



19 June 2024

## AUDIT AND ETHICS COMMITTEE – 27 JUNE 2024

A meeting of Audit and Ethics Committee will be held at 6pm on Thursday 27 June 2024 in the Seminar Room at the Town Hall, Rugby.

Mannie Ketley  
Chief Executive

### A G E N D A

#### PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 25 April 2024.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors; and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

***Note: Members are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Member must withdraw from the room unless one of the exceptions applies.***

***Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.***

4. Pre Audit Statement of Accounts 2023/24.
5. Treasury Management 2023/24 – Annual Report.
6. Annual Report of Internal Audit.
7. Annual Governance Statement.
8. Internal Audit Progress Update
9. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

## **PART 2 – EXEMPT INFORMATION**

1. Limited Assurance Internal Audit Report – Property Repairs Service.
2. Whistle Blowing Incidents – Standing Item – to receive any updates.
3. Fraud and Corruption Issues – Standing Item – to receive any updates.

***Any additional papers for this meeting can be accessed via the website.***

The Reports of Officers are attached.

**Membership of the Committee:** Mr P Dudfield (Chairman), Mr J Eves (Vice-Chairman), Councillors Howling, Karadiar, Roodhouse and Simpson-Vince

**Named Substitutes:** Councillors Harrington, D Keeling, J Keeling and one vacancy – Liberal Democrat group.

*If you have any general queries with regard to this agenda please contact Lucy Kirbyshire at [Lucy.Kirbyshire@rugby.gov.uk](mailto:Lucy.Kirbyshire@rugby.gov.uk). Any specific queries concerning reports should be directed to the listed contact officer.*

**AGENDA MANAGEMENT SHEET**

**Report Title:** Pre Audit Statement of Accounts 2023/24

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Report Director:** Chief Financial Officer

**Portfolio:** Finance, Performance, Legal and Governance

**Ward Relevance:** All

**Prior Consultation:** N/A

**Contact Officer:** Paul Conway, Finance Manager (Deputy Chief Financial Officer)  
paul.conway@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):  
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)  
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)  
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)  
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)  
[Corporate Strategy 2021-2024](#)  
 This report does not specifically relate to any Council priorities but

**Summary:** The purpose of this report is to present the pre audited Statement of Accounts for consideration by Audit and Ethics Committee prior to the completion of the external audit.

**Financial Implications:** There are no financial implications for this report.

<b>Risk Management Implications:</b>	There are no risk management implications for this report.
<b>Environmental Implications:</b>	There are no environmental implications for this report
<b>Legal Implications:</b>	There are no legal implications for this report
<b>Equality and Diversity:</b>	There are no equality and diversity implications for this report
<b>Options:</b>	None
<b>Recommendation:</b>	That the committee notes the summary of the Pre-Audited Statement of Accounts 2023/24 and makes any comments it feels necessary to officers for the external audit process
<b>Reasons for Recommendation:</b>	Although the pre audited accounts do not require any approval, the Committee does have the opportunity to inform the external audit process

**Audit and Ethics Committee - 27 June 2024**

**Pre Audit Statement of Accounts 2023/24**

**Public Report of the Chief Financial Officer**

**Recommendation**

That the committee notes the summary of the Pre-Audited Statement of Accounts 2023/24 and makes any comments it feels necessary to officers for the external audit process

**1. Introduction**

- 1.1. This report introduces the Pre-Audited Statement of Accounts 2023/24 for review by the committee

**2. Background**

- 2.1. The Pre-Audited Statement of Accounts 2023/24 were made available for public inspection from 3 June. The inspection period will conclude on 12 July, during which, and up to the conclusion of the audit, any local government elector within the Rugby Borough is able to question or make objections to the Council's external auditor, Azets.
- 2.2. The external audit by Azets will begin during July, after its conclusion the Statement of Accounts will be formally published. Any material changes as a result of the audit will be reported to the Audit and Ethics Committee at the earliest opportunity once the Accounts have been signed off by the External Auditor.
- 2.3. The Pre-Audited Statement of Accounts is included in Appendix 1.
- 2.4. A briefing paper summarising key information is included in Appendix 2.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Subject Matter:** Pre Audit Statement of Accounts 2023/24

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>



# Unaudited Statement of Accounts Rugby Borough Council 2023/24

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# Narrative Report

## Narrative Report of the Chief Officer – Finance and Performance

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2023/24 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2023/24 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, councillors and other interested parties.

The style and format of the Accounts complies with Chartered Institute of Public Finance and Accountancy (CIPFA) standards and the presentation is designed to make them user-friendly and accessible.

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position at 31 March 2024 and is structured as follows:

- About Rugby Borough Council
- Governance
- Corporate Strategy 2021-24
- Financial Overview 2023/24
- Future Financial Outlook and Financial Resilience
- Finance Resilience Conclusion
- Financial Statements
- Further Information



Jon Illingworth CPFA  
Chief Officer – Finance and Performance  
31 May 2024

## About Rugby Borough Council

The Borough of Rugby covers an area of 138 square miles and is on the eastern edge of the West Midlands region, bordering directly on to the counties of Northamptonshire and Leicestershire. It is the fastest growing Borough in the West Midlands and one of the fastest growing nationally.

The largest centre of population is the market town of Rugby with two thirds of the Borough's 114,400 residents living in the town. The Borough has 41 parishes, mainly covering the rural areas, with villages ranging in size from 20 to 3,000 people.

Rugby Borough Council employs more than 500 people across several locations including Rugby Town Hall, Hunters Lane Depot, Rugby Art Gallery and Museum and the Rainsbrook Crematorium. From these locations, the Council delivers a wide range of services, supporting our communities, and helping to make the Borough a place in which our residents can be proud to live.

The Council's main services include waste and recycling, planning, development strategy, housing, licensing, elections, council tax, benefits, parking, business support and economic regeneration, community safety, environmental health, commercial regulation, parks and open spaces, arts and visitor services, bereavement services, and sport and recreation.

With major housing, retail and employment developments recently completed and in the pipeline and a town centre regeneration programme getting started, it's an exciting time to live and work in Rugby.

Between the last two censuses (held in 2011 and 2021), the population of Rugby increased by 14.3%, from around 100,100 in 2011 to around 114,400 in 2021. Rugby's population saw the largest percentage increase in the West Midlands, with the overall population of the West Midlands and England increasing by 6.2% and 6.6% respectively.

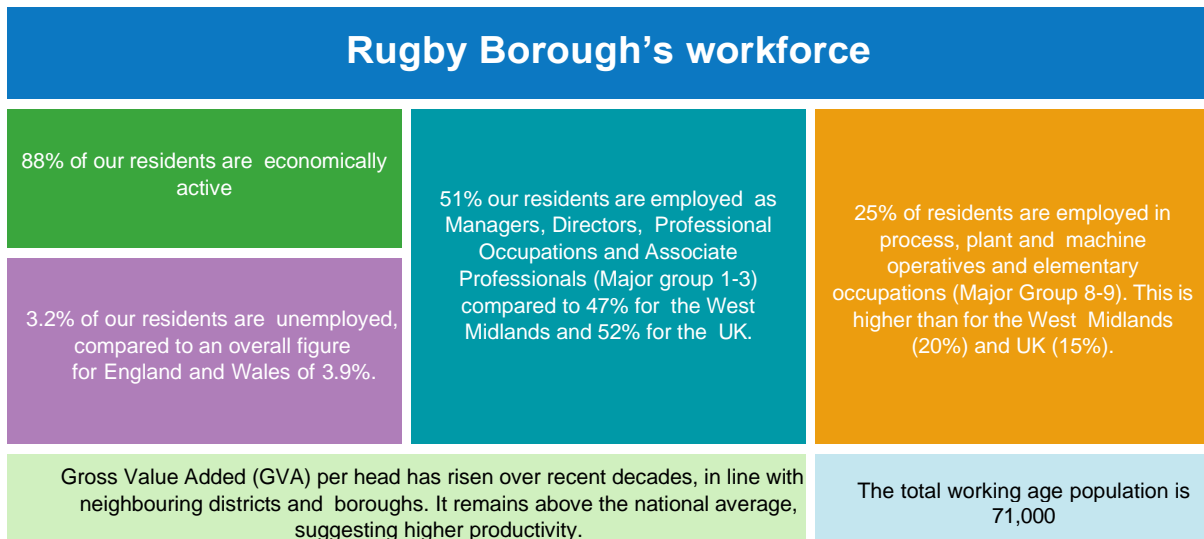
The age profile of our residents has also changed. The number of people aged 50 to 64 years rose by around 3,700 (an increase of 20%), while the number of residents between 16 and 19 years fell by around 100 (2.5% decrease).

The rise in population was largely due to people migrating into the area and more single parent families, and also as a result of increased birth rates and people living longer. The projected population increase of the borough between 2010 and 2035 is expected to be 30%, which will bring the population to more than 130,000.

Rugby's location means it is well connected to all parts of the UK. The West Coast Mainline connects Rugby to Central London within an hour and Birmingham within half an hour. Rugby also sits within the inner 'Golden Triangle', on the strategic road network (M6/M1/M69/A5/A14) which is considered the prime location for logistics and warehousing with 90% of the UK population reachable within four hours. Immediately adjacent to Rugby's southwestern boundary is DIRFT (Daventry International Rail Freight Terminal) which provides rail goods links to the deep seaports.

Rugby's businesses in terms of size are focused on the small (10-49 employees) and micro (0-9 employees) business categories. Of the 5025 businesses operating in the Borough, 98% fall into these two categories.

The Borough also houses significant employers including Jaguar Landrover's Specialist Vehicle Operations division at Ryton, which produces around 10,000 specialist and high-performance vehicles each year. The technology centre at Ansty Park is also home to major employers such as Meggitt, the London Electric Vehicle Company (which makes the iconic London Taxi) and the Advanced Manufacturing Technology Centre, making Rugby a hub for modern manufacturing and technologies.



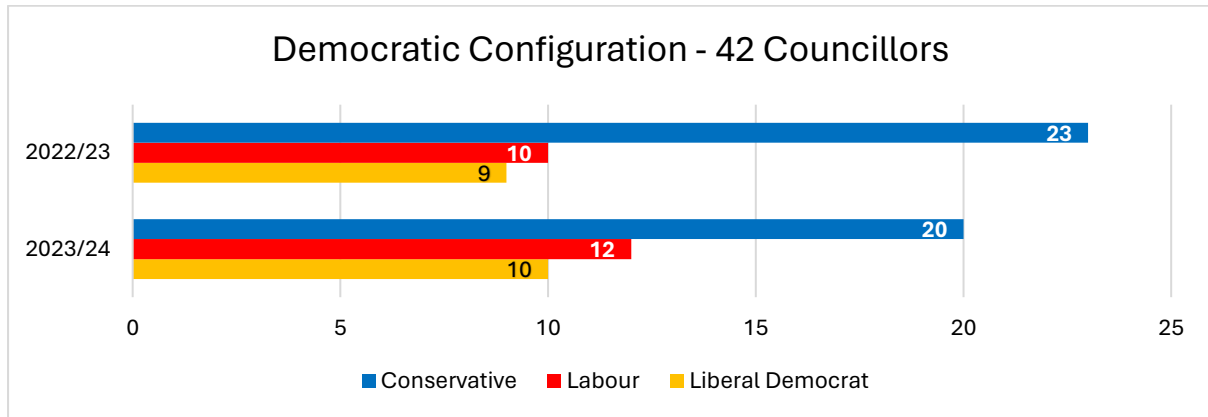
## Climate Emergency

The Council has taken a leadership role in co-ordinating the Borough's response to the Climate Emergency. This effort extends beyond factors within the Council's immediate controls, recognising that climate change can only be successfully addressed by harnessing the collective knowledge, capacity, and skills of Rugby's communities and partner organisations. Some of the initiatives include:

- developing and launching the [rugby.netzero.co.uk](http://rugby.netzero.co.uk) website, which is envisaged will become a resource for the whole community;
- facilitating community led discussions regarding the development of a Rugby climate emergency centre;
- engaging local businesses through business breakfasts and other meetings to offer support to them in delivering their own climate ambitions;
- working with public bodies to ensure alignment of climate change ambition and action;
- adopting a Climate Change and Sustainable Design and Construction Supplementary Planning Document (SPD), covering matters such as energy efficiency and renewable energy, flood risk and flood resilience, sustainable drainage, green infrastructure and landscaping, and broadband.

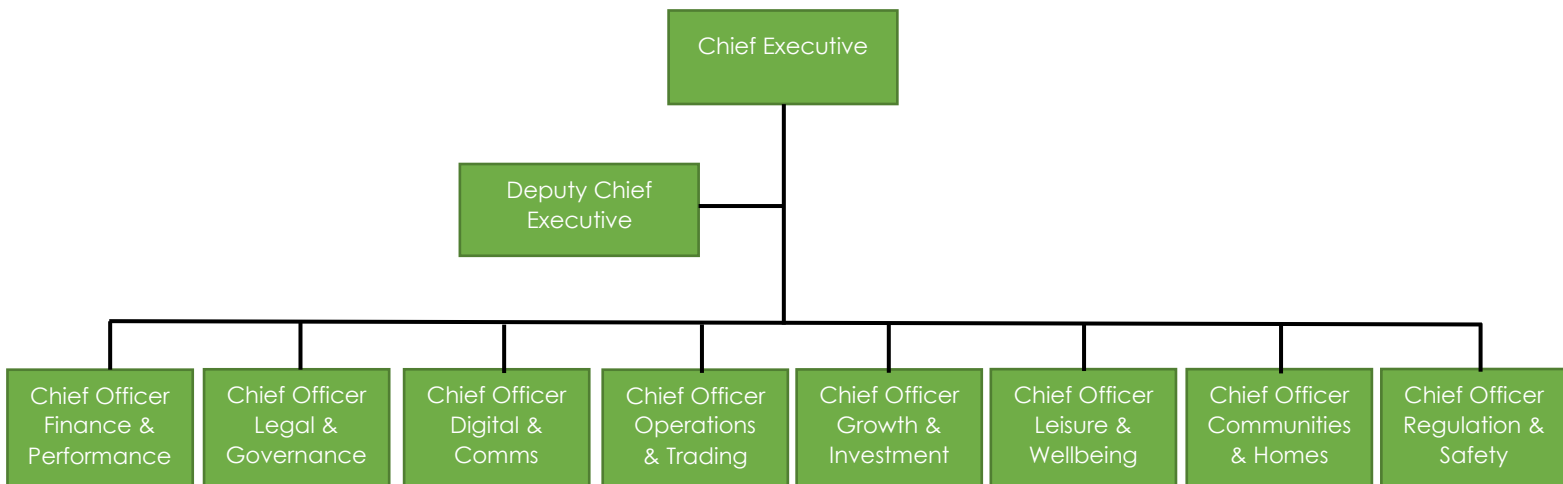
**Political Structure in the 2023/24 Municipal Year**

Rugby Borough Council has 42 Councillors representing 16 wards. In 2023/24 the makeup of the Council was 20 Conservative, 12 Labour and 10 Liberal Democrat. This means that the Council is in overall control. Borough elections were held on 4 May 2023 and there were two additional by-elections contested during the year.



**Management Structure**

Supporting the work of Councillors is the organisational structure of the Council headed by the Leadership Team, led by Chief Executive Mannie Ketley and Deputy Chief Executive Dan Green as below.



## Governance

The Annual Governance Statement, which accompanies these financial statements, sets out the Councils' governance framework and an assessment of its effectiveness. The statement was prepared by the Section 151 officer in conjunction with the Interim Corporate Assurance Manager and concludes that the overall governance framework continues to provide a Substantial level of assurance of effectiveness.

Further enhancements were made to governance arrangements during 2023/24 including:

- An independent peer challenge review of the Council's management arrangements.
- Implementation of a new Anti-Fraud, Bribery and Corruption Action Plan.
- Introduction of a more thorough approach to compiling and assessing risk registers.
- Implemented the use of a Power BI dashboard, which makes information more accessible and easier to understand and interpret for officers and members.

The Council is committed to ensuring continuous improvement in its governance year-on-year and an action plan has been developed for 2024/25. This includes:

- Further development of the dashboards for reporting and monitoring.
- Regular assurance updates from key areas including finance, risk, HR and health and safety.
- Introduction of standard approach to risk registers with refresh of risks.
- Regular monitoring and review of operational services and functions that have high risks.
- Consider the approach for reporting and monitoring management information and implement any necessary improvements to the current methods.

## Corporate Strategy 2021-24

In 2021, the Council adopted its current Corporate Strategy. The Corporate Strategy shapes and directs the Council's work until 2024 and focusses on the delivery of the four corporate outcomes.





The strapline for the Council, “Right for Rugby”, recognises that, irrespective of the challenges we face, the Council’s commitment is to do the right thing for the residents, businesses, and communities of our Borough.

The strategy is focussed on the delivery of four overarching outcomes:

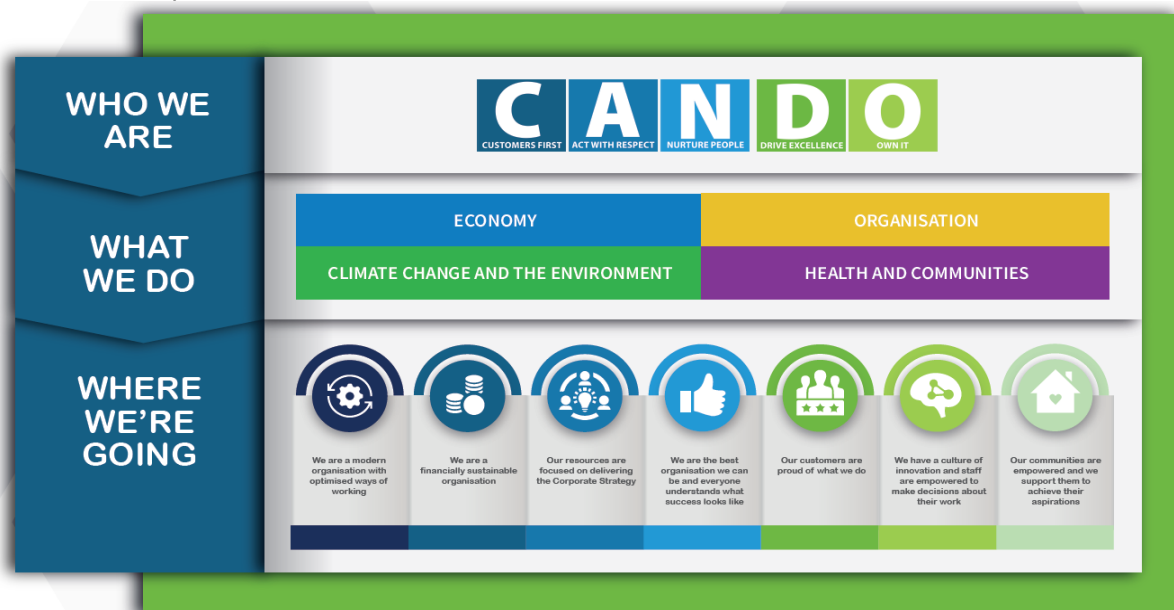
- Rugby is an environmentally sustainable place, where stakeholders work together to reduce and mitigate the effects of climate change.
- Rugby has a diverse and resilient economy, which benefits all residents.
- Residents are able to live healthy, independent lives, with the most vulnerable protected.
- Rugby Borough Council is a responsible, effective and efficient organisation.

Each year, officers and councillors formulate an annual Corporate Strategy Delivery Plan which is thereafter agreed at Full Council. This sets out the actions that will be undertaken over the coming year to deliver against the Corporate Strategy outcomes. The delivery plan reflects work contained within all service plans as well as statutory responsibilities and the Council’s ongoing transformation programme.

