Delivering Our Future 2019-31 Plan	Management Team	June 2019
Review the Council’s Contract and Financial Procedure Rules	Head of Audit and Governance and the Strategic Creditors and Procurement Manager	June 2020
Undertake training for the Audit and Standards Committee on the Statement of Accounts and Treasury Management	Head of Financial Services	Carried forward to 2020/21
Undertake training for the Audit and Standards Committee on the role of External Audit and the Audit Committee	Head of Audit and Governance	Carried forward to 2020/21
Introduce a process of robust post-project reviews of capital projects	Executive Director - Resources	On-going
Implement a Corporate Document Retention Policy	Head of Audit and Governance	On-going

<b>Action</b>	<b>Responsible Officer</b>	<b>Completion Date</b>
Merge all Directorate Business Continuity Plans into a single Corporate Business Continuity Plan that reflects the recent senior management restructure and corporate review of resilience of IT facilities and workstations.	Director – Customer Services & Business Improvement	Drafted but needs reviewing
Renew Cyber Essentials accreditation when the new CX Housing System has replaced the unsupported Northgate Software	Director – Customer Services & Business Improvement	Significant delays experienced with the implementation of the new CX Housing System
The Gifts and Hospitality Policy to be updated incorporating the recommendations from the Committee on Standards in Public Life	Director – Democracy, Planning & Public Protection	Carried forward to 2020/21
Review and implement the recommendations from the Committee on Standards and Public Life	Director – Democracy, Planning & Public Protection	Carried forward to 2020/21
Governance training for the Council’s key suppliers	Head of Audit and Governance and Creditors and Procurement Manager	November 2019
Risk Management and Performance Management Strategies to be updated	Head of Audit and Governance	November 2019
Corporate Governance training for Elected Members and Senior Managers	Director – Democracy, Planning & Public Protection and Head of Audit and Governance	Carried forward to 2020/21

The review of the governance framework during 2019/20 has identified the following issues to be addressed in 2020/21:

<b>Action</b>	<b>Responsible Officer</b>	<b>Completion Date</b>
Implement a Corporate Document Retention Policy	Head of Audit and Governance and Data Protection Officer	October 2020

<b>Action</b>	<b>Responsible Officer</b>	<b>Completion Date</b>
Corporate Governance training for Elected Members and Senior Managers	Director – Democracy, Planning and Public Protection and Head of Audit and Governance	March 2021
Review the draft Corporate Business Continuity Plan and ensure that it reflects the recent Management Team restructure and the resilience of IT facilities and workstations.	Director – Customer Services & Business Improvement and the Joint Emergency Planning Officer	Sept 2020
Renew Cyber Essentials accreditation when the new CX Housing System has replaced the unsupported Northgate Software	Director – Customer Services & Business Improvement	Dec 2020
The Gifts and Hospitality Policy to be updated incorporating the recommendations from the Committee on Standards in Public Life	Director – Democracy, Planning & Public Protection	Nov 2020
Review and implement the recommendations from the Committee on Standards and Public Life	Director – Democracy, Planning & Public Protection	Nov 2020
Continue to embed a process of robust post-project reviews of capital projects	Executive Director - Resources	On-going
Undertake training for the Audit and Standards Committee on the Statement of Accounts and Treasury Management	Head of Financial Services	Nov 2020
Undertake training for the Audit and Standards Committee on the role of External Audit and the Audit Committee	Head of Audit and Governance	Nov 2020

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 2020/21 and the action plan will be monitored by the Corporate Governance Group.

**Signed (Leader):** .....

Councillor Julie Jackson.....

**Date: 19<sup>th</sup> March 2021**.....

**Signed (Executive Director - Resources):** .....

Simone Hines.....

**Date: 19<sup>th</sup> March 2021**.....

**Leader & Executive Director - Resources 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<sup>st</sup> April and ends on 31<sup>st</sup> March.

### **Business rates (Non-Domestic Rate – NDR)**

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.

**Curtailed costs**

Curtailed 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<sup>st</sup> April and ends on 31<sup>st</sup> 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 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 property plant and equipment.

### **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 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 and Bedworth Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income & Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20; 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.

### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Executive Director - Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

### 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 - Resource's 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.

In our evaluation of the Executive Director - Resource's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

#### **Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and pooled property investments within the Warwickshire Pension Scheme**

We draw attention to Note 4: *Assumptions made about the future and other major sources of estimation uncertainty* of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings as at 31 March 2020. As disclosed in Note 4 to the financial statements the outbreak of Covid-19 has impacted global financial markets and, as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

We also draw attention to Note 39: *Defined Benefit Pension Scheme*, which describes the effects of the Covid-19 pandemic on the valuation of the Warwickshire Pension Fund's two pooled property funds as at 31 March 2020. The property funds' valuers have stated that there is a material uncertainty about the valuations as a result of Covid-19. The Fund has decided to use the valuer's estimates as the best available estimates of the values of the Fund's assets as at 31 March 2020, but these estimates are subject to greater uncertainty than in previous years. The Council's proportion of these funds is £15.05m (approximately 6.92%). Our opinion is not modified in respect of this matter.

#### **Other information**

The Executive Director - Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts 2019/20, the Narrative Report, the Annual Governance Statement and the 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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 Edition' 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 2019/20, the Narrative Report and the Annual Governance Statement and the 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 set out on pages 23 to 24, 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **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](http://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 April 2020, 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 2020.

### 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 April 2020, 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 2020.

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 2020 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 a 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 2020.

### Use of our report

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.

*Grant Patterson*

Grant B Patterson, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor  
Birmingham

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