As we continue to embed our performance management framework, employee appraisal forms will be introduced from 2024/25 to enable objectives to be set for employees. This approach seeks to ensure that a “golden thread” runs through all of the Council’s work and supports all employees to readily see how their work supports delivery of the Corporate Strategy.

The Corporate Strategy Delivery Plan is a live document, which is intended to be updated throughout the year to reflect changes in the local government landscape and areas of emerging or urgent need, for example. The delivery plan is monitored by the Leadership Team via a programme board and at the end of each financial year, officers produce a corporate strategy annual report, detailing progress against the delivery of the Corporate Strategy and key achievements during the year. The report also provides an opportunity to celebrate our successes and thank employees for their achievements.

To complement the Corporate Strategy, the Rugby Blueprint has been produced to support the evolution of our culture, provide a framework for how we will become the best we can be, and to encourage innovation and empowered decision-making at all levels. That includes our communities: we want to work with them as equal partners to achieve their aspirations and collectively shape our borough and enhance local pride.





Through delivering the corporate strategy report, the Council continues to provide details of some of its work from the last 12 months, highlighting some of the key achievements. As always, essential services remain at the heart of what the Council does and this has been achieved through the ongoing commitment of colleagues within the Council. A summary of the successes can be seen in the table below;

<b>Successes</b>		
<p><b>Climate</b></p> <ul style="list-style-type: none"> <li>• We began a £2.2m scheme to improve 112 of our hardest to heat properties in Rokeby and Long Lawford via the Social Housing Decarbonisation Fund</li> <li>• 175 trees have been planted on our green spaces</li> <li>• 4 electric vehicles added to the council fleet including the Mayoral car</li> <li>• 70.44% of our council owned homes met EPC 'C' or above – up from 68% as at March 2023.</li> </ul>	<p><b>Economy</b></p> <ul style="list-style-type: none"> <li>• Through the UKSPF scheme we have invested £0.626m into town centre activity schemes</li> <li>• Rugby Art Gallery and Museum generated an estimated £1.2m of economic impact value in the town centre</li> <li>• Business Growth - Working with Warwickshire County Council in partnership to support up to 300 small businesses in six areas including start ups, resilience &amp; growth, high growth and innovation, net zero, manufacturing and tourism committing a total of £319,150 between 2023 and 2025.</li> <li>• Established a cross party Town Centre Regeneration Working Group to prioritise the delivery of the regeneration of Rugby Town Centre and support the delivery of the action plan</li> </ul>	<p><b>Organisation</b></p> <ul style="list-style-type: none"> <li>• We were in the top 10 of all councils nationally to publish an audited set of accounts for 2022/23</li> <li>• Increased our number of electronic council tax bills with now over 44% of residents receiving an e-bill</li> <li>• Implemented a new risk management approach including dashboard reporting of key management information</li> <li>• Successfully progressed the Community Infrastructure Levy (CIL) through independent examination and to adoption, with the charge to be introduced from 1 April 2024</li> </ul>
<p><b>Health and Communities</b></p> <ul style="list-style-type: none"> <li>• We have started a stock condition survey of our housing stock</li> <li>• We have supported 104 financially vulnerable residents to acquire high performing white goods using the UKSPF grant scheme</li> <li>• Construction commenced at Biart Place for 100 new affordable homes.</li> <li>• Area Action Plans have been adopted for the Benn and New Bilton Wards as part of the Rugby hyper local approach to Levelling Up.</li> </ul>		

In addition to the Corporate Strategy, the Council also has five Commercialisation Pillars, developed in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) which provides a baseline to work towards. This baseline supports officers to have active challenge and ensure projects are undertaken with the best interests of the Council in mind. The five pillars are as follows:



**Commitment/deliverability**  
Ensuring that Rugby has secured appropriate financial commitments; that there is a clear focus on value for money; that the risk profile of the initiative/project is acceptable to Rugby.



**Reward and return**  
Striking the right balance to ensure that we maximise the Councils USP as a key enabler for further change. To ensure that we cascade *reward and return* to our communities and the people/business we serve.



**Value for resource**  
Linked to commitment. Ensuring that Rugby has the required resources (internal/external/voluntary) and that resources are prioritised. Ensuring that there is balance between risk and reward to encourage innovation.



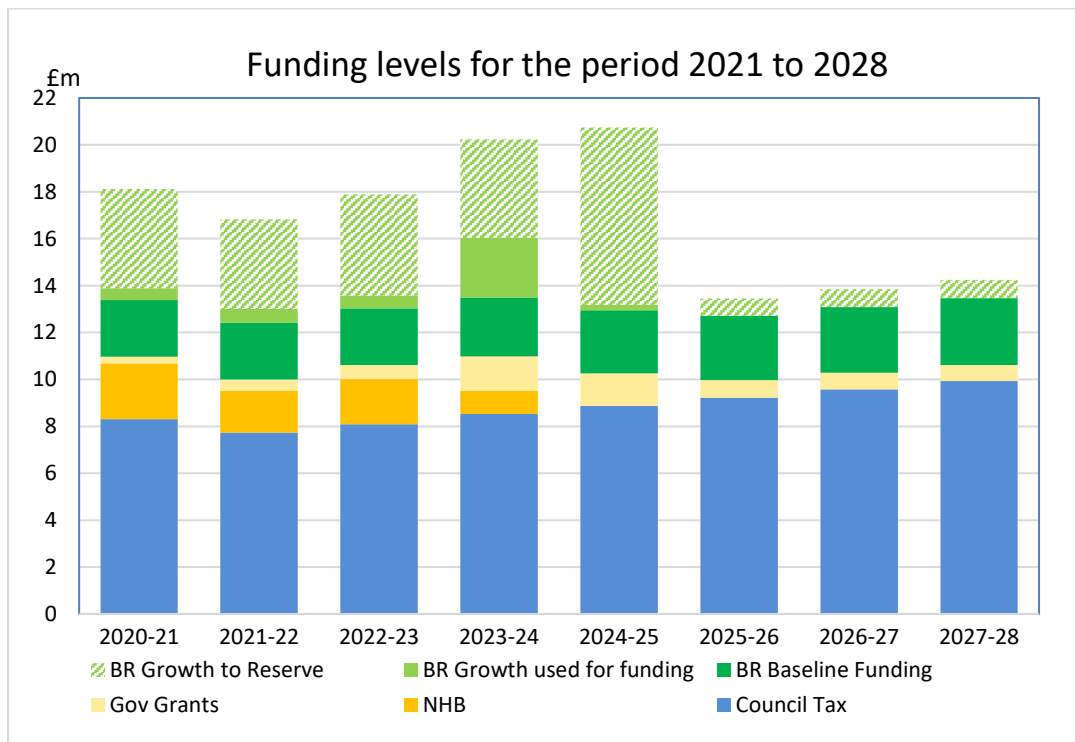
**Aspiration and inspiration**  
Ensuring that we aspire and inspire the organisation to do the right things and that we create the right opportunities. Deliver the corporate priorities to get the best value, outcomes and services for our residents and businesses.



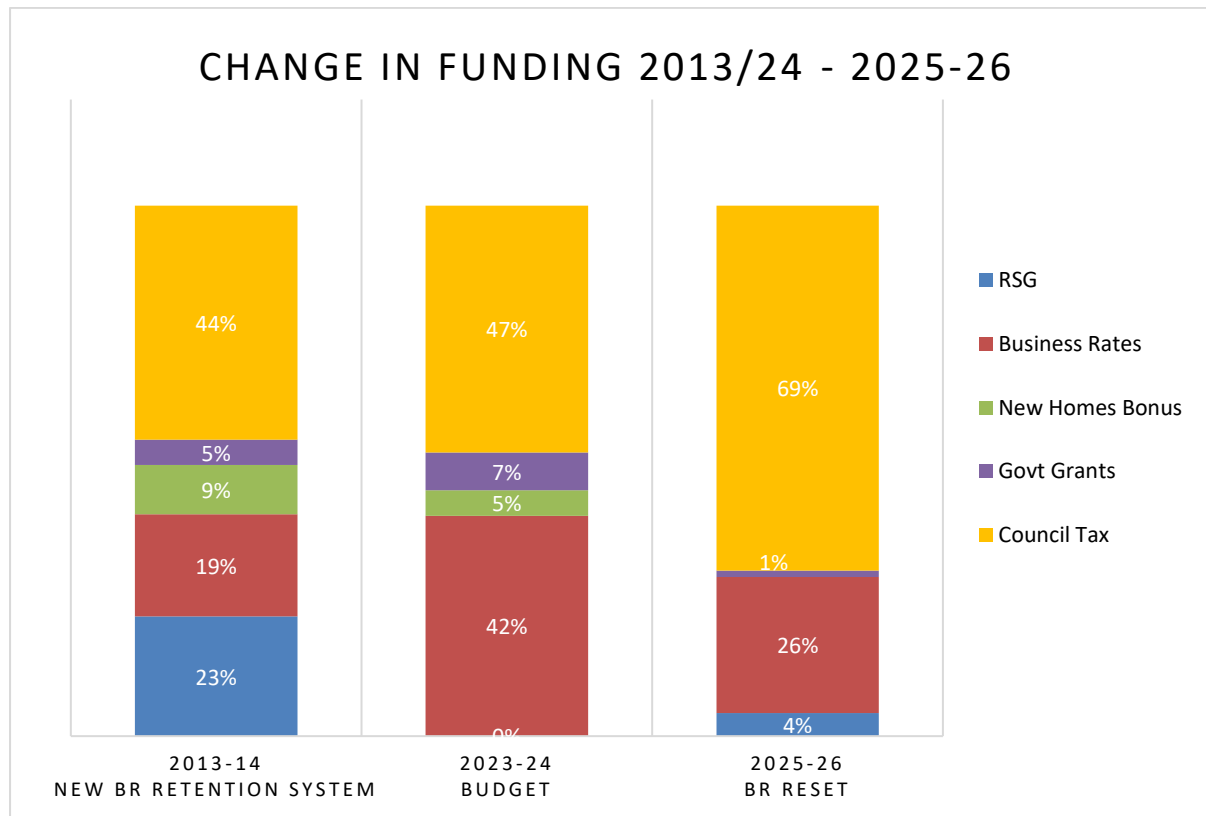
**Innovation**  
"Encouraging our staff to be innovative". Creating an environment and the support network for staff to generate and realise new possibilities and ways of doing things.

## Financial Overview 2023/24

The sources of external funding for the Council since 2020/21 are detailed in the table below. Largely it comes from two sources, Council Tax and Business Rates. Council Tax income remains relatively consistent throughout the period at the level between £8 to £10m. The annual increases derive from a combination of inflationary increases (capped at the greater of 2.99% or £5 from 2023/24) and growth of the tax base which relates to the increase in households in the borough.



Under the scheme that was established in 2013/14, the Council retains 50% of any growth in business rates over its baseline value which is £2.610m in 2023/24. As a high growth borough this has been a significant advantage to Rugby with retained growth of (£7.237m) in 2023/24 and since 2017 this growth has been contributed to the Business Rates Equalisation Reserve (BRER). Under plans announced by Government in 2017 the baseline level of Business Rates is expected to be reset which could mean that the Council would no longer benefit from growth above the baseline value, in effect a £7.237m real terms. The table below demonstrates that as well as receiving a significant reduction in income as a result of the reset, the % of Council funding received from Business Rates has increased from 19% - 42%. In 2013/14 Council Tax equated to around 44% of the funding of the Council, it is expected that this will increase to 69% by the time we reach 2025/26.



### Medium Term Financial Strategy

The existing Medium Term Financial Strategy (MTFS) covers the period 2023/24 – 2026/27. The document aligns with the Corporate Strategy and there are a number of core principles that also underline the Medium Term Financial Strategy (MTFS):

- Set robust, comprehensive and achievable budgets, exploring all avenues of income to meet our financial targets.
- Undertake commercial activities in the open market, where it is sustainable and responsible to do so.
- Maintain robust systems of governance that ensure fairness, accountability, and transparency.
- Treat taxpayers' money with respect and ensure that our high-quality services demonstrate value for money.

This MTFS is also supported by a strong framework of financial policies and strategy documents that include:

- Capital Strategy
- Treasury Management Strategy

- Local Plan 2011-2031
- Asset Management Strategy
- Procurement Strategy
- Housing Strategy
- Risk Management Strategy

The MTFS is updated as part of the annual budget setting process. This allows the organisation to be adaptable in a period of uncertainty around key Government funding decisions but is also a more effective planning tool.

### **Council Tax**

At the end of March 2024, the Council tax base was 2.15% above the approved budget and as a result the Collection Fund is in surplus at year end of £0.139m.

### **Business Rates**

During 2023/24 the actual business rates billed and accounted for was higher than the budgeted amount. As a result, there is an overall outturn surplus on the Collection Fund of (£1.401m) at the end of 2023/24.

### **General Fund**

The budget for 2023/24 was approved on 22 February 2023. This included portfolio related spend of £18.501m which is an increase of £2.357m from the 2022/23 financial year. Portfolio related spend includes the costs and fees and charges relating to the services that we provide.

Expenditure items include £2.790m in relation to inflation and salary adjustments and service growth of £0.758m. To offset this, income and savings of (£3.751m) were identified. The total budget for the General fund was £20.635m. This is a decrease of £0.244m from 2022/23.

Included within the budget was income from Council Tax of (£9.599m) and business rates of (£8.572m), of which (£5.836m) is contributed to the business rates equalisation reserve to mitigate against the impact of the business rates reset expected on the 1 April 2025.

The 2023/24 total Portfolio expenditure was £20.228m against a revised budget of £18.585m, resulting in a pressure of £1.643m. After adjusting for the net cost of borrowing and other corporate items totalling (£3.203m), the net saving on Revenue expenditure is (£0.410m). Taking into account the transfers to/from reserves of £4.494m and Funding items of (£22.202m), the overall net position of the Council for 2023/24 is an underspend of (£0.683m) that will be transferred to the Transformation Reserve.

## Portfolio expenditure and Financing

The year-end position is set out in the following table.

The top half of the table shows portfolio expenditure and corporate items to give net revenue expenditure. The bottom half of the table shows the sources of income from which the net revenue expenditure was financed, to give the final net budget position for the year.

Portfolio	Revised Budget £000	2023/24 Spend £000	Carry forward and Reserves £000	Revised Actual £000	Net Variance £000
Communities, Homes, Digital and Communications	2,707	2,738	-	2,738	31
Finance, Performance, Legal and Governance	3,533	3,828	(1)	3,827	294
Growth and Investment	1,527	1,687	-	1,687	160
Leisure and Wellbeing	4,094	4,357	(6)	4,351	257
Operation and Traded Services	5,446	6,294	(42)	6,252	806
Regulation and Safety	1,520	1,389	-	1,389	(131)
Chief Executive	(10)	(33)	100	67	77
Change and Transformation	(232)	(83)	-	(83)	149
<b>Net Portfolio Expenditure</b>	<b>18,585</b>	<b>20,177</b>	<b>51</b>	<b>20,228</b>	<b>1,643</b>
Corporate Items	(1,150)	(3,165)	(38)	(3,203)	(2,053)
<b>Total Net Revenue Expenditure</b>	<b>17,435</b>	<b>17,012</b>	<b>13</b>	<b>17,025</b>	<b>(410)</b>
Retained Business Rates	(8,572)	(10,109)	-	(10,109)	(1,537)
Council Tax	(9,599)	(9,599)	-	(9,599)	-
New Homes Bonus Grant	(987)	(987)	-	(987)	-
Other Grants	(1,477)	(1,507)	-	(1,507)	(30)
<b>Total Corporate Income</b>	<b>(20,635)</b>	<b>(22,202)</b>	<b>-</b>	<b>(22,202)</b>	<b>(1,567)</b>
Carry forward from 2022/23	(168)	(168)	-	(168)	-
Contribution to Earmarked Reserves	5,000	4,963	-	4,963	(37)
Contribution to/from Budget Stability Reserve	69	-	-	-	(69)
Contribution to/from Business Rates Equalisation Reserve	(1,701)	(301)	-	(301)	1,400
<b>Total Transfers to/from Corporate Reserves and Balances</b>	<b>3,200</b>	<b>4,494</b>	<b>-</b>	<b>4,494</b>	<b>1,294</b>
<b>Net position</b>	<b>-</b>	<b>(683)</b>	<b>-</b>	<b>(683)</b>	<b>(683)</b>

Recruitment and retention of key roles continues to be a challenge for the sector. This has seen a large number of vacancies within services across all portfolios. The level of vacant posts has generated a saving on staff costs of £1.510m which has been offset by an overspend on agency costs of £1.133m. In most cases there is a premium to using agency, this is in part due to increased competition for skilled agency workers. To maximise the chances of getting the best contractors and to limit the cost as far as possible, the Council entered into a contract with Opus in January 2024. From a procurement perspective no contract with external agency will be approved unless the role has first been advertised through Opus. Due to the recruitment challenges facing the sector jobs have had to be re-advertised on multiple occasions following unsuccessful campaigns. Recruitment expenses for the year were £0.852m.

### Corporate Items

Corporate Items are reporting an overall saving of (£2.053m). The main contributing factor to this is (£2.723m) in relation to Net Cost of Borrowing. Part of this relates to delays in the delivery of the capital programme and reduced interest expense exposure related to potential borrowing that would have occurred if the capital programme was on schedule.

### Reserves Balances and Future Strategy

Reserves are kept under scrutiny to ensure that balances are appropriate but also identify where there could be future challenges.

Plans show that over the medium term the Council is achieving levels of reserves and a General Fund balance which continues to meet the risks identified in the financial planning environment. The contributions made to reserves in the past have enabled the Council to establish a level of reserves which;

- recognise the risks of service needs increasing in response to demographic growth or wider economic pressures
- recognise the potential loss of funding from forthcoming changes
- allow for emergency situations and legal challenges which the Council may face

The risk assessment completed for reserve usage identifies that the known risks are mitigated with the current balances of reserves. However, analysis takes place on a quarterly basis to assess this.

Below is a summary of the reserve usage during 2023/24

Name of Reserve / Balance	Balance at 1 April 2023	Actual Contributions (To)/From	Balance at 31 March 2024
	£000	£000	£000
<b>Corporate Reserves</b>			
General Fund Balances	(2,250)	-	(2,250)
GF Revenue Carry Forward Reserve	(168)	168	-
Business Rates Equalisation	(17,041)	301	(16,740)
Budget Stability	(2,412)	(601)	(3,013)
<b>Subtotal Corporate Reserves</b>	<b>(21,871)</b>	<b>(132)</b>	<b>(22,003)</b>
Climate Change	(1,000)	-	(1,000)
Transformation reserve	(1,348)	(453)	(1,801)
Town Centre Strategy Reserve	-	(4,810)	(4,810)
Other Corporate Reserves	(2,229)	(111)	(2,340)
<b>Other Reserves</b>	<b>(4,577)</b>	<b>(5,374)</b>	<b>(9,951)</b>
Earmarked Reserves	(1,428)	(63)	(1,491)
<b>Grand Total</b>	<b>(27,876)</b>	<b>(5,569)</b>	<b>(33,445)</b>

#### Earmarked reserves

Relates to a combination of a number of smaller balances other than the ones identified separately.



## Corporate Reserves

A reserves risk assessment is completed for the main corporate reserves set aside to respond to and manage financial risks in the medium term.

The Corporate and General Fund Reserves considered in this analysis are the General Fund balances, the Budget Stability Reserve, the Business Rates Equalisation Reserve, Climate Emergency Reserve, Town Centre Strategy Reserve and the Transformation Reserve.

## Collection Fund

### Council Tax

The amount accounted for within the General Fund in 2023/24 is fixed to the budgeted amount of council tax billed during the year, not the actual cash collected. Any difference between the actual amount collected and the initial forecast will generate a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2023/24 the actual cash position for council tax was an overall surplus of (£0.139m). This will be distributed between us, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares, as detailed in the Collection Fund Statement Note 3. Our share of the surplus is (£0.015m) and this will be allocated to the General Fund in 2024/25.

### Business Rates

The Council sets its business rates income budget on 31 January each year and it was anticipated that the Council would generate (£62.078m) net business rates income during 2023/24 with Rugby Borough Council retaining (£9.254m).

The outturn position is shown below.

<b>Business Rates Income</b>	<b>2023/24 Budget £000</b>	<b>2023/24 Outturn £000</b>	<b>Variance £000</b>
RBC share of BR Income @ 40% (as per the NNDR1 forecast)	(24,831)	(24,831)	-
Less Tariff	15,354	15,354	-
<b>Gross Amount Retained</b>	<b>(9,477)</b>	<b>(9,477)</b>	<b>-</b>
Section 31 Grants	(3,865)	(3,514)	351
Levy Payment	4,610	3,360	(1,250)
<b>Net Retained Income</b>	<b>(8,732)</b>	<b>(9,631)</b>	<b>(899)</b>
Coventry & Warks' BR Pool Income	(500)	(1,000)	(500)
Retained Disregarded Amounts	(22)	(22)	-
<b>Total Business Rates Income</b>	<b>(9,254)</b>	<b>(10,653)</b>	<b>(1,399)</b>

The 2023/24 budget surplus of (£1.401m) is due to:

- In accordance with legislation, the business rates income recorded in the General Fund is fixed to the statutory NNDR1 estimate, no matter how much business rates are actually billed or received.
- The Council is a member of the Coventry & Warwickshire Business Rates Pool (the Pool). The pooling gain in 2023/24 was (£1.000m) which was higher than the budgeted amount of (£0.500m), due to the risk-based approach taken at budget setting.

The surplus has been transferred from the General Fund to the Business Rates Equalisation Reserve (BRER) to offset the actual cash variance on the Collection Fund that will be charged to the General Fund budget in 2024/25.

At year end there was an overall Collection Fund deficit of £6.345m. The deficit will be distributed between ourselves, Warwickshire County Council and Central Government in the relevant shares, as detailed in the Collection Fund Statement Note 3. The Council's share of the deficit is £2.538m and this will be charged to the General Fund in 2024/25.

## Housing Revenue Account (HRA)

### Housing Revenue Account (HRA) Rents

Housing Rents were set by Council on 7 February 2023. Council agreed to a rent uplift of 7% for 2023/24 in line with government guidance.

### Housing Revenue Account (HRA) expenditure and Financing

The year-end position for 2023/24 on the HRA is per the table below.

	Revised Budget £000	Actual £000	Variance £000
Expenditure	14,462	15,871	1,409
Income	(18,461)	(19,443)	(982)
<b>Net cost of HRA Services</b>	<b>(3,999)</b>	<b>(3,572)</b>	<b>427</b>
Contributions to (+) / from (-) reserves	4,101	3,572	(529)
<b>Surplus (-) / Deficit for year</b>	<b>102</b>	<b>-</b>	<b>(102)</b>

The variance on expenditure relates to the continuing high level of void properties and the work required on them to bring them to a re-lettable condition. Income has been increased due to the interest on investments the Council holds during a year which has seen interest rates increase considerably.

### Reserve Transfers and Balances

The level of the HRA Revenue balances was re-assessed a number of years ago considering potential risks arising from the Council's capacity to manage in-year budget pressures and the wider reform and regulatory environment.

In summary, there was an in-year movement of £0.009m on HRA reserves and the overall balance held as at 31 March 2024 is (£27.907m) as follows;

Name of Reserve / Balance	Balance 1 April 2023 £000	Actual Contributions (To)/From £000	Balance 31 March 2024 £000
HRA Revenue Balances	(4,085)	-	(4,085)
HRA Capital Investment Balances	(17,436)	1,938	(15,498)
HRA Major Repairs Reserve	(5,061)	(741)	(5,802)
Housing Repairs Account	-	(16)	(16)
Sheltered Housing Rent Reserve	(358)	(49)	(407)
HRA Transformation Reserve	-	(77)	(77)
HRA Climate Change Reserve	(976)	(536)	(1,512)
<b>Net cost of HRA Services</b>	<b>(27,916)</b>	<b>519</b>	<b>(27,397)</b>



## Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £23.279m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget	Actual	Year-end reprofiling	Variance
	£000	£000	£000	£000
Communities, Homes, Digital and Communications	2,775	1,473	579	(723)
Finance, Performance and Governance	59	-	30	(29)
Growth & Investment	46	31	15	-
Leisure and Wellbeing	2,018	937	1,084	3
Operation and Traded Services	3,758	2,712	1,132	86
Regulation and Safety	547	308	115	(124)
Chief Executive	9,760	-	9,760	-
<b>Total General Fund</b>	<b>18,963</b>	<b>5,461</b>	<b>12,715</b>	<b>(787)</b>
HRA	30,230	17,818	11,821	(591)
<b>Total</b>	<b>49,193</b>	<b>23,279</b>	<b>24,536</b>	<b>(1,378)</b>

### Capital Receipts and Capital Grants

At 31 March 2024, the Council also held (£14.572m) of capital receipts as follows, HRA (£12.040m) and General Fund (£2.532m) as well as (£2.388m) of capital grants and contributions that had not yet been applied for financing expenditure. In 2023/24, (£1.001m) of receipts (net of pooling payments) were raised from the sale of nine HRA properties under Right-to-Buy.

### Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2023/24, earlier years, and for future years. The total currently stands at £90.9m (both short and long-term borrowing) as shown on the balance sheet.

### Pension Fund

The Council's pension fund assets at 31 March 2024 are £137.9m, an increase of £9.8m on the liability reported at 31 March 2023. The major reason behind the change is the increased return achieved by the pension fund. The overall position of the pension obligation is an increase of £15m in the surplus of the Council's pension position.

### Future Financial Outlook and Financial Resilience

The Council received an unqualified audit opinion for 2022/23 and as part of the audit the Value for Money Assessment for 2021/22 and 2022/23 was completed. The assessment looks at the Councils arrangements in three areas.

- Financial Sustainability
- Governance
- Improving economy, efficiency, and effectiveness

The Council was assessed as having no significant weaknesses in relation to governance and improving economy, efficiency, and effectiveness, but has made some recommendations for the future.

The assessment for financial sustainability identified a weakness in relation to the medium term financial savings that are required to balance the budget. This is not a unique assessment across Local Government as a whole, but for Rugby this is largely related to the uncertainty around the business rates and fair funding reviews. In taking the decision in 2017/18 to remove the reliance from using business rates growth to fund core services and transfer the growth to the business rates equalisation reserve (£7.573m in 2024/25) this has produced a savings target; the exact value will not be known until more information is provided on the changes to the system. The reserve risk assessment identifies that there are sufficient reserve balances to mitigate against the risks identified, regardless of the likelihood of occurrence.

The MTFP is based on very prudent assumptions on the future of Local Government financing. These assumptions may not come to pass and thus the Council's financial sustainability may improve considerably. Until such time that clarity emerges the Council has taken a variety of steps to prepare for the reductions in funding. Through the introduction of the budget working group and a Finance Business Partner way of working, officers are adapting the approach to suit the changing requirements of delivering financial sustainability. To further support this, an update in Operational, Corporate and Strategic risk registers and continued detailed reporting provides management information to review and analyse performance.

### Future Funding

There are a number of challenges in delivering a balanced position for the MTFP beyond this.

The most significant being:

- The loss of all existing growth due to the Business Rates Reset. The reset of the system could redistribute the business rates growth generated since 2013/14, the point at which the retained rates system was introduced.
- The outcome of the Fair Funding Review which could result in a reduction in our assessed funding need.
- The impending end of the New Homes Bonus scheme.
- The legacy impact of inflationary increases from the last two financial years

It was confirmed in the Local Government Finance Settlement (LGFS) that there would be no baseline reset in 2024/25 (initially planned for 2019/20) and is unlikely to take place for a further two years. This means the Business Rates Retention Scheme effectively rolls forward unchanged until 2025/26. This provides some confidence that a continued benefit of retained growth of above the baseline will be available to be transferred into the Business Rates Equalisation Reserve.

As a high growth borough, being able to maintain another two years business rates growth is significant. The Medium Term Financial Strategy adopted a continuation policy to transfer any above sustainable baseline growth to the business rates equalisation reserve. Not only does this provide more resilience from the expected cliff edge reduction when the reset takes place, it also provides resources to potentially implement a one off plan to implement the Corporate Strategy Delivery Plan.

However, this uncertainty makes financial planning for future years extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes.

### Other challenges

In addition to the funding risk, the Council also faces a challenge with the workforce. Local government is facing an increasing workforce risk as there is a shortage of supply in some key service areas including Planning and Financial Services and Rugby is not immune to this. With the workforce now able to gain the benefits of hybrid working and incentives from other sectors that local government cannot match, recruitment and retention is challenging. Although there are plans in place, such as the introduction of seven new posts as set out in the 2024/25 budget and through a new contract for temporary staff through Opus, there is a risk that there is insufficient capacity to deliver the proposals in this budget.

It has been reported that sickness absence is currently high, and this puts further risk on the workforce. Through the update of the HR strategy there will be actions to mitigate against this.

## 2024/25 budget

The 2024/25 General Fund revenue balanced budget was delivered and approved on 21 February 2024 and totalled a net £21.746m. This is an increase of £1.11m from 2023/24. Portfolio service expenditure increased by £0.337m from £18.520m to £18.857m. Significant expenditure items include £1.503m in relation to inflation and salary adjustments and service growth of £1.522m. To offset this, income and savings of (£2.250m) have been identified and through the completion of savings delivery plans the delivery will be RAG rated and through post-delivery reviews the impact of the items will be analysed by the Leadership Team.

In relation to the funding of the Council, significant items include.

**(£1.561m)** - 4% Funding Guarantee. Continues into 2024/25. This ensures every authority has a 4% increase in government funding (this essentially measures the change in Core Spending Power excluding Band D). It will be funded from "a proportion of" NHB legacy payments and the current Lower Tier Services Grant.

**(£0.732m)** - New Homes Bonus (NHB) will continue in 2024/25 but there are no legacy payments as these have now ceased. The MTFP assumes this will cease from 2025/26.

**(£0.304m)** - a 2.99% increase in the Band D equivalent council tax, which is in line with the maximum permitted.

## Medium Term Financial Plan

The 2024-29 Medium Term Financial Plan (MTFP) presented to Council at council tax determination is illustrated in the table below;

	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
<b>BASE BUDGET</b>	<b>20,365</b>	<b>21,746</b>	<b>19,397</b>	<b>20,498</b>	<b>21,065</b>
Growth	3,025	124	606	567	600
Financial Management Adjustments	1,737	(4,453)	512	-	-
Savings	(3,033)	1,795	-	-	-
Changes in Corporate items	(349)	184	(17)	-	-
<b>Total Net Base Budget</b>	<b>21,745</b>	<b>19,396</b>	<b>20,498</b>	<b>21,065</b>	<b>21,665</b>
Government Grants	(2,648)	(337)	(320)	(304)	(312)
Business Rates	(9,074)	(3,630)	(4,168)	(4,037)	(4,097)
Council Tax	(10,023)	(10,436)	(10,892)	(11,363)	(11,851)
<b>Financed by</b>	<b>(21,745)</b>	<b>(14,403)</b>	<b>(15,380)</b>	<b>(15,704)</b>	<b>(16,260)</b>
<b>Cumulative savings/transformation required</b>	<b>-</b>	<b>4,993</b>	<b>5,118</b>	<b>5,361</b>	<b>5,405</b>
<b>In year movement in savings/transformation target</b>	<b>-</b>	<b>4,993</b>	<b>125</b>	<b>243</b>	<b>44</b>

There is a savings target of £4.993m in 2025/26 which reflects the estimated significant items:

- £1.586m reduction in government grants
- £0.732m reduction in the New Homes Bonus Grant as it is assumed the scheme will come to an end during 2024/25
- £0.513m increase in staffing costs due to increments and pay inflation
- £0.150m general inflation for goods and services

The significant risks remain on future baseline funding levels and any retention of growth. However, this will continue to be reviewed and updated as further information is made available. The assumptions across the medium term include;

- Settlement Funding Assessment (SFA) income across the MTFP is assumed to remain at an estimated level of (£2.700m) on reset from 2025/26. The Review of Relative Needs and Resources will be focussing on this area of funding for all authorities which presents a risk to the Council if the assessment of needs is reduced.
- Following the reset, it is assumed that there will be a significant reduction in the proportion of growth that the authority retains. With total retained growth dropping from (£7.573m) in 2024/25 to (£0.630m) in 2025/26.
- The Council continues to contribute to the BRER with business rates growth above the sustainable baseline.

### Addressing the budget gaps

Whilst the Council cannot predict the outcome of both the fair funding and business rates baseline review, we are preparing for a significant reduction in business rates funding moving forward. The MTFP 2024/25 has highlighted the future risks to funding with officers formulating budgetary plans to address all potential scenarios. For the 2024/25 financial year, the MTFP has been increased from 4 to 5 years and will be 10 years by 2025/26. Expanding the length of the MTFP allows for more detailed analysis on the long term financial position of the Council which will support members to make informed decisions when setting the budget

In addition, the existing MTFs sets out a suite of financial policies to provide a framework that will guide our financial planning and decision making throughout the life of the strategy. These assumptions will be reviewed as part of the update of the document for the 2025/26 financial year.

### Financial Resilience Conclusion

A balanced draft General Fund revenue budget has been approved for 2024/25. The combined challenges of the current financial environment and uncertainty due to the impending general election mean that further savings and transformation need to be identified to enable delivery of a balanced budget across the medium term. The organisation's approach to dealing with retained business rates growth has artificially inflated the size of the savings. Although, this growth could have been utilised to fund services, this would potentially have been an unsustainable approach given that it would have been utilising a source of funding likely to be removed, following the reset of the business rates system. For now, the continued delay does pose a temporary benefit as the reserve continues to increase on an annual basis. That said the high level of uncertainty around retained business rates and the reset of the system presents a considerable risk to our finances from 2025/26 onwards. With the introduction of the new MTFs, we have set out how we are going to proactively tackle the challenges facing not just Rugby, but the sector as a whole.

For the HRA, the regeneration of both Biart Place and Rounds Gardens sites will fundamentally impact on the scale of the resources available across the medium to long term.

## Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2024. It is comprised of core and supplementary statements, together with disclosure notes. The format and content of the Financial Statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which in turn is underpinned by International Financial Reporting Standards; A Glossary of key terms can be found at the end of this publication.

### The Primary Financial statements

**The Comprehensive Income and Expenditure Statement (CIES)** records all of our income and expenditure for the year, in accordance with generally accepted accounting practices (GAAP). The top half of the statement provides an analysis by portfolio, in-line with our organisational structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- services and activities that the Council are required to carry out by law (statutory duties) such as street cleansing and planning; and,
- discretionary expenditure focussed on local priorities and needs, such as leisure and culture.

**A Movement in Reserves Statement (MiRS)** is a summary of the changes to our reserves over the course of the year. Reserves are divided into “useable”, which can be invested in capital projects or service improvements, and “unusable” which must be set aside for specific purposes.

**The Balance Sheet** statement is a “snapshot” of our assets, liabilities, cash balances and reserves at the year-end date.

**The Cash Flow Statement** shows the reason for changes in our cash balances during the year and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

### Notes to support the primary statements

The other notes are presented after the core statements and provide more detail about the Council’s accounting policies and individual transactions.

### Supplementary Statements

The Housing Revenue Account (HRA) reflects the statutory obligation to maintain a revenue account for local authority housing provision. It includes the debit and credit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The HRA is incorporated into the Comprehensive Income and Expenditure Statement

The Collection Fund Statement includes transactions relating to council tax and business rates income. Rugby Borough Council is responsible for collecting local taxes on behalf of Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire, Parish Councils and the Borough Council itself; these are all accounted for within the Collection Fund.

### The Annual Governance Statement

The Annual Governance Statement sets out the governance structure of the Council and its key internal controls.

## Further Information

If you would like to receive further information about the Accounts, please contact the Financial Services Team.

Email: [contactcentre@rugby.gov.uk](mailto:contactcentre@rugby.gov.uk)

Telephone: [\(01788\) 533533](tel:(01788)533533)

Address: Town Hall, Evreux Way, Rugby, CV21 2RR.

# Statement of Responsibilities

## Statement of Responsibilities for the Statement of Accounts

### The 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 of those affairs. In Rugby Borough Council, this is the Chief Officer – Finance and Performance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

### Responsibilities of the Chief Officer – Finance and Performance

The Chief Officer – Finance and Performance, as the designated Section 151 Officer for the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Officer – Finance and Performance has:

- selected suitable accounting policies and applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code of Practice.
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Certificate of the Chief Officer – Finance and Performance

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31 March 2024 and its expenditure and income for the year then ended.

**Jon Illingworth**  
**Chief Officer – Finance and Performance**  
Date: 31/05/2024



# The Primary Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure 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 (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

2022/23				Note	2023/24		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000	
18,759	(15,245)	3,514	Communities and Homes		19,009	(15,257)	3,752
306	(146)	160	Digital and Communications		215	(52)	163
483	(81)	402	Executive Director's Office		447	(164)	283
7,329	(6,030)	1,299	Finance and Performance		2,094	(524)	1,570
3,434	(1,646)	1,788	Growth and Investment		3,808	(1,789)	2,019
17,531	(17,351)	180	Housing Revenue Account		23,772	(18,312)	5,460
2,467	(47)	2,420	Legal and Governance		2,642	(84)	2,558
6,485	(1,745)	4,740	Leisure and Wellbeing		3,170	(1,665)	1,505
8,430	(2,941)	5,489	Operations and Traded		9,888	(3,327)	6,561
3,708	(2,015)	1,693	Regulation and Safety		3,665	(2,238)	1,427
147	-	147	Corporate Items		3	(37)	(34)
<b>69,079</b>	<b>(47,247)</b>	<b>21,832</b>	<b>Total Cost of Services</b>	<b>6</b>	<b>68,713</b>	<b>(43,449)</b>	<b>25,264</b>
	415	415	Other Operating Expenditure	9		1,661	1,661
	1,730	1,730	Financing and Investment Income and Expenditure	10		(2,425)	(2,425)
	(21,244)	(21,244)	Taxation and Non-specific Grant Income	11		(25,419)	(25,419)
		<b>2,733</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(919)</b>
			<b>Other Comprehensive Income and Expenditure</b>				
		(1,707)	(Surplus)/Deficit on revaluation of non-current assets				(11,225)
		(47,739)	Remeasurement of the net defined benefit liability/(asset)				(18,626)
		<b>(49,446)</b>	<b>Total Other Comprehensive Income and Expenditure</b>				<b>(29,851)</b>
		<b>(46,713)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(30,770)</b>



## Movement in Reserves

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves is broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net (increase)/decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

2023/24	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2023</b>	(27,875)	(22,855)	(5,061)	(17,506)	(22)	<b>(73,319)</b>	(190,141)	<b>(263,460)</b>
<b>Movement in Reserves during 2023/24</b>								
Total Comprehensive Income and Expenditure	1,340	(422)	-	-	-	<b>918</b>	-	<b>918</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	(29,850)	<b>(29,850)</b>
Adjustments between accounting basis and funding basis under regulations (note 7)	(2,782)	470	(634)	2,935	-	<b>(11)</b>	11	-
<b>(Increase)/Decrease in 2023/24</b>	<b>(1,442)</b>	<b>48</b>	<b>(634)</b>	<b>2,935</b>	<b>-</b>	<b>907</b>	<b>(29,839)</b>	<b>(28,932)</b>
Other movements	(1,886)	48	-	-	-	<b>(1,838)</b>	31	<b>(1,807)</b>
<b>Balance at 31 March 2024</b>	<b>(31,203)</b>	<b>(22,759)</b>	<b>(5,695)</b>	<b>(14,571)</b>	<b>(22)</b>	<b>(74,250)</b>	<b>(219,949)</b>	<b>(294,199)</b>

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2022</b>	<b>(21,982)</b>	<b>(19,710)</b>	<b>(15,854)</b>	<b>(3,805)</b>	<b>(631)</b>	<b>(61,982)</b>	<b>(154,730)</b>	<b>(216,712)</b>
<b>Movement in Reserves during 2022/23</b>								
Total Comprehensive Income and Expenditure	3,983	(1,249)	-	-	-	2,734	(49,446)	(46,712)
Adjustments between accounting basis and funding basis under regulations (Note 7)	(9,813)	(2,180)	(1,652)	(1,000)	610	<b>(14,035)</b>	14,035	-
Other movements	<b>(36)</b>	<b>256</b>	-	<b>(256)</b>	-	<b>(36)</b>	-	<b>(36)</b>
<b>(Increase)/Decrease in 2022/23</b>	<b>(5,866)</b>	<b>(3,193)</b>	<b>(1,652)</b>	<b>(1,256)</b>	<b>610</b>	<b>(11,337)</b>	<b>(35,411)</b>	<b>(46,748)</b>
<b>Balance at 31 March 2023</b>	<b>(27,848)</b>	<b>(22,883)</b>	<b>(17,506)</b>	<b>(5,061)</b>	<b>(21)</b>	<b>(73,319)</b>	<b>(190,141)</b>	<b>(263,460)</b>

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves is those that the authority 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 adjustments between accounting basis and funding basis under regulations.'

	Note	31 March 2024 £000	31 March 2023 £000
Property, Plant and Equipment	13	256,331	240,421
Heritage Assets	14	37,535	34,505
Investment Property	15	721	690
Intangible Assets	16	788	1,076
Long Term Investments	18	734	10,874
Long Term Advances	18	6,367	5,155
Long Term Debtors	20	168	166
<b>Long Term Assets</b>		<b>302,643</b>	<b>292,887</b>
Short Term Investments	18	78,421	54,535
Assets Held for Sale	17	72	76
Inventories		218	256
Short Term Debtors	20	29,458	19,874
Cash and Cash Equivalents	19	183	13,037
<b>Current Assets</b>		<b>108,352</b>	<b>87,778</b>
Short Term Borrowings	18	(7,581)	(449)
Short Term Creditors	21	(25,835)	(21,351)
Short Term Provisions	22	(559)	(255)
<b>Current Liabilities</b>		<b>(33,975)</b>	<b>(22,055)</b>
Long Term Provisions	22	(5,293)	(4,082)
Long Term Creditors	21	(709)	(661)
Long Term Borrowing	18	(83,355)	(83,376)
Pension Liabilities	34	15,349	0
Grant Receipts in Advance	12	(8,812)	(7,031)
<b>Long Term Liabilities</b>		<b>(82,820)</b>	<b>(95,150)</b>
<b>Net Assets</b>		<b>294,200</b>	<b>263,460</b>
Usable Reserves	23	(74,251)	(73,319)
Unusable Reserves	25	(219,949)	(190,141)
<b>Total Reserves</b>		<b>(294,200)</b>	<b>(263,460)</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

	Note	2023/24	2022/23
		£000	£000
Net (Surplus) or deficit on the provision of services		(918)	(2,734)
Adjustment to net surplus or deficit on the provision of services for non-cash movements	26	13,855	14,153
Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	26	(4,529)	(1,207)
<b>Net cash flows from Operating activities</b>		<b>8,408</b>	<b>10,212</b>
Investing activities	27	(33,369)	6,735
Financing activities	28	12,107	(18,290)
<b>Net increase or (decrease) in cash and cash equivalents</b>		<b>(12,854)</b>	<b>(1,343)</b>
Cash and Cash equivalents at the beginning of the reporting period		13,037	14,380
<b>Cash and Cash equivalents at 31 March 2024</b>	<b>19</b>	<b>183</b>	<b>13,037</b>

# Notes to the Accounting Statements

## 1 General Principles

The statement of accounts summarises the authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The authority 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 under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

## 2 Accounting Standards issued, but have not yet been adopted

The Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 has introduced some changes to the accounting policies which will be required from 1 April 2024 and will be adopted by Rugby Borough Council from this date.

The standards introduced by the 2024/25 Code are:

- a) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year). The Council has not yet adopted this standard but has assessed, that had it done so, there would have been no material impact on the accounts.
- b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
- c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
- d) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.
- e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
- f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) issued in May 2023.

## 3 Critical judgements in applying accounting policies.

In applying the accounting policies set out in note 1, the authority 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:

### Going Concern

From 2020/21 Local Authorities are required by the Code of Practice on Local Authority Accounting to prepare their accounts on the going concern basis, which is that the functions of the Council will continue in operational existence for the foreseeable future, as a local authority can only be discontinued as a result of statutory prescription.

The Council faces significant cost pressures due to years of high rates of inflation, experienced for salary costs, fuel, electricity and other supplies, plus the consequential increase in demand for its services.

The Council has a control environment that will help to manage and minimise risks inherent in its budgets for future years, including a robust approach to financial planning, regular reporting to members and senior officers, using performance reporting as an early warning system and an internal audit function assessing controls and processes.

The Council also continues to focus on commercialisation, effective contract management and working with partners to secure value for money in delivering its strategic aims and priorities.

The Council has a strong track record in terms of delivering savings, generating income and delivering value to its residents, with a constant focus on strategic outcomes and financial prudence. Therefore, whilst the financial challenge facing the Council is significant, there is no evidence to indicate that the assets of the Council might be impaired due to the need to reduce service provision.

The Council has also been prudent in its establishment of reserves, which will help the Council to invest and achieve the savings plans.

On the basis of the controls in place, the Council considers that it can continue to meet its liabilities as they fall due, supporting the preparation of the financial statements on a going concern basis irrespective of the statutory requirements.

### Pension Liability

The Council's actuary has revalued the future liabilities owed by the Warwickshire Pension Fund on behalf of the Council and matched this with the current fair value of assets held by the pension Fund on behalf of the Council. This resulted in a surplus of £15.349m. This surplus is not an asset that is available to the Council. The Council has assessed that there is no opportunity to get a reduction in future contributions or a refund from the fund. Under IFRIC 14, the accounting standard applicable to defined pension schemes, the Actuary has considered the asset ceiling restriction amount at 31 March 2024 and this has been considered in relation to the surplus calculation.

## 4 Assumptions made about the future and other major sources of estimation uncertainty.

The Accounts contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering 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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Other land and buildings £37.701m	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by approximately £0.120m for every year that useful lives had to be reduced.
Council Dwellings £198.073m	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.	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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Financial instruments	The Council holds £6m (nominal) of units in both Property and Diversified Income Funds. The funds own retail, industrial, office, and other non-residential property holdings.	The value of Financial Instruments will be subject to review, so there may be changes to the values in the Balance Sheet in the future. Fair value gains and losses are recognised as they arrive in the Surplus/Deficit on the Provision of Services. The Council uses the statutory override introduced by the Government to transfer these gains/losses to the Financial Instruments Revaluation Reserve.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision for Business Rate Appeals £7.001m	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	<p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2023 is £17.503m, of which the Council's share is 40% (£7.001m).</p> <p>Should the success of appeals differ from the governments expectation by 1% the effect on the Council's net assets would be £0.07m</p>
Pension liability £15.3m	<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 Local Government Pension Scheme, administered by Warwickshire County Council with expert advice about the assumptions to be applied.</p> <p>At 31 March 2024 the Council's share of the pension Fund liability is an asset, which means that, should the assumptions come to fruition as estimated, the Council would realise a cash surplus. However, as explained in note 3, the asset has been treated as having a nil value.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in an increase in the pension asset of £2.2 million.</p> <p>A sensitivity analysis upon other variables affecting the net pension liability is set out in Note 34 Defined benefit pension schemes.</p>

## 5 Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at 31 March 2024 – the Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the 31 March 2024 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

No such events have been identified.

## 6 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It 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.

	2023/24					Net Expenditure Chargeable to the General Fund
	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis			Total Adjustments	
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences		
	£000	£000	£000	£000	£000	£000
Communities and Homes	3,752	(732)	(414)	32	(1,115)	2,637
Digital and Communications	162	(428)	(294)	27	(695)	(533)
Executive Director's Office	283	-	-	-	-	283
Finance and Performance	1,570	-	(324)	18	(307)	1,264
Growth and Investment	2,019	(12)	(259)	21	(251)	1,768
Housing Revenue Account	5,460	(11,560)	(575)	25	(12,110)	(6,650)
Legal and Governance	2,558	1,296	(303)	12	1,005	3,563
Leisure and Wellbeing	1,505	2	(159)	16	(141)	1,365
Operations and Traded	6,562	(804)	(870)	12	(1,662)	4,900
Regulation and Safety	1,427	(65)	(283)	14	(333)	1,094
Corporate Items	(34)	-	-	-	-	(34)
<b>Cost of Services</b>	<b>25,265</b>	<b>(12,303)</b>	<b>(3,482)</b>	<b>177</b>	<b>(15,609)</b>	<b>9,656</b>
Other income and expenditure	(26,183)	15,318	206	(2,048)	13,403	(12,781)
<b>(Surplus) or Deficit</b>	<b>(918)</b>	<b>3,015</b>	<b>(3,277)</b>	<b>(1,872)</b>	<b>(2,206)</b>	<b>(3,124)</b>

Opening General Fund Balances	(50,730)
Surplus/(Deficit) on General Fund in Year	(3,124)
<b>Closing General Fund Balances</b>	<b>(53,854)</b>



	2022/23					
	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis				Net Expenditure Chargeable to the General Fund
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences	Total Adjustments	
£000	£000	£000	£000	£000	£000	
Communities and Homes	3,514	(455)	(412)	16	(851)	2,663
Digital and Communications	160	(411)	(307)	6	(712)	(552)
Executive Director's Office	402	0	(181)	(1)	(182)	220
Finance and Performance	1,299	0	(327)	11	(316)	983
Growth and Investment	1,788	(9)	(267)	3	(273)	1,515
Housing Revenue Account	180	(6,538)	(590)	10	(7,118)	(6,938)
Legal and Governance	2,420	(1,700)	(284)	14	(1,970)	450
Leisure and Wellbeing	4,740	0	(178)	2	(176)	4,564
Operations and Traded	5,489	(748)	(846)	39	(1,555)	3,934
Regulation and Safety	1,693	(355)	(304)	14	(645)	1,048
Corporate Items	147	0	0	0	0	147
<b>Cost of Services</b>	<b>21,832</b>	<b>(10,216)</b>	<b>(3,696)</b>	<b>114</b>	<b>(13,798)</b>	<b>8,034</b>
Other income and expenditure	(19,099)	6779	(972)	(3,781)	2,026	(17,073)
<b>(Surplus) or Deficit</b>	<b>2,733</b>	<b>(3,437)</b>	<b>(4,668)</b>	<b>(3,667)</b>	<b>(11,772)</b>	<b>(9,039)</b>

<b>Opening General Fund Balances</b>	<b>(41,692)</b>
Surplus/(Deficit) on General Fund in Year	(9,039)
<b>Closing General Fund Balances</b>	<b>(50,731)</b>

## 7 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 arrive at 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 the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resource that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial years. The balance, however, is not available to be applied to funding HRA activities.



## Housing Revenue Account

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or where in deficit is required to be recovered from tenants in future years.

## Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the 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 historical 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 Account 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 the 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.

2023/24	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable reserves £000
<b>Adjustments to Revenue Resources</b>						
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:	-	-	-	-	-	-
Pension costs (transferred to/from the Pensions Reserve)	(2,753)	(524)	-	-	-	(3,277)
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	(227)	-	-	-	-	(227)
Council Tax and NDR (transfers to/from the Collection Fund)	(1,725)	-	-	-	-	(1,725)
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	156	32	-	-	-	188
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	136	(6,035)	(3,241)	-	-	(9,140)
<b>Total Adjustments to Revenue Resources</b>	<b>(4,413)</b>	<b>(6,527)</b>	<b>(3,241)</b>	<b>-</b>	<b>-</b>	<b>(14,182)</b>

<b>Adjustments between Revenue and Capital Resources</b>						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	26	1,001	-	(1,028)	-	-
Transfer of unattached capital receipts	13	138	-	(151)	-	-
Capital grants and contributions unapplied credited to the CIES	1,297	-	-	-	-	1,297
Capital expenditure charged against revenue balances	263	5,890	-	-	-	6,153
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,599</b>	<b>7,029</b>	<b>-</b>	<b>(1,179)</b>	<b>-</b>	<b>7,450</b>
<b>Adjustments to Capital Resources</b>						
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	4,113	-	4,113
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,607	-	-	2,607
<b>Total Adjustments to Capital Resources</b>	<b>-</b>	<b>-</b>	<b>2,607</b>	<b>4,113</b>	<b>-</b>	<b>6,720</b>
<b>Total Adjustments</b>	<b>(2,814)</b>	<b>502</b>	<b>(634)</b>	<b>2,935</b>	<b>-</b>	<b>(12)</b>

2022/23	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to Revenue Resources</b>					
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	(3,889)	(780)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	(1,176)	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	(2,626)	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	110	4	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,684)	(5,873)	(3,182)	-	-
<b>Total Adjustments to Revenue Resources</b>	<b>(10,265)</b>	<b>(6,649)</b>	<b>(3,182)</b>	<b>-</b>	<b>-</b>
<b>Adjustments between Revenue and Capital Resources</b>					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	2,810	-	(2,810)	-
Transfer of unattached capital receipts	39	-	-	(39)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	222	-	-	(222)	-

Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,413	-	-	-	-
Capital grants and contributions unapplied credited to the CIES	155	832	-	-	-
Use of Donated funds to finance capital exp	60	66	-	(66)	-
Other Adjustment	-	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,889</b>	<b>3,642</b>	<b>-</b>	<b>(3,071)</b>	<b>-</b>
<b>Adjustments to Capital Resources</b>					
Application of capital grants to finance capital expenditure	(610)	-	-	-	610
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	1,419	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,183	-	-
<b>Total Adjustments to Capital Resources</b>	<b>(610)</b>	<b>-</b>	<b>2,183</b>	<b>1,419</b>	<b>610</b>
<b>Total Adjustments</b>	<b>(8,986)</b>	<b>(3,007)</b>	<b>(1,000)</b>	<b>(1,652)</b>	<b>610</b>

## 8 Expenditure and Income Analysis by Nature

	2023/24 £000	2022/23 £000
<b>Expenditure</b>		
Employee benefits expenses	25,945	23,993
Other service expenses	29,619	33,975
Depreciation, amortisation, impairment	12,239	9,979
Interest payments	2,742	1,829
Net interest on the net defined benefit liability	-	1,173
Precepts and levies	1,005	940
Payments to housing capital receipts pool	-	-
REFCUS	910	1,147
Gain / Impairment of financial assets	627	1,176
Loss on the disposal of assets	807	-
<b>Total expenditure</b>	<b>73,895</b>	<b>74,212</b>
<b>Income</b>		
Fees, charges and other service income	(12,049)	(9,119)
HRA dwelling rents	(16,971)	(17,099)
Net interest on the net defined benefit liability	(319)	-
Interest and investment income	(5,395)	(2,417)
Income from council tax, non-domestic rates	(29,730)	(13,629)
Government grants and contributions	(10,117)	(28,639)
Gain on disposal of assets	-	(275)
Pooling Fund refund	-	(222)
Other income	(232)	(78)
<b>Total income</b>	<b>(74,813)</b>	<b>(71,479)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>(918)</b>	<b>2,733</b>

## 9 Other Operating Expenditure

Other Operating Expenditure	2023/24 £000	2022/23 £000
Parish Council Precepts	1,005	940
Payments to the Government housing capital receipts pool	-	(222)
Other Income - Unattached Receipts	(151)	(28)
(Gains)/Losses on the disposal of non-current assets	807	(275)
<b>Total</b>	<b>1,661</b>	<b>415</b>

## 10 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2023/24 £000	2022/23 £000
Interest Payable and similar charges	1,631	1,829
Net interest on the net defined benefit liability	(319)	1,173
Interest Receivable and similar income	(4,283)	(2,397)
Income and expenditure in relation to investment properties and changes in their fair value	(81)	(51)
(Gains)/Impairment of financial assets	627	1,176
<b>Total</b>	<b>(2,425)</b>	<b>1,730</b>

## 11 Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income	2023/24 £000	2022/23 £000
Council Tax Income	(9,642)	(9,121)
Retained Business Rates	(20,185)	(17,780)
Business Rates Tariff Payment	15,354	13,272
Non-ring-fenced Government grants	(6,005)	(6,728)
Capital grants and contributions	(4,941)	(887)
<b>Total</b>	<b>(25,419)</b>	<b>(21,244)</b>

## 12 Grant Income

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council and credited to the Comprehensive Income and Expenditure Statement 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.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant line 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 it has been

applied to finance capital expenditure, it is posted to the Capital Adjustment Account. Where the grant has yet to be applied, it is posted to the Capital Grant Unapplied reserve. Amounts in the Capital Grant Unapplied reserve are subsequently transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

<b>Total Grants Credited to Taxation and Non-Specific Grant Income</b>	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
New Homes Bonus	(987)	(1,934)
Business Rates Section 31 Grants	(3,607)	(3,919)
Other Non-Specific Revenue Grants	(1,411)	(875)
<b>Revenue Grants</b>	<b>(6,005)</b>	<b>(6,728)</b>
Capital Grants Non-Conditional	-	(56)
Capital Grants Conditional	(4,447)	(389)
Capital Section 106 Funding Conditional	(494)	(441)
<b>Capital Grants</b>	<b>(4,941)</b>	<b>(886)</b>
<b>Total</b>	<b>(10,946)</b>	<b>(7,614)</b>

<b>Grants included as income in the Net Cost of Services</b>	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Credited to Services</b>		
Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(12,294)	(12,209)
Council tax energy rebate	-	(5,748)
Other DWP grants	(108)	(112)
Donations	-	(60)
DHLUC grants	(437)	(460)
Section 106 Contributions	(475)	(338)
Other Revenue Grants & Section 106 Funding	(1,589)	(1,247)
<b>Revenue Grants and Contributions</b>	<b>(14,903)</b>	<b>(20,174)</b>
DHLUC - Disabled Facilities Grant	(780)	(910)
Section 106 & Other Capital Conditional and Non-Conditional Funding	(62)	-
<b>Capital Grants and Contributions</b>	<b>(842)</b>	<b>(910)</b>
<b>Total Grants Credited to Services</b>	<b>(15,745)</b>	<b>(21,084)</b>

The Council has received the following grants and contributions that have yet to be recognised as income as there are conditions attached to them that require the monies to be returned to the awarding body if unspent on relevant expenditure. The balances at the year-end are as follows:

	2023/24	2022/23
	£000	£000
Revenue Section 106 Funding	(5,072)	(5,405)
Council tax rebate	-	(50)
Restart grant	-	(741)
Other Revenue grants	(1,373)	(610)
<b>Revenue Receipts Held in Advance</b>	<b>(6,445)</b>	<b>(6,806)</b>
Other Capital grants	(2,367)	(194)
<b>Capital Receipts Held in Advance</b>	<b>(2,367)</b>	<b>(194)</b>
<b>Total Receipts Held in Advance</b>	<b>(8,812)</b>	<b>(7,000)</b>

The Council also holds grants to passport to recipients. The Council has determined that, in the allocation of these grants, it is acting as an agent of the Government as the terms of payment and the recipients are not determined by the Council, and the associated income and expenditure do not form part of the Council's Financial Statements. The balance left unpaid at the year-end is held as a creditor. Details of the funds received where the Council acts as agent are shown below.

Grants received where the Council acts as an Agent	31 March 2023	Income	Expenditure	31 March 2024
	£000	£000	£000	£000
Dept of Business, Energy and Industrial Strategy - Creditor	(1,261)	(11)	1,157	(115)
<b>Total</b>	<b>(1,261)</b>	<b>(11)</b>	<b>1,157</b>	<b>(115)</b>

## 13 Property, Plant and Equipment

2023/24	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2023</b>	<b>203,633</b>	<b>29,338</b>	<b>14,322</b>	<b>7,970</b>	<b>955</b>	<b>3,540</b>	<b>710</b>	<b>260,468</b>
Additions	13,469	412	2,682	210	-	-	4,648	21,421
Donations					-			-
Derecognition - disposals	(537)	-	(3,697)	(16)	-	-	-	(4,250)
Derecognition - componentisation	(1,151)	-	-	-	-	-	-	(1,151)
Reclassification	337	-	40	26	-	-	(512)	(109)
Revaluation Increases recognised in the Revaluation Reserve	-	7,631	-	-	-	-	-	7,631
Revaluation decreases recognised in the Provision of Services	(8,156)	1,767	-	-	-	-	-	(6,389)
Other movements in cost or valuation	(3,216)	-	(54)	-	-	-	-	(3,270)
<b>At 31 March 2024</b>	<b>204,379</b>	<b>39,148</b>	<b>13,293</b>	<b>8,190</b>	<b>955</b>	<b>3,540</b>	<b>4,846</b>	<b>274,351</b>
<b>Depreciation and impairment</b>								
<b>At 1 April 2023</b>	<b>(6,442)</b>	<b>(1,261)</b>	<b>(9,154)</b>	<b>(3,184)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(20,045)</b>
Charge for 2023/24	(3,097)	(563)	(1,235)	(366)	-	(5)	-	(5,266)
Derecognition - disposals	16	-	3,623	4	-	-	-	3,643
Impairment losses recognised in the revaluation reserve	-	-	-	-	-	-	-	-
Reclassification	1	-	-	-	-	-	-	-
Depreciation written out to the Provision of Services due to revaluation	-	407	-	-	-	-	-	407
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	(30)	-	-	-	-	-	(30)
Other movements in cost or valuation	3216	-	54	-	-	-	-	3,270
<b>At 31 March 2024</b>	<b>(6,306)</b>	<b>(1,447)</b>	<b>(6,712)</b>	<b>(3,546)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(18,020)</b>
<b>Balance Sheet at 31 March 2024</b>	<b>198,073</b>	<b>37,701</b>	<b>6,581</b>	<b>4,644</b>	<b>955</b>	<b>3,531</b>	<b>4,846</b>	<b>256,331</b>



2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
<b>At 1 April 2022</b>	<b>204,225</b>	<b>30,771</b>	<b>15,455</b>	<b>7,526</b>	<b>915</b>	<b>3,897</b>	<b>1,370</b>	<b>264,159</b>
Additions	5,285	182	872	449	-	-	379	7,167
Donations					60			60
Derecognition - disposals	(1,351)	-	(1,379)	-	(20)	(16)	-	(2,766)
Derecognition - componentisation	(827)	-	-	-	-	-	-	(827)
Reclassification	-	-	19	-	-	-	(1,039)	(1,020)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,750	(131)	-	-	-	(125)	-	1,494
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(5,432)	(1,484)	-	-	-	(216)	-	(7,132)
Other movements in cost or valuation	(17)	-	(645)	(5)	-	-	-	(667)
<b>At 31 March 2023</b>	<b>203,633</b>	<b>29,338</b>	<b>14,322</b>	<b>7,970</b>	<b>955</b>	<b>3,540</b>	<b>710</b>	<b>260,468</b>
<b>Depreciation and impairment</b>								
At 1 April 2022	(6,305)	(998)	(10,032)	(2,837)	(20)	(30)	-	(20,222)
Charge for 2022/23	(3,037)	(550)	(1,119)	(352)	-	(4)	-	(5,062)
Derecognition - disposals	55	-	1,352	-	20	16	-	1,443
Impairment losses recognised in the revaluation reserve	-	(121)	-	-	-	-	-	(121)
Reclassification	-	-	-	-	-	-	-	-
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	2,828	846	-	-	-	14	-	3,638
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	(438)	-	-	-	-	-	(438)
Other movements	17	-	645	5	-	-	-	667
At 31 March 2023	(6,442)	(1,261)	(9,154)	(3,184)	-	(4)	-	(20,045)
<b>Balance Sheet at 31 March 2023</b>	<b>197,191</b>	<b>28,077</b>	<b>5,168</b>	<b>4,786</b>	<b>955</b>	<b>3,536</b>	<b>710</b>	<b>240,423</b>

The statement below shows the progress of the Council's rolling programme for the revaluation of non-current assets and which assets (and their values) are reviewed in each of the five years.

	Council dwellings	Other land and buildings	Total non-current assets carried at current value	Assets carried at other value	Total Valuation (All Assets)
	£000	£000	£000	£000	£000
Valued at historical cost	-	12	12	17,026	17,038
Valued at current cost in:	-	-	-	-	-
2023/24	-	29,532	29,532	-	29,532
2022/23	197,224	8,157	208,912	-	208,912
2021/22	-	-	-	-	-
2020/21	849	-	849	-	849
<b>Total</b>	<b>198,073</b>	<b>37,701</b>	<b>239,305</b>	<b>17,026</b>	<b>256,331</b>

## 14 Heritage Assets

	Art and Social History Collections	Monuments and Statues	Historic Sites/Buildings	Civic Regalia	Intangible	Total Assets
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 1 April 2023</b>	<b>5,921</b>	<b>571</b>	<b>28,379</b>	<b>213</b>	<b>15</b>	<b>35,099</b>
Additions	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Revaluations	2,919	-	-	-	-	2,919
<b>At 31 March 2024</b>	<b>8,840</b>	<b>571</b>	<b>28,379</b>	<b>213</b>	<b>15</b>	<b>38,018</b>
<b>Depreciation</b>						
<b>At 1 April 2023</b>	<b>(578)</b>	<b>(10)</b>	<b>(2)</b>	<b>-</b>	<b>(4)</b>	<b>(594)</b>
Revaluations	713	-	-	-	-	713
Charge for year	(587)	(10)	(2)	-	(4)	(603)
<b>At 31 March 2024</b>	<b>(452)</b>	<b>(20)</b>	<b>(4)</b>	<b>-</b>	<b>(8)</b>	<b>(484)</b>
<b>Net book value at 31 March 2024</b>	<b>8,388</b>	<b>551</b>	<b>28,375</b>	<b>213</b>	<b>8</b>	<b>37,535</b>

## Revaluations of Heritage Assets

In accordance with the Council's accounting policy on Heritage Assets, valuations may be made by any method that is appropriate and relevant to the heritage asset. The art and social history collections and the civic regalia were valued for insurance purposes by external and internal valuers in 2022/23.

Historic sites, principally the Great Central Walk bridges, are assessed for insurance purposes by council engineers based on re-instatement costs. A further revaluation of the bridges was undertaken in 2023/24.

### Art Collections

The Council's collections of artwork is reported in the Balance Sheet at insurance valuation which is based on market values. The Rugby Art Collection was revalued by Michael Mays Consultancy in 2022/23. The collections include the following items:

- The Rugby Art Collection – 20th century and contemporary British art
- The Local Art Collection
- Andrew Varah Furniture
- Social History Collection – mainly donated artefacts
- Redding Collection – glass plate negatives

## 15 Investment Properties

	2023/24	2022/23
	£000	£000
Balance at 1 April	690	690
Additions	-	-
Net gains/(losses) from fair value adjustments	31	-
Derecognition - disposals	-	-
Balance at 31 March	721	690

## 16 Intangible assets

	2023/24	2022/23
	£000	£000
Balance at 1 April	1,076	346
Additions	76	267
Amortisation	(400)	(420)
Reclassifications	36	883
Balance at 31 March	788	1,076

## 17 Assets Held for Sale

	2023/24	2022/23
	£000	£000
Balance at 1 April	76	468
Revaluation gains/(losses)	-	-
Assets unsold transferred back to PPE	-	-
Assets Sold	(76)	(392)
Assets transferred from PPE	-	-
Reclassification	72	-
<b>Balance at 31 March</b>	<b>72</b>	<b>76</b>

## 18 Financial Instruments

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

	31 March 2024		31 March 2023	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
<b>Financial Assets</b>				
At Amortised Cost	-	72,651	10,118	48,544
At Fair Value through Profit and Loss	95	5,770	95	5,991
<b>Total Investments</b>	<b>95</b>	<b>78,421</b>	<b>10,213</b>	<b>54,535</b>
<b>Loans and Receivables</b>	<b>6,338</b>	<b>-</b>	<b>5,126</b>	<b>-</b>
Cash and Cash Equivalents	-	-	-	-
At Amortised Cost	-	183	-	13,037
<b>Total Cash and Cash Equivalents</b>	<b>-</b>	<b>183</b>	<b>-</b>	<b>13,037</b>
Trade Receivables	-	3,083	-	2,262
<b>Included in Short term debtors</b>	<b>-</b>	<b>3,083</b>	<b>-</b>	<b>2,262</b>
<b>Total Financial Assets</b>	<b>6,433</b>	<b>80,688</b>	<b>15,339</b>	<b>69,834</b>
<b>Financial Liabilities</b>				
Loans at Amortised Cost	(83,300)	(7,581)	(83,300)	(449)
Finance Lease	(38)	(22)	(60)	(22)
Short term creditors	-	(463)	-	(2,350)
<b>Total Financial Liabilities</b>	<b>(83,338)</b>	<b>(8,066)</b>	<b>(83,360)</b>	<b>(2,821)</b>

### Income, Expense, 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:

	2023/24			2022/23		
	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss
	£000	£000	£000	£000	£000	£000
Interest Expense	(1,633)	-	-	(1,829)	-	-
Net loss on financial assets at fair value through profit and loss	-	-	(227)	-	-	(1,176)
<b>Total Expense in Surplus/Deficit on the Provision of Services</b>	<b>(1,633)</b>	<b>-</b>	<b>(227)</b>	<b>(1,829)</b>	<b>-</b>	<b>(1,176)</b>
Net gain on financial assets at fair value through profit and loss	-	-	-	-	-	-
Interest Income	-	3,422	838	-	1,623	522
<b>Total Income in Surplus/Deficit on the Provision of Services</b>	<b>-</b>	<b>3,422</b>	<b>838</b>	<b>-</b>	<b>1,623</b>	<b>522</b>
Gains on revaluation	-	-	227	-	-	1,176
<b>Net Gain/(Loss) for the year</b>	<b>(1,633)</b>	<b>3,422</b>	<b>838</b>	<b>(1,829)</b>	<b>1,623</b>	<b>522</b>

### Fair Values of Assets and Liabilities

Some of the Council's financial assets are measured in the Balance Sheet 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 used to measure fair value	31 March 2024 Fair Value	31 March 2023 Fair Value
			£000	£000
Fair value through profit and loss – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,205	2,296
Fair value through profit and loss – CCLA Better Care World Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,961	1,869

Fair value through profit and loss – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,605	1,826
Fair value through profit and loss	Level 3	Unobservable inputs for asset / liability	95	95
			<b>5,866</b>	<b>6,086</b>

There were no transfers between input levels during the financial year 2023/24. There has been no change in valuation technique used during the year for financial instruments.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

	31 March 2024		31 March 2023	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Financial Assets held at amortised cost</b>				
Corporate, Covered and Government Bonds	-	-	-	-
Long Term Investments	-	-	10,119	9,649
	-	-	<b>10,119</b>	<b>9,649</b>
<b>Assets for which Fair Value is not disclosed</b>				
Long Term Debtors	6,338	-	5,188	-
Short Term Investments	72,651	-	48,544	-
Cash and Cash Equivalents	183	-	13,037	-
Short term debtors	3,083	-	2,263	-
<b>Sub-total</b>	<b>82,255</b>	-	<b>69,032</b>	-
<b>Total Financial Assets</b>	<b>82,255</b>	-	<b>79,151</b>	<b>9,649</b>
<b>Financial Liabilities at amortised cost</b>				
Borrowing	-	-	-	-
Public Works Loans Board	(70,016)	(26,668)	(69,892)	(30,331)
Other	(20,867)	(17,270)	(13,857)	(11,460)
<b>Total Borrowing</b>	<b>(90,883)</b>	<b>(49,938)</b>	<b>(83,749)</b>	<b>(41,791)</b>
Finance Lease	(59)	(59)	(79)	(79)
Short term creditors	(4,162)	(4,162)	(2,351)	(2,351)
<b>Total Financial Liabilities</b>	<b>(95,104)</b>	<b>(54,159)</b>	<b>(86,179)</b>	<b>(44,221)</b>

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value.

The fair values of financial instruments classified at amortised cost can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following methods and assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, the rates for new borrowing for loans of a similar term have been used to assess fair values.
- For non-PWLB loans payable, prevailing market rates have been used to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
  - No early repayment or impairment is recognised.
  - Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount

**The fair values are calculated as follows:**

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans at a lower rate than was available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders below current market rates.

The fair value of PWLB loans of £26.668m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early, it would benefit from a discount, based on redemption interest rates for premature repayment of £37.084m. The exit price for the PWLB loans including the discount would be £32.812m.

The fair value of financial assets held at amortised cost is slightly lower than their Balance Sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

The input level the fair values of financial assets and financial liabilities that are not measured at fair value (but for which Fair Value disclosures are required) is Level 2.

Current debtors and creditors are carried at cost as this is a fair approximation of their value.

**19 Cash and Cash Equivalents**

	31 March 2024	31 March 2023
	£000	£000
Cash held by the Council	36	22
Bank current accounts	(1,375)	7,976
Call Accounts	1,522	5,039
	<b>183</b>	<b>13,037</b>

**20 Debtors**

	31 March 2024	31 March 2023
	£000	£000
<b>Amounts due within one year</b>		
Central Government Bodies	1,043	1,478
Other local authorities (inc. Police)	21,795	13,406
Homelessness	51	130
Rent payers	1,380	1,126
Council taxpayers	1,110	1,024
Non-domestic rate payers	450	411
Housing Benefit overpayments	658	681
Other entities and individuals	2,971	1,618



	<b>29,458</b>	<b>19,874</b>
<b>Amounts due in more than one year</b>		
Employee vehicle loans	67	62
Work in default	101	104
	<b>168</b>	<b>166</b>
<b>Total</b>	<b>29,626</b>	<b>20,040</b>

## 21 Creditors

	31 March 2024	31 March 2023
	£000	£000
<b>Amounts due within one year</b>		
HM Revenue and Customs	(398)	(346)
Central Government Bodies	(15,810)	(13,548)
Other local authorities (inc. Police)	(4,877)	(4,208)
Rent payers	(457)	(379)
Council taxpayers	(131)	(140)
Other entities and individuals	(4,162)	(2,729)
<b>Total</b>	<b>(25,835)</b>	<b>(21,350)</b>
<b>Amounts due in more than one year</b>		
Funds held on behalf of third parties	(639)	(661)
Retention payment held until scheme completion	(70)	(0)
	<b>(709)</b>	<b>(661)</b>
<b>Total</b>	<b>(26,545)</b>	<b>(22,011)</b>

## 22 Provisions

	2023/24			2022/23		
	Business Rates Appeals	Other	Total	Business Rates Appeals	Other	Total
	£000	£000	£000	£000	£000	£000
<b>Short-Term Provisions</b>						
Balance at 1 April	(96)	(159)	(255)	(114)	(124)	(239)
Additional Provision made in year	32	(400)	(378)	(115)	(35)	(150)
Amounts used in year	(16)	-	(16)	116	-	116
Transfer between Long Term and Short Term	80	-	-	17	-	17
Unused amounts reversed in year	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
<b>Balance of Short-Term Provisions at 31 March</b>	<b>-</b>	<b>(559)</b>	<b>(559)</b>	<b>(96)</b>	<b>(159)</b>	<b>(255)</b>
<b>Long Term Provisions</b>						
Balance at 1 April	(4,082)	-	(4,082)	(3,615)	-	(3,615)
Additional Provision made in year	385	-	385	(1,185)	-	(1,185)
Amounts used in year	(1,516)	-	(1,516)	735	-	735
Transfer between Long Term and Short Term	(80)	-	(80)	(17)	-	(17)
Unused amounts reversed in year	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-
<b>Balance of Long-Term Provisions at 31 March</b>	<b>(5,293)</b>	<b>-</b>	<b>(5,293)</b>	<b>(4,082)</b>	<b>-</b>	<b>(4,082)</b>
<b>Total Provision</b>	<b>(5,293)</b>	<b>(559)</b>	<b>(5,852)</b>	<b>(4,179)</b>	<b>(159)</b>	<b>(4,337)</b>

### Provision for Business Rate Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. 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.

## 23 Usable reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2024 £000	31 March 2023 £000
General fund balance	(2,250)	(2,250)
General Fund Earmarked reserves	(30,007)	(25,625)
Housing revenue Account	(4,085)	(4,085)
Housing revenue account Earmarked reserves	(17,510)	(18,770)
Housing revenue Account – Major repairs allowance	(5,802)	(5,061)
Usable capital Receipts reserve	(14,572)	(17,506)
Unapplied capital grants reserve	(22)	(22)
<b>Total usable reserves</b>	<b>(74,251)</b>	<b>(73,319)</b>

## 24 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2023/24 and future years.

	31 March 2022 £000	Movement 2022/23 £000	31 March 2023 £000	Movement 2023/24 £000	31 March 2024 £000
<b>General Fund</b>					
Budget Stability Reserve	(3,498)	654	(2,844)	1,020	(1,824)
Business Rates Equalisation Reserve	(11,304)	(5,737)	(17,041)	301	(16,740)
Business Support Grants Reserve	-	(200)	(200)	-	(200)
Carry forward Reserve	(1,182)	1,014	(168)	168	-
Emergency climate reserve	(500)	(500)	(1,000)	-	(1,000)
Energy Efficiency Investment Fund	(91)	(31)	(122)	(4)	(126)
Hall of Fame Licence Reserve	(51)	51	-	-	-
Revenue Grants & Contributions from Third Parties	(393)	188	(205)	8	(196)
Section 106 (Developer) Contributions - Revenue	(1,497)	(440)	(1,937)	(120)	(2,056)
Town Centre Improvement Reserve	(162)	40	(122)	-	(122)
Town Centre Strategy Reserve	-	-	-	(4,810)	(4,810)
Transformation Reserve	(400)	(948)	(1,348)	(453)	(1,801)
Waste reserve	(135)	29	(106)	42	(64)
Welfare Support Reserve	(424)	12	(412)	62	(350)
Other smaller reserves e.g. plant & equipment reserves	(94)	(26)	(120)	(596)	(716)

<b>Total General Fund Earmarked Reserves</b>	<b>(19,731)</b>	<b>(5,893)</b>	<b>(25,624)</b>	<b>(4,383)</b>	<b>(30,007)</b>
<b>HRA</b>					
HRA - Climate Change Reserve	-	(976)	<b>(976)</b>	(537)	(1,512)
Housing Repairs Account	<b>(93)</b>	93	-	(16)	(16)
Housing Revenue Account Capital Balances	<b>(15,013)</b>	(2,422)	<b>(17,435)</b>	1,937	(15,498)
Sheltered Accommodation	<b>(309)</b>	(49)	<b>(358)</b>	(49)	(407)
HRA – Transformation Reserve	-	-	-	(77)	(77)
<b>Total HRA Earmarked Reserves</b>	<b>(15,415)</b>	<b>(3,354)</b>	<b>(18,769)</b>	<b>1,259</b>	<b>(17,510)</b>
<b>Total Earmarked reserves</b>	<b>(35,146)</b>	<b>(9,246)</b>	<b>(44,393)</b>	<b>(3,124)</b>	<b>(47,516)</b>

### **Budget Stability Reserve**

There are various items within the Council's budget that are subject to significant degrees of volatility or variation from one year to another, often due to factors that are outside the Council's control or influence. This reserve assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where favourable variances arise.

### **Business Rates Equalisation Reserve**

This reserve is established to mitigate future fluctuations in the business rates base alongside the risks faced by the Council through the anticipated changes in business rates baseline and fair funding.

### **Emergency climate Reserve**

The reserve has been established to support the Council's objective to move operations towards carbon neutrality by 2030.

### **Transformation Reserve**

The reserve will help to facilitate significant service redesign which will support the delivery of the Corporate Strategy and in the achievement of delivering a balanced medium term financial plan.

### **Section 106 Developer Contributions**

These represent amounts of money paid to the Council during development for specific projects and agreements with developers for the provision of additional facilities as and when land or schemes become available to provide those facilities.

### **Revenue Grants and Contributions from 3rd Parties**

These are grant payments and contributions from 3rd parties to fund expenditure in future years.

### **Welfare Support Reserve**

This reserve will be used to support the Council's housing acquisition plans to reduce temporary accommodation costs.

### **Town Centre Strategy Reserve**

This reserve will be used for pump priming of projects within the Town Centre strategy.

### Town Centre Improvement Fund

This reserve will be used to support developments in the Town Centre intended to improve the experience of using that space for users, whether they be visitors, commuters, pedestrians or drivers.

### Other Smaller Reserves

The Council has set aside several smaller reserves to support projects or to cover deferred and delayed expenditure.

### Housing Repairs Account and HRA Capital Investment Balances

An annual assessment is made on the need to support projects or to cover deferred and delayed expenditure relating to the HRA and related council house repairs and maintenance or capital projects.

## 25 Unusable Reserves

The following table shows the value of unusable reserve balances that have arisen as a result of accounting adjustments. These reserves are not available to spend.

	31 March 2024 £000	31 March 2023 £000
Housing Act - Deferred Capital Receipt	(29)	(29)
Donated asset reserve	(60)	(60)
Revaluation Reserve	(79,509)	(69,584)
Capital Adjustment Account	(127,964)	(121,664)
Financial Instruments Revaluation Reserve	281	53
Pension Reserve	(15,349)	-
Collection Fund Adjustment Account	2,523	798
Accumulated Absences Account	158	345
	<b>(219,949)</b>	<b>(190,141)</b>

Details of the significant unusable reserves are set out in further tables below.

### Revaluation Reserve

This reserve represents mainly the balance of the gains and losses arising on the periodic revaluation of current assets.

	2023/24			2022/23
	General Fund	HRA	Total	Total
	£000	£000	£000	£000
<b>Opening Balance</b>	<b>(38,824)</b>	<b>(30,760)</b>	<b>(69,584)</b>	<b>(69,368)</b>
Upward Revaluation of assets	(11,976)	-	<b>(11,976)</b>	(2,592)

Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	751	-	<b>751</b>	885
<b>Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services</b>	<b>(50,049)</b>	<b>(30,760)</b>	<b>(80,809)</b>	<b>(71,075)</b>
Difference between fair value depreciation and historical cost depreciation	614	546	<b>1,160</b>	1,146
Accumulated gains on assets sold or scrapped	-	140	<b>140</b>	345
<b>Balance as at 31 March</b>	<b>(49,435)</b>	<b>(30,074)</b>	<b>(79,509)</b>	<b>(69,584)</b>

### Capital Adjustment Account

This account represents the amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets or for the repayment of loans as well as other capital financing transactions as required by the Accounting Code of Practice.

	2023/24 £000	2022/23 £000
<b>Opening Balance</b>	<b>(121,664)</b>	<b>(125,911)</b>
<b>Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
General Fund charges for depreciation of non-current assets	2,587	2,445
HRA charges for depreciation of non-current assets	3,241	3,182
Revaluation and impairment loss: Property, Plant and Equipment	6,012	3,932
Amortisation of Intangible Assets	399	4,201
Changes in the Fair Value of investments	(31)	-
Revenue Expenditure funded from Capital under Statute	910	1,147
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1,835	2,544
	<b>14,954</b>	<b>13,670</b>
Adjusting Amounts written out of the Revaluation Reserve	(1,299)	(1,491)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(108,010)</b>	<b>(113,732)</b>
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(4,113)	(1,419)
Capital expenditure charged against the General Fund and HRA balances	(6,153)	(988)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,607)	(2,183)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(5,784)	(1,930)
Provision for the financing of capital investment charged against the General Fund and HRA	(1,297)	(1,412)
	<b>(19,954)</b>	<b>(7,932)</b>
	<b>(127,964)</b>	<b>(121,664)</b>

### Pension 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 credit 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 become payable.

	31 March 2024	31 March 2023
	£000	£000
<b>Balance at 1 April</b>	-	<b>43,070</b>
Remeasurement of the net defined benefit liability	(18,626)	(54,310)
Reversal of items relating to retirement benefits included in the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	3,277	4,669
IFRIC 14 adjustment, to reduce the asset ceiling	-	6,571
<b>Balance as at 31 March</b>	<b>(15,349)</b>	-

#### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund.

	31 March 2024	31 March 2023
	£000	£000
<b>Balance at 1 April</b>	<b>798</b>	<b>(1,829)</b>
Difference between Council Tax and Business Rates income is accounted for in the Comprehensive Income and Expenditure Statements and the Collection Fund.	1,725	2,627
<b>Balance as at 31 March</b>	<b>2,523</b>	<b>798</b>

#### Accumulated Absences Account

This represents the holiday pay unpaid at 31 March 2024 but included in Gross expenditure for the year.

	2023/24	2022/23
	£000	£000
Balance at 1 April	(346)	(460)
Settlement or cancellation of accrual made at the end of the preceding year	346	460
Amounts accrued at the end of the current year	(158)	(346)
<b>Balance as at 31 March</b>	<b>(158)</b>	<b>(346)</b>



## 26 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2023/24	2022/23
	£000	£000
Interest received	4,283	2,398
Interest paid	(1,631)	(1,829)

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

	2023/24	2022/23
	£000	£000
Depreciation/Impairment charge	2,599	5,609
Amortisation of Intangible Assets	400	420
Revaluation of Non-Current Assets	9,244	3,934
Derecognition of Non-Current Assets	1,834	2,561
(Increase)/Decrease in Debtors	(9,586)	(9,005)
Increase/(Decrease) in Creditors	4,534	2,770
(Increase)/Decrease in Inventories	39	47
Increase/(Decrease) in Provisions	1,515	485
Movement in Pension Liability	3,277	7,332
<b>Total non-cash movements</b>	<b>13,855</b>	<b>14,153</b>

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

	2023/24	2022/23
	£000	£000
Capital Grants	(4,941)	(886)
Proceeds from the Sale of Properties	(1,313)	(2,948)
Council Tax and NNDR Adjustments	1,725	2,627
	<b>(4,529)</b>	<b>(1,207)</b>

## 27 Cash Flow Statement – Investing Activities

	2023/24	2022/23
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(21,497)	(7,656)
Purchase/Proceeds of short-term and long-term investments	(14,958)	11,465
Net payments/receipts for other investing activities	151	17
Other investing activity	0	60
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,935	2,849
<b>Net cash flows from investing activities</b>	<b>(33,369)</b>	<b>6,735</b>

## 28 Cash Flow Statement – Financing Activities

	2023/24	2022/23
	£000	£000
Other receipts from financing activities	4,941	886
Capital grants received	1,781	(9,207)
Cash receipts/repayments of short-term and long-term borrowing	7,110	(7,342)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	0
Other payments for financing activities	(1,725)	(2,627)
	<b>12,107</b>	<b>(18,290)</b>

## 29 Councillors Allowances

The allowances and expenses paid to Councillors, Independents and the Mayor is as follows:

	2023/24	2022/23
	£000	£000
Allowances	395	392
Employers' National Insurance	7	8
Expenses	4	2
<b>Total</b>	<b>406</b>	<b>402</b>

## 30 Officers' Remuneration

### Benefits payable during employment

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

2023/24	Salary, Fees & Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total
Post Holder	£	£	£	£	£
Chief Executive	113,771	-	-	22,754	136,525
Deputy Chief Executive	94,822	-	-	18,964	113,786
Chief Officer Finance & Performance	76,109	-	-	15,222	91,331
Chief Officer Legal & Governance	76,109	-	-	15,222	91,331
Chief Officer Regulation & Safety	75,732	-	-	13,530	89,262
Chief Officer Growth & Investment	70,276	74	-	14,055	84,405
Chief Officer Communities & Homes	67,652	-	-	13,532	81,185
Chief Officer Leisure & Wellbeing	67,651	-	-	13,530	81,181
Chief Officer Operations & Traded	67,651	-	-	13,530	81,181
Chief Officer Digital and Communications (01/04/23 to 22/12/2023)	51,858	-	-	9,820	61,678
Chief Officer Digital and Communications (05/02/2024 to 31/03/2024)	10,498	-	-	2,100	12,598

2022/23	Salary, Fees, and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total
Post Holder	£	£	£	£	£
Chief Executive	109,925	-	-	21,655	131,580
Deputy Chief Executive	91,615	132	-	18,048	109,795
Chief Officer Finance and Performance	70,978	-	-	13,983	84,961
Chief Officer Leisure and Wellbeing	62,825	-	-	12,377	75,202
Chief Officer Growth and Investment	65,152	90	-	12,835	78,077
Chief Officer Legal and Governance	70,978	-	-	13,983	84,961
Chief Officer Communities and Homes	62,831	-	-	12,400	75,231
Chief Officer Regulation and Safety	62,825	1,830	-	12,377	75,202
Chief Officer Operations & Traded	51,482	-	-	10,142	61,624
Chief Officer Digital and Communications	62,825	116	-	12,377	75,318

The number of other Council employees receiving more than £0.050m remuneration for the year (excluding employer's pension contributions) is shown in the table below.

Remuneration Band	2023/24	2022/23
	Number of employees	Number of employees
£65,000- £69,999	2	-
£60,000 - £64,999	-	1
£55,000 - £55,999	3	-
£50,000 - £54,999	11	3

### Exit Packages

Exit Packages (Termination Benefits) are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accrual's basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

Rugby Borough Council terminated the contracts of 6 employees in 2023/24 (8 in 2022/23), incurring liabilities of £0.082m (£0.102m in 22/23). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table following:

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of agreed other departures		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
							£	£
£0 - £20,000	0	2	4	3	1	5	25,253	27,335
£20,001- £40,000	0	2	2	1	2	3	57,141	74,841
<b>Total</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>6</b>	<b>8</b>	<b>82,394</b>	<b>102,176</b>

### 31 Audit Fees

The Council's external auditors are appointed through Public Sector Audit Appointments Limited (PSAA), who also agree the fees to be charged by the auditor

	2023/24 £000	2022/23 £000
Fees payable for external audit services	180	50
Additional fees payable for external audit services in relation to previous years	29	7
Fees payable for the certification of grant claims and returns	40	26
Additional fees payable for the certification of grant claims and returns in relation to previous years	38	-
Redmond review grant from DLUHC	(18)	(22)
Fees payable in respect of other services provided by the auditor	10	6

Additional Fees payable in respect of other services provided by the auditor in relation to previous years	6	-
<b>Total</b>	<b>285</b>	<b>67</b>

## 32 Related Party Transactions

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

### Central Government

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

### Councillors and Chief Officers

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

Declarations are made under section 81 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001. The following sources make up the Council's core elements for managing the risk of Fraud, Bribery and Corruption and are:

- **The Register of Councillors' Interests** – maintained in accordance with the Local Authorities (Members' Interests) Regulations 1992 (Statutory Instrument 1992/618).
- **Disclosure of direct or indirect pecuniary interests** - as defined by the Council's Code of Conduct for Councillors; and
- **The Staff Register of Interests** – maintained in accordance with the Council's Constitution and Anti-Fraud, Bribery and Corruption Strategy.

Senior council officers remuneration paid during 2023/24 is set out in Note 30 and Councillors allowances are stated in Note 29.

### Other Public Bodies (subject to control by Central Government)

Based on a review of transactions made by the Council in 2023/24 the following transactions were made to or received from other public bodies.

- Nuneaton and Bedworth Borough Council (NBBC) paid (£0.030m) to Rugby Borough Council to meet the shared IT officer salary costs to provide Civica APP Support and Development.

### Shared Service Arrangements

The council has the following shared service arrangements.

- Rainsbrook Crematorium
- Local Authority Emergency Planning Officer Scheme
- The HEART Partnership
- Procurement Services

### Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2023/24; these are mainly local Government associations or local groups that the Council supports with grant aid and advice.

**Rugby First Ltd - BID Division** - An amount of £0.541m was paid to the BID Company in 2023/24. An additional £0.313m was used to provide a CCTV Monitoring and Town Centre Management Service and £0.035m for contributions to the Coventry and Warwickshire Growth Hub and Social/Sporting Activities.

**Queen's Diamond Jubilee Centre** - Rugby Borough Council funded £0.272m in capital charges in 2023/24 and received (£0.376m) for the annual contract fee and profit share as per the contract agreement.

### Other significant related parties

**Sherbourne recycling** – Sherbourne Recycling became operational in the summer of 2023 and provides a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council).

## 33 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year, on an accruals basis, is shown 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.

### Capital commitments

At 31 March 2024, the Council had capital commitments of £Nil (31 March 2023: £Nil)

### Capital Financing Requirement (CFR)

	2023/24	2022/23
	£000	£000
<b>Opening Capital Financing Requirement</b>	<b>90,443</b>	86,879
<b>Capital Investment:</b>		
Property, Plant, and Equipment and Assets Held for Sale	21,423	7,150
Donated asset	0	60

Heritage Assets	0	238
Intangible Assets	77	267
Revenue Expenditure Funded from Capital under Statute	910	1,147
Long term loan	869	2,635
<b>Capital Investment Total</b>	<b>23,279</b>	<b>11,497</b>
<b>Sources of Financing:</b>		
Capital Receipts	(4,113)	(1,419)
Government Grants and Other Contributions	(5,784)	(1,931)
Sums Set Aside from Revenue	(6,153)	(988)
Use of Major Repairs Reserve	(2,607)	(2,183)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,297)	(1,412)
<b>Financing Total</b>	<b>(19,955)</b>	<b>(7,933)</b>
<b>Closing Capital Financing Requirement</b>	<b>93,767</b>	<b>90,443</b>
<b>(Increase)/Decrease in underlying need to borrow</b>	<b>3,324</b>	<b>3,564</b>

## 34 Leases

### The Council as a Lessee

#### Finance leases

The Council has acquired the Land at Brownsover for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31 March 2024. At inception, no upfront premium was payable and the minimum lease payment of “one peppercorn” has not been charged.

#### Operating Leases

The Council has entered several short-term leases to provide temporary accommodation within the Borough. The future minimum lease payments receivable under the non-cancellable leases in future years are:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	188	260
Later than 1 year and not later than 5 years	18	135
	<b>206</b>	<b>395</b>

The Council holds a limited number of operating leases, mainly relating to the lease of photocopiers with an annual rental of £0.035m and lease land at Hillmorton Road for the purpose of a public recreation ground with a rental of “one peppercorn” per annum.

### The Council as Lessor

#### Finance leases

Future minimum lease payments receivable under non-cancellable leases in future years are:



	31 March 2024	31 March 2023
	£000	£000
Not later than one year	43	58
Later than 1 year and not later than 5 years	95	90
	138	148

### Operating leases

The Council has leased out properties under operating leases for the provision of community services (such as sport facilities or community centres) or economic development purposes to provide local businesses with affordable accommodation.

Future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2024	31 March 2023
	£000	£000
Not later than one year	107	88
Later than 1 year and not later than 5 years	293	237
Later than 5 years	2,490	1,848
	2,890	2,171

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered, such as adjustments following rent reviews. In 2023/24 no contingent rents were receivable by the Council.

## 35 Defined Benefit Pension Scheme

### Pension Benefits

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 for those benefits and to disclose them at the time that the employees earn their future entitlement.

### Transactions relating to Post-Employment Benefits

The Council recognises 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 required against council tax and HRA rents is based on the sums specified on the actuary certificate published as part of the valuation as at 1 April 2022, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement.

The movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES and HRA are summarised in the following tables.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services</b>				
• Current Service Costs	3,228	6,314	-	-
• Past Service Costs	-	-	-	-
<b>Financing and Investment Income and Expenditure</b>				
• Net Interest Expense	(366)	1,109	47	-
<b>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,862</b>	<b>7,423</b>	<b>47</b>	<b>-</b>
<b>Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement</b>				
<b>Re-measurement of the net defined benefit liability comprising:</b>				
• Actuarial (gains)/losses arising on changes in financial assumptions	6,898	12,396	18	10
• Actuarial (gains)/losses arising on changes in demographic assumptions	742	960	9	9
• Other experience	(3,966)	(360)	5	(63)
• Return on Plan Assets (excluding the amount included in the net interest expense)	4,439	7,637	-	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>8,113</b>	<b>20,633</b>	<b>32</b>	<b>(44)</b>
<b>Movement in Reserves Statement</b>				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(2,862)	(7,644)	(47)	(25)
<b>Actual amount charged against the General Fund and HRA Balances for Pensions in the year:</b>				
• Employer's contributions payable to the scheme	3,443	145	-	103
• Early payment transferred to pension liability	2,664	2,664	-	78
• Retirement benefits payable to pensioners	-	-	99	-
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>3,245</b>	<b>(4,835)</b>	<b>52</b>	<b>156</b>

### Pension 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 plan is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2023/24	2022/23	2023/24	2022/23
	£000	£000	£000	£000
Present Value of the Defined Benefit Obligation	(121,633)	(120,557)	(948)	(1,032)
Fair Value of Plan Assets	137,930	128,160	-	-
IFRIC 14 adjustment to reduce the credit ceiling	-	(6,571)	-	-

<b>Net Liability Arising from the Defined Benefit Obligation</b>	<b>16,297</b>	<b>1,032</b>	<b>(948)</b>	<b>(1,032)</b>

**Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:**

	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 1 April</b>	<b>128,160</b>	<b>133,311</b>
Interest Income on Plan Assets	6,070	3,550
Return on Plan Assets, excluding the amount included in the net interest expense	4,439	(5,201)
Contributions from Employer	3,443	55
Contributions from Scheme Participants	971	884
Benefits Paid	(5,153)	(4,439)
<b>Closing Balance at 31 March</b>	<b>137,930</b>	<b>128,160</b>

**Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):**

	<b>Local Government Pension Scheme</b>			
	<b>2023/24</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 1 April 2023</b>	<b>(127,128)</b>	<b>(172,453)</b>	<b>(1,265)</b>	<b>(1,299)</b>
Current Service Cost	(3,047)	(6,259)	-	-
Interest cost	(5,704)	(4,723)	(47)	(25)
Contributions by Scheme Participants	(971)	(884)	-	-
<b>Re-measurement (Gain)/Loss:</b>				
• Actuarial (gains)/losses arising from changes in financial assumptions	6,898	62,490	18	10
• Actuarial (gains)/losses arising from changes in demographic assumptions	742	3,531	9	9
• Other experience	(3,966)	(6,510)	5	(63)
• Adjustment	-	(133)	133	-
IFRIC 14 adjustment to reduce the credit ceiling	(6,571)	(6,571)	-	-
Benefits Paid	5,153	4,439	99	103
Past Service Costs	(181)	(55)	-	-
<b>Closing Balance at 31 March 2024</b>	<b>(134,775)</b>	<b>(127,128)</b>	<b>(1,048)</b>	<b>(1,265)</b>

	<b>Period Ended 31 March 2024</b>			
	<b>Quoted</b>	<b>Unquoted</b>	<b>Total</b>	<b>Percentage of</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>total assets</b>
				<b>£000</b>
<b>Asset Category</b>				
Equity Securities: Other	-	-	-	-
<b>Debt Securities</b>				
Corporate bonds (investment grade)	15,594	-	15,594	11%

Other	-	5,345	5,345	4%
Private equity	-	9,786	9,786	7%
<b>Real Estate</b>				
UK Property	10,037		10,037	7%
Overseas Property	1,382	-	1,382	1%
<b>Investment Funds and Unit trusts</b>				
Equities	78,096	-	78,096	57%
Bonds	-	-	-	-
Infrastructure	-	12,580	12,580	9%
Cash & cash equivalents	5,109	-	5,109	4%
<b>Closing Balance at 31 March</b>	<b>110,218</b>	<b>27,711</b>	<b>137,930</b>	<b>100.0%</b>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method valuation, an estimate of the pensions that will be payable in future years' dependent on assumptions about mortality rate, salary levels, etc.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31 March 2024

### The significant assumptions used by the actuary have been:

	2023/24	2022/23
<b>Mortality assumptions:</b>		
<b>Longevity at 65 for current pensioners (years):</b>		
Men	21.2	21.3
Women	23.9	24.1
<b>Longevity at 65 for future pensioners (years):</b>		
Men	21.6	21.8
Women	25.7	25.9
<b>Financial assumptions</b>		
Rate of increase in salaries	3.75%	3.95%
Rate of increase in pensions	2.75%	2.95%
Rate of discounting of scheme liabilities	4.85%	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analysis shown in the next table has been determined based on reasonably possible changes on 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.

The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumption may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e.: on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the following sensitivity analysis did not change from those used in the previous period.

IAS19 - *Employee Benefits* requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows.

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	2,223
1 year increase in member life expectancy	4%	4,903
0.1% Discount in the Salary Increase Rate	0%	78
0.1% increase in the Pension Increase Rate (CPI)	2%	2,186

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be undertaken as at 31 March 2025 and will be reported in 2026.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £2.7m expected contributions to the scheme in 2023/2024.

## 36 Contingent Assets and Liabilities

### Contingent Liabilities and assets

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.

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.

The Council has no contingent assets or liabilities at 31 March 2024.

## 37 Accounting policies

### 1. Accruals of Income and Expenditure

The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year that it takes place, not simply when cash payments are made or received.

In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – 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 in financing and investment income and expenditure for the income that might not be collected.

## 2. 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 no more than one month from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

## 3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, 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 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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 4. 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 authority 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 in its overall borrowing requirement [equal to either an amount calculated on a prudent basis

determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances (Scotland)]. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

## 5. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

## 6. 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 salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave of absence occurs.

### Termination Benefits

Termination benefits are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the relevant service line in the Comprehensive Income &



Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

## **Pension Costs**

### Pension Benefits

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 for those benefits and to disclose them at the time that the employees earn their future entitlement.

The pension scheme is operated under the framework of the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Investment sub-committee of Warwickshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Council to the pension fund 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 Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

### Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is 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 and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.75% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Market quoted investments – current bid price on the final day of the accounting period
  - Fixed interest securities – net market value based on their current yields
  - Unquoted investments – professional estimate

The change in net pensions liability is analysed into the following components:

- Service Cost - comprising:
  - Current year service cost – the increase in the 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 increases in liabilities because 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 liability – the change during the period in the net defined benefit 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 to the net defined benefit liability 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 including in net interest on the net defined benefit liability/(asset) – 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 the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

## 7. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of 2023/24 – the Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the 31 March 2024 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

## 8. 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 (CIES) 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 Council’s borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, 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.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances 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

Financial assets measured at amortised cost 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 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 of Loss (FVPL)

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.

## 9. Government Grants and Contributions

### Grants

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council and credited to the Comprehensive Income and Expenditure Statement 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.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant line in the Comprehensive Income & 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 it has been applied to finance capital expenditure, it is posted to the Capital Adjustment Account. Where the grant has yet to be applied, it is posted to the Capital Grant Unapplied reserve. Amounts in the Capital Grant Unapplied reserve are subsequently transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

### Revenue from contracts with customers

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following the following 5 step approach.

- 1) Identify contract - agreement that creates enforceable rights and obligations
- 2) Identify performance obligations in the contract
- 3) Determine transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when or as an entity satisfies performance obligations

The outcome of this evaluation will determine how this will be accounted for within the statement of accounts.

## 10. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from Property, Plant, and Equipment. Previously the majority of these assets had been held as Community Assets with the exception of one or two which were held in Infrastructure Assets or Other Land and Buildings. The heritage assets held by the Council have been categorised as follows:

- Art & Social History Collections
- Monuments & Statues
- Historic sites / buildings
- Civic Regalia

The Code requires councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex. Where it is not practical to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the Financial Statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments & statues, historic sites, and civic regalia. It is not a requirement of the Code for valuations to be carried out or verified by external valuers. Although there is no prescribed minimum period between full valuations, the Council considers it appropriate to seek a full valuation every five years.

Impairment reviews will only take place where there is physical deterioration or new doubts as to the authenticity of the heritage asset. Any impairment recognised will be treated in accordance with the Council's policy on impairments.

## 11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Normal examples are those of software or software licences, which are initially recognised at cost, and which have a useful life, of 3 –10 years and the depreciable amount is therefore written down over that useful life.

## 12. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and currently it is not required to prepare group accounts. In the authority's own single-entity accounts.

The interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

## 13. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## 14. Investment Properties

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, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. 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 & 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 Adjustments Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 15. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly
- The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to West Northamptonshire Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:
  - Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
  - The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint Committee on its Balance Sheet and debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note 31 Related Party Transactions.

## 16. 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 building 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. This definition includes rental agreements, contract hire and licences.

## 17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or



service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

## 18. 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 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.

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 a revenue expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

### **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 cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any 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 assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use 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. This includes assets such as the Queen's Diamond Jubilee Leisure Centre, Benn Hall, and the John Barford Car Park.

Where non-property assets have short useful lives and/or low values, for example, vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and building assets under £10,000 are not revalued except for investment properties. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains or may be credited to the Comprehensive Income & Expenditure Statement to reverse a previous downward revaluation.

Where decreases in value are identified, they are accounted for:



- 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 in the Comprehensive Income & Expenditure Statement.

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

### **Impairment**

Assets are assessed at each year-end to determine 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 per decreases in value noted above.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & 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.

### **Impairment Losses**

A total of £30,000 of impairment, relating to Woodside Park, was recognised in the year following the Council's annual asset review.

### **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 useful life (i.e., freehold land and Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – between 5 and 60 yrs.
- Vehicles, plant and equipment – between 3 and 25 yrs.
- Infrastructure – between 7 and 40 yrs.

Depreciation is charged on council dwellings in the year of disposal.

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.

### **Componentisation**

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement above. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

### **Subsequent Expenditure on Property Plant and Equipment**

Subsequent costs incurred on an asset previously recognised as Property, Plant and Equipment will only be capitalised if they result in items with physical substance and meet the recognition principle that

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and
- The cost of the item can be measured.

Exceptions to the general approach of comparing the outcome of expenditure compared to previously assessed levels of performance:

- Where subsequent expenditure will actually increase the level of performance of an asset in generating economic benefits or providing service potential but does not increase the level of performance previously assessed by the Council for that asset, then the assessment can be updated (through a revaluation adjustment) and the new expenditure capitalised.
- Where subsequent expenditure represents the replacement of a component of an existing asset provided that the old component can be written out of the Balance Sheet

### **Disposals**

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are 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. Receipts are appropriated to the Reserve from the General Fund or HRA Balance in the Movement in Reserves Statement.

The writing off of the remaining net book value of assets which are disposed of is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **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 its 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 & 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 to sell.

## **19. Provisions, Contingent Liabilities & Contingent Assets**

### **Provisions**

Provisions represent amounts set aside to meet future liabilities which are likely or certain to be incurred but where it is not possible to determine exactly the amounts or timing of such events.

Provisions in respect of bad and doubtful debts are maintained, including amounts relating to rent, council tax and business rate arrears, which have been estimated in accordance with recommended practice and past experience and are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement. When payments are eventually made, these are charged to the provision carried in the Balance Sheet.

### **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 are 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 are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **20. Reserves**

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

## **21. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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 authority 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 balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **22. Value Added Tax (VAT)**

VAT is included in service revenue or capital income and expenditure accounts only when it is not recoverable.

## 23. Fair Value Measurement of Non-Financial Assets

The authority's accounting policy for fair value measurement of financial assets is set out in note 17. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

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

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

When measuring the fair value of a non-financial asset, the authority 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 authority 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 for which fair value is measured or disclosed in the authority's Financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

## 38 Nature and Extent of Risks Arising from Financial Instruments

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

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

The Council's overall risk management procedures focus on the unpredictability of financial markets and the implementation of restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

The Council manages risk in the following ways:

- **by formally adopting** the requirements of the Code of Practice.
- **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 the Government Guidance.

### Credit risk

Credit risk represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

This risk is minimised through the Annual Treasury Management Strategy, which stipulates limits on credit criteria, deposit amounts and duration for deposits with each financial institution. Details of the Investment Strategy can be found on the Council's website.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality counterparties and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

### Liquidity risk

There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments as the Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and the PWLB, whilst providing access to longer term funds, also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council manages its liquidity position through the risk management procedures outlined as well as through cash flow management procedures required by the Treasury Code of Practice.

**The maturity analysis of financial assets held as investments is as follows:**

	31 March 2024	31 March 2023
	£000	£000
Less than one year	72,651	52,708
Between one and two years	-	10,119
Between two and three years	-	1,826
More than three years	-	-
<b>Total</b>	<b>71,651</b>	<b>64,653</b>

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. To mitigate the longer-term risk to the Council relating to managing the exposure to replacing financial instruments as they mature, the Council approves Prudential Indicator limits and an annual Treasury Management Strategy.

The Financial Services team address the operational risks within the approved parameters, by.

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt

	Approved maximum limits	Approved minimum limits	Actual 31 March 2024	Approved maximum limits	Approved minimum limits
	%	%	£'000	£'000	%
Less than one year*	75	-	-	62,915	-
12 months to 2 years	75	-	1,009	62,915	-
Between 2 and 5 years	75	-	708	62,915	-
Between 5 and 10 years	75	-	-	62,915	-
Between 10 and 20 years	75	-	515	62,915	-
Between 20 and 30 years	75	-	512	62,915	-
Between 30 and 40 years	75	-	10,525	62,915	-
More than 40 years	75	-	70,605	62,915	-
<b>Total</b>			<b>83,874</b>		

\* Excludes short-term borrowing less than 365 days.

- 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 financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

#### Market risk

**Interest rate risk** - The Council is exposed to interest rate movements on its borrowings and investments. For instance, rises variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowing liability will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value so changes in their fair value will have no impact on 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. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has several strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. A prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The Financial Services team monitors market and forecast interest rates within the year to adjust exposures appropriately. A 1% change in variable interest rates would be immaterial to the Council because it has no variable rate debt and a small value of variable rate investments.

**Foreign exchange risk** –the Council has no financial assets or liabilities denominated in foreign currencies.



### Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes included the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made the following judgement when classifying financial instrument.

### Statutory Override on pooled investments

The Council holds £6.0m (nominal) in pooled investment funds. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (DHLUC) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9, initially, for five years commencing from April 2018. On 5 January 2023 the Government announced that the IFRS 9 statutory override in local government will be extended for another two years until 31 March 2025. The Council uses the statutory override to account for any changes in the fair value on its pooled investments.

## Housing Revenue Account (HRA)

### Income and Expenditure Account

The 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, based on which rents are raised, is shown in the Movement on the HRA Statement.

	2023/24	2022/23
	£000	£000
<b>Income</b>		
Dwelling Rents	(16,809)	(16,095)
Non-dwelling rents	(121)	(122)
Charges for services	(1,159)	(866)
Contributions towards expenditure	(159)	(150)
<b>Total Income</b>	<b>(18,248)</b>	<b>(17,233)</b>
<b>Expenditure</b>		
Repairs and maintenance	5,482	3,992
Supervision and management	5,928	5,580
Rents, rates, taxes and other charges	334	52
Depreciation and impairment of non-current assets	11,561	6,539
<b>Total Expenditure</b>	<b>23,305</b>	<b>16,163</b>
<b>Net (Income)/Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>	<b>5,057</b>	<b>(1,070)</b>



HRA Share of Corporate and Democratic Core costs	318	291
<b>Net (Income)/Expenditure of HRA Services</b>	<b>5,375</b>	<b>(779)</b>
(Gain) or Loss on sale of HRA non-current assets	624	(293)
Interest payable and similar charges	1,111	1,295
Interest and investment income	(1,292)	(917)
Pension interest and expected return on pension assets	(51)	192
Capital grants and contributions receivable	(4,047)	0
Increase in Provision for Bad Debts	97	80
Other Items	-	-
<b>(Surplus)/Deficit for the year on HRA services</b>	<b>1,817</b>	<b>(422)</b>

### Movement on the HRA Statement

	2023/24	2022/23
	£000	£000
<b>HRA revenue balance brought forward</b>	<b>(4,085)</b>	<b>(4,294)</b>
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	1,817	(422)
Adjustments between accounting basis and funding basis under statute	(5,389)	(3,007)
<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>(3,572)</b>	<b>(3,429)</b>
Transfers to or (from) earmarked reserves	3,572	3,638
<b>(Increase) or decrease in the HRA Revenue Balance</b>	<b>-</b>	<b>209</b>
<b>HRA revenue balance carried forward</b>	<b>(4,085)</b>	<b>(4,085)</b>

### Note to the Movement on the HRA Statement

	2023/24	2022/23
	£000	£000
<b>Adjustments between accounting basis and funding basis under statute</b>		
Depreciation of non-current assets	(3,241)	(3,182)
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(8,156)	(3,172)
Amortisation of intangible assets	(163)	(183)
Amounts of non-current assets written off on disposal or sale	(1,763)	(2,517)
Sale proceeds credited as part of the gain/loss on disposal	1,001	2,809
Transfer to Accumulated Absences account	32	4
Capital expenditure financed from revenue balances	-	832
Capital grants and contributions applied	4,047	-
Transfer of Unattached Receipts to the Capital Receipts Reserve	138	-

Net charges made for retirement benefits (IAS 19)	(524)	(779)
Reversal of Major Repairs Allowance credited to the HRA	3,241	3,182
Statutory provision for the financing of capital investment	-	-
	<b>(5,389)</b>	<b>(3,006)</b>

Transfers to or (from) earmarked reserves	2023/24	2022/23
	£000	£000
Transfer to or (from) Housing Repairs Account	16	49
Transfer to or (from) HRA Capital Investment balances	3,423	(93)
Transfer to or (from) HRA Climate change reserve	-	976
Transfer to or (from) Major Repairs	107	256
Transfer to or (from) other earmarked reserves	26	2,422
	<b>3,572</b>	<b>3,610</b>

## Note 1 HRA Assets

The number and types of dwellings in the Council's housing stock is as follows:

	2023/24	2022/23
Houses/Bungalows (including part-ownerships)	2,123	2,117
Flats	1,339	1,536
	<b>3,462</b>	<b>3,653</b>

The change in the stock was as follows:

	2023/24	2022/23
<b>Stock at 1 April</b>	<b>3,653</b>	<b>3,676</b>
Less sales (including part-ownership)	(9)	(25)
Less removal from stock	(220)	-
Add: new build properties	-	-
Add: purchase of properties	38	2
Stock at 31 March	<b>3,462</b>	<b>3,653</b>

The balance sheet includes HRA assets as detailed below.

	2023/24	2022/23
	£000	£000
<b>Balance Sheet values as at 31 March</b>		
Operational Assets: Dwellings	198,072	198,042
Operational Assets: Other Land and Buildings	288	288
Operational Assets: Equipment	646	658
Operational Assets: Infrastructure	780	830
Non-Operational Assets	903	903
Assets Under Construction	4,251	410
	<b>204,940</b>	<b>201,131</b>

## Note 2. Vacant Possession

	2023/24	2022/23
	£000	£000
Vacant Possession Value of Dwellings as at March 2024	484,478	482,010
Balance Sheet Value of Dwellings	(198,073)	(192,804)
<b>Economic cost to Government</b>	<b>286,405</b>	<b>289,206</b>

The vacant possession value of the dwellings is the equivalent of the market value of the properties. For balance sheet purposes it is necessary to adjust this value to show the cost of the properties at social value. This represents a value for a property if it were sold with sitting tenants enjoying rents at less than open market rents and rights such as Right to Buy. The difference between the two values represents the economic cost to the Government of providing council housing at less than open market rents. An adjustment factor is provided by the Government, which measures the difference between market and local authority rents at a regional level. The adjustment factor for Rugby is set at 40%.

## Note 3. Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve for the capital financing of the planned element of replacement expenditure on council houses.

	2023/24	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>(5,061)</b>	<b>(3,805)</b>
Amount transferred to Major Repair Reserve during the year	(3,241)	(3,183)

Appropriations to or (from) HRA Revenue	(107)	(256)
Capital financing	2,607	2,183
Balance at 31 March	(5,802)	(5,061)

#### Note 4. Housing Repairs Account

The Housing Repairs Account is an earmarked reserve for the financing of reactive and planned maintenance on council houses.

	2023/24	2022/23
	£000	£000
<b>Balance at 1 April</b>	-	(92)
Contributions during the year	(4,789)	(3,899)
Repairs and maintenance charged	4,789	3,991
<b>Balance at 31 March</b>	-	-

#### Note 5(i). HRA Capital Expenditure and Financing

The following table provides a summary of total capital expenditure on land, houses and other property within the Council's HRA during the financial year, broken down by sources of funding:

	2023/24	2022/23
	£000	£000
<b>Expenditure:</b>		
Council dwellings	13,469	5,400
Other assets	97	0
Housing Management Systems	0	82
Other expenditure	4,252	231
<b>Subtotal:</b>	<b>17,818</b>	<b>5,713</b>
<b>Financed by:</b>		
Direct Revenue Finance	(5,461)	(832)
Government Grant	(4,047)	(209)
Right to Buy Receipts	(1,866)	(207)
Major Repairs Reserve	(2,607)	(2,183)
Capital Reserves	(429)	0
Borrowing	(3,408)	(2,282)
<b>Subtotal:</b>	<b>(17,818)</b>	<b>(5,713)</b>

### Note 5(ii). HRA Capital Receipts

The following table provides a summary of total capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year:

	2023/24	2022/23
	£000	£000
Sales of Council Houses under Right to Buy (RTB)	(1,001)	(2,810)
RTB Discounts repaid	0	0
Sale of miscellaneous HRA land	(138)	0
	<b>(1,139)</b>	<b>(2,810)</b>

### Note 6. Depreciation of Property Plant and Equipment

The following table provides a summary of the charges for depreciation for the land, houses and other property within the Council's HRA:

	2023/24	2022/23
	£000	£000
<b>Operational Assets</b>		
Dwellings, other land, buildings	(3,097)	(3,038)
Equipment	(106)	(106)
Non-operational assets	(37)	(37)
	<b>(3,240)</b>	<b>(3,181)</b>

A full valuation of the stock must be undertaken every 5 years. The latest one was carried out as at 1 January 2020 with desktop reviews since then.

### Note 7. Contribution to/from Pensions Reserve

The HRA share of IAS19 Employee Benefits pension adjustments is based on the number of employees charged to the HRA. Also see Note 35 Pension Costs and Note 36 Pensions Reserve.

### Note 8. Tenant Arrears

During 2023/24 rent arrears as a proportion of gross rental income have changed from 6.98% of the amount due to 6.26%. The figures, excluding service charges and debts of up to three weeks are as follows:

	2023/24	2022/23
	£000	£000
Arrears of current tenants (not including current weeks)	425	632
Arrears of former tenants	620	492
<b>Total tenants' arrears at 31 March</b>	<b>1,045</b>	<b>1,124</b>

## Bad Debts

The level of bad debt provision is calculated with reference to the HRA (Arrears of Rents and Charges) Directions 1990. An analysis of the Bad Debt Provision Account is as follows:

	2023/24	2022/23
	£000	£000
<b>Balance at 1 April</b>	<b>(555)</b>	<b>(482)</b>
Write off/Write on	7	0
Provision made in the year	(97)	(73)
<b>Balance as at 31 March</b>	<b>(645)</b>	<b>(555)</b>

## Collection Fund Statement

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

	2023/24			2022/23
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
<b>INCOME</b>				
Council Tax Receivable	-	(88,042)	(88,042)	(83,351)
Business Rates Receivable	(59,248)	-	(59,248)	(52,070)
Transitional Protection Payments Receivable	-	-	-	-
Reconciliation Adjustments	-	-	-	-
	<b>(59,248)</b>	<b>(88,042)</b>	<b>(147,290)</b>	<b>(135,421)</b>
<b>Contribution to Previous Year Estimated Deficit</b>				
Central Government	(853)	-	(853)	-
Warwickshire County Council	(171)	-	(171)	-
Rugby Borough Council	(682)	-	(682)	-
Police and Crime Commissioner for Warwickshire	-	-	-	-
	<b>(1,706)</b>	<b>-</b>	<b>(1,706)</b>	<b>-</b>
<b>Total Income</b>	<b>(60,954)</b>	<b>(88,042)</b>	<b>(148,996)</b>	<b>(135,421)</b>
<b>EXPENDITURE</b>				
Transitional Protection Payments	-	-	-	260
<b>Distribution of Previous Year Estimated Surplus</b>				
Central Government	-	-	-	2,314
Warwickshire County Council	-	487	487	1,175

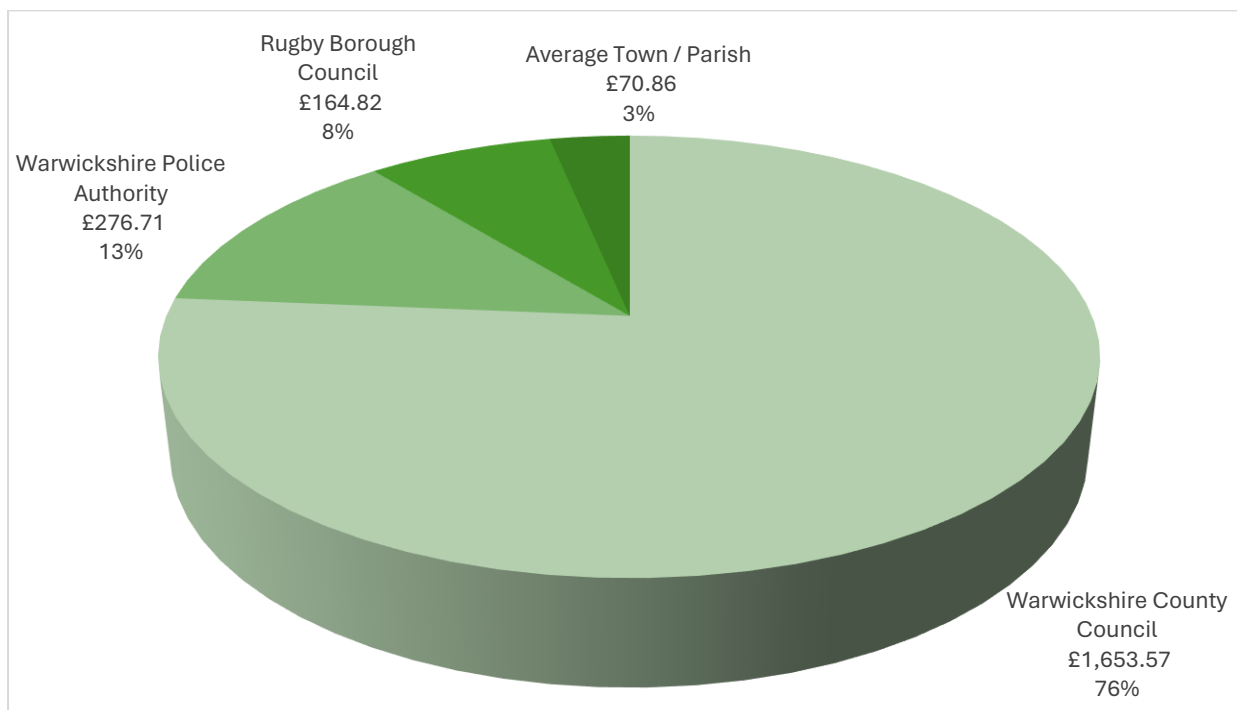
Rugby Borough Council	-	70	70	1,954
Police and Crime Commissioner for Warwickshire	-	81	81	118
	-	<b>638</b>	<b>638</b>	<b>5,561</b>
<b>Precepts, Demands and Shares</b>				
Central Government	31,039	-	31,039	26,100
Warwickshire County Council	6,208	66,862	73,070	68,038
Rugby Borough Council	24,831	9,530	34,361	29,904
Police and Crime Commissioner for Warwickshire	-	11,189	11,189	10,373
	<b>62,078</b>	<b>87,581</b>	<b>149,659</b>	<b>134,415</b>
<b>Charges to Collection Fund</b>				
Write offs of uncollectible amounts	(109)	-	(109)	(48)
Less: Increase / (Decrease) in Bad Debt Provision	105	315	420	353
Less: Increase / (Decrease) in Provision for Appeals	6,616	-	6,616	3,253
Appeals and List Alterations	(3,830)	-	(3,830)	(2,129)
Cost of Collection Allowance	137	-	137	133
Disregarded Amounts	22	-	22	126
	<b>2,941</b>	<b>315</b>	<b>3,256</b>	<b>1,688</b>
<b>Total Expenditure</b>	<b>65,019</b>	<b>88,534</b>	<b>153,553</b>	<b>141,924</b>
<b>Movement on Fund</b>				
(Surplus)/ Deficit arising during the year	4,065	491	4,556	6,503
(Surplus)/ Deficit arising at 1 April	2,280	(629)	1,651	(4,852)
<b>(Surplus)/ Deficit arising at 31 March</b>	<b>6,345</b>	<b>(138)</b>	<b>6,207</b>	<b>1,651</b>

## Notes to the Collection Fund Statement

### Note 1. Council Tax

The Council is required to calculate a tax base each year and this is divided into the total precept requirement for Warwickshire County Council, the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the average band D council tax figure of £2,165.97 for 2023/24.





The tax base is calculated by estimating the number of chargeable dwellings in each valuation band, considering an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions, and discounts, where applicable.

This is converted to an equivalent number of band D dwellings. Finally, an adjustment is made to cover non-collection of arrears. A summary of the calculation is shown in the following table.

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	7.73	5/9	4.29
A	6,422.26	6/9	4281.51
B	9,285.03	7/9	7221.69
C	10,272.42	8/9	9131.04
D	6,547.60	9/9	6547.60
E	4,889.12	11/9	5975.59
F	3,220.32	13/9	4651.57
G	1,752.37	15/9	2920.62
H	71.54	18/9	143.08
			<b>40,877.00</b>
		Less allowance for non-collection	(572.25)
		Contributions in lieu (MOD properties)	129.90
		<b>COUNCIL TAX BASE 2023/24</b>	<b>40,434.65</b>

(Band A- relates to a reduction for persons with disabilities on Band A)

The tax base multiplied by the average band D council tax of £2,165.97 provided an original estimate of income of £87.580m for 2023/24. The actual income for 2023/24 was £88.042m thus above expectations by 0.53%.

## Note 2. Business Rates (National Non-Domestic Rates)

The business rates retention scheme provides for non-domestic rates collected by a billing authority to be shared between it, its major precepting authority and Central Government.

The Council collects non-domestic rates for its area, based on local rateable values multiplied by a national rate. The total rateable value for the Rugby Borough area was £129.032m at 31 March 2024 (£129.362m in 2022/23). The non-domestic rating multiplier for 2023/24 was 51.2p (51.2p in 2022/23) and the small business non-domestic rating multiplier was 49.9p (49.9p in 2022/23).

## Note 3. Collection Fund Balance Apportionment

The net deficit on the Collection Fund as at 31 March 2024 of £6.205m will be split between the authorities and recovered in 2024/25 in the following proportions:

	2023/24			2022/23
	Business Rates £000	Council Tax £000	Total £000	Total £000
Central Government	3,172	0	3,172	1,140
Warwickshire County Council	634	(106)	528	(253)
Police and Crime Commissioner for Warwickshire	0	(18)	(18)	(80)
Rugby Borough Council	2,538	(15)	2,523	843
	<b>6,344</b>	<b>(139)</b>	<b>6,205</b>	<b>1,650</b>

The Balance Sheet as at 31 March 2024 will include a net creditor/debtor for each of the precepting authorities' share of the Collection Fund (surplus)/deficit.

The Council's share of the net deficit on the Collection Fund of £2.523m (2022/23 £0.843m) is recognised in the Comprehensive Income and Expenditure Statement in 2023/24 but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

## Note 4. Collection Fund Adjustment Account

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

	2023/24			2022/23
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>867</b>	<b>(69)</b>	<b>798</b>	<b>(1,829)</b>
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements.	1,671	54	1,725	2,626
<b>Balance at 31 March 2023</b>	<b>2,538</b>	<b>(15)</b>	<b>2,523</b>	<b>798</b>

### Note 5. Coventry and Warwickshire Business Rates Pool

The Council has been part of the Coventry and Warwickshire Business Rates Pool since the introduction of the Business Rates Retention scheme in 2013/14. The outturn performance of the Pool between 2013/14 – 2023/24 had resulted in an accumulated Safety Net Reserve balance of £2.035m of which the Council's share was £0.627m.

# **ANNUAL GOVERNANCE STATEMENT**

**2023 / 2024**

**RIGHT FOR RUGBY**

## Annual Governance Statement 2023/24

### 1. SCOPE OF RESPONSIBILITY

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement (AGS). The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's AGS for 2023/24. This year's statement shows the governance framework has again been maintained and enhanced during the year. Sound governance helps the Council deliver on its corporate strategy, specifically the objective to "maintain robust systems of governance that ensure fairness, accountability and transparency".

### 2. WHO IS RESPONSIBLE FOR ENSURING GOOD GOVERNANCE?

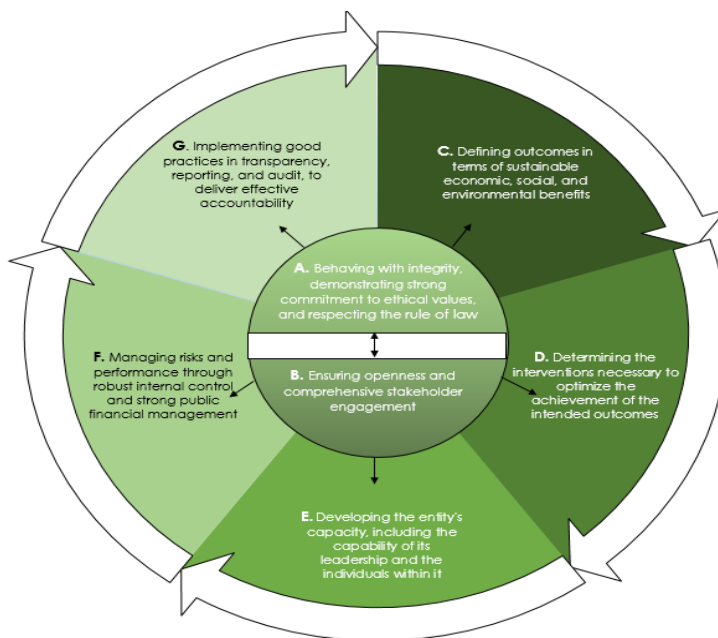
- 2.1 The Council's governance arrangements are overseen by the Audit & Ethics Committee. The Chief Executive has overall responsibility for ensuring that effective controls and processes are implemented across the Council, and these are regularly reviewed and updated. Regular reports are submitted to the Audit & Ethics Committee highlighting any identified enhancements. The Chief Officer Finance and Performance (s151 Officer) is responsible for ensuring that effective financial controls are in place, for the maintenance of an effective internal audit function and, alongside the Chief Officer Legal and Governance (Monitoring Officer) for reviewing the overall effectiveness of the governance framework. In addition, the Leadership Team shares a collective responsibility for sound financial management and governance. The overview and co-ordination of this process is undertaken by the Corporate Assurance Manager.

### 3. WHAT THIS STATEMENT TELLS YOU

- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It provides the reader with a clear assessment of how the governance framework has operated over the past financial year, how effective that framework has been in enabling the Council to achieve its objectives, and to identify any improvements made and any weaknesses or gaps in arrangements that need to be addressed. Its main aim is to provide the reader with confidence that the Council is managed effectively and efficiently; that services are delivered in accordance with current legislation, the corporate strategy and in a way that optimises value for money.

## 4. THE PRINCIPLES OF GOOD GOVERNANCE

- 4.1 The principles of good governance are set out in the CIPFA Framework for Delivering Good Governance in Local Government 2016. The framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. This statement explains how the Council has complied with the framework and meets the requirements of the Accounts and Audit Regulations 2015 (England).
- 4.2 Good governance is dynamic, and the Council is committed to improving its governance on a continuing basis through a process of evaluation and review. The diagram below, taken from the International Framework for Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other. At Rugby Borough Council, sound governance is embedded as a priority in the corporate strategy.



*Principles A and B permeate implementation of principles C to G*

## 5. THE GOVERNANCE FRAMEWORK

- 5.1 The governance framework comprises the policies, plans, systems, processes, culture and values (the system of 'internal control') that the Council has in place to ensure its intended outcomes for stakeholders and the community are defined and delivered. To deliver good governance objectives must be achieved whilst also acting in the public interest. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- 5.2 Our system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. However, 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.

## 6. Key Elements of the governance framework and an assessment of its effectiveness for 2023/24

- 6.1 The Council has an overarching vision for the Borough: To lead and support Rugby Borough and its communities: developing a strong and sustainable economy that supports improved standards of living for residents; promoting thriving and healthy communities; and maintaining an attractive and sustainable environment that residents value.
- 6.2 We will do this by:
- Having a vision and a plan for the future of our Borough
  - Engaging with customers to continually improve our services
  - Meeting the needs of our residents, businesses, and other key stakeholders
  - Strengthening our relationships with partners
  - Operating in a business-like, commercially focused way
  - Having a skilled, high performing workforce
  - Making the best use of technology
  - Ensuring our services are well planned and efficient.
- 6.3 We also believe that success is achieved not just by 'what we do,' but by the 'way we do it'.
- Having staff who demonstrate the right behaviours for our organisation is just as important as having the right skills, experience, and knowledge for our roles.
  - Defining and demonstrating those behaviours is essential if we are to deliver on our mission of 'Supporting Communities, Improving Lives.'
  - 'Our 'Way We Work' framework is based on our core values: Fairness, Ambition and Empowerment.
- 6.4 The following table provides detail of how the Council can demonstrate compliance with the principles of Good Governance in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and its seven principles:
- *Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.*
  - *Principle B – Ensuring openness and comprehensive stakeholder engagement.*
  - *Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits.*
  - *Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes.*
  - *Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it.*
  - *Principle F – Managing risks and performance through robust internal control and strong public financial management.*



- *Principle G – Implementing good practices in transparency, reporting, and audit to deliver.*

**Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.**

Rationale: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved

- The roles and responsibilities of our Councillors and staff and the processes we use to govern Council business are defined in the Council's Constitution and our Internal Constitution These sets out how we operate and how we make decisions.
- We have codes of conduct in place for Councillors and staff to make sure that public business is conducted with fairness and integrity and that we define high ethical values and the standards of behaviour we expect.
- We maintain and publish a register of interests to ensure that any conflict of interest remains open and transparent, and a register of gifts and hospitality for Councillors is maintained by the Monitoring Officer.
- We have financial instructions and regulations to ensure propriety of funds.
- And we maintain a staff register of gifts and hospitality which was reviewed in March 2024.
- The Local Authorities (Members allowances) Regulations 2003 require that every authority publicises, within its
- area, the sum paid by it in that year under the scheme to each Councillor and co-opted member in respect of basic allowance, special responsibility allowance, travelling and subsistence allowance; we comply with this requirement.
- We have Corporate CANDO values and behaviours framework in place which all employees are expected to act in accordance with as well as a blueprint that's sets out our values.
- Corporate Strategy Delivery Plan and Commercial Pillars are in place, supported by Service Plans.
- We have Confidential Reporting Code, Counter Fraud, Bribery and Corruption Strategy and Fraud Response Plan.
- We respond to Freedom of Information requests and Subject Access requests within the statutory timeframes and adhere to data protection legislation
- We have a Performance dashboard that details our activity and key statistics which demonstrates our compliance with our principles.
- Our procurement framework ensures that we comply with those principles when commissioning any new contracts or purchases.

**Core Principle B: Ensuring openness and comprehensive stakeholder engagement**

Rationale: Local government is run for the public; good organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders.

- Our Council, meetings are open for members of the public to attend and cabinet, council, planning committee and scrutiny are live streamed with recordings retained on the Council's website.
- Our committee agendas, minutes, and decisions, (including Cabinet decisions) are made publicly available on the Council's website to ensure transparency and openness. All our public meetings are also held in the Town Hall.
- A limited number of reports are considered in private session only when the subject meets the prescribed criteria. A summary of these is published and the rationale for non-disclosure made available.
- Councillors are appointed to outside bodies which are external organisations, including formal or informal partnerships, to which the Borough Council is a party, which have requested that the Council appoint an Elected Councillor or a representative to them or to which the Council expects to make appointments.
- The draft budget and statement of accounts are published for public scrutiny.
- We communicate our work, purpose, aims and vision regularly through several different communications channels.
- We publish and regularly update a range of content and open data on our Freedom of Information, Publication Scheme and Transparency Code pages on our website.
- We undertake and publish resident and tenant surveys and take actions to address concerns.
- We carry out consultations with our residents when appropriate for example on the Local Plan.
- We involve our stakeholders, including partners and businesses as far as possible.
- We publish a contracts register on a quarterly basis and are currently reviewing the procurement strategy.
- We publish a range of information including financial and procurement data, invitations to tender, senior officer salaries, the contracts register, annual governance statement and financial statements, corporate performance information, planning applications and decisions, delegated decisions and section 106 agreements.

**Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

Rationale: The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources

- A Corporate Strategy is in place covering the period 2021-2024, supported by more detailed strategies such as Climate, Town Centre and Housing.
- Performance data is reported to Cabinet and the Leadership Team and is reviewed by the Management Team.

- Council receives reports for performance monitoring which includes dashboard monitoring of KPIs, key statistics and operational performance measures.
- The templates for Council and Committee reports includes specific paragraphs detailing the implications the decision being recommended has on finances, equalities and diversity and climate change and environment and risks.
- We use Equality Impact Assessments and Environmental Impact Assessments to inform member when making decisions.
- The Council consults widely on its proposals considering the economic, social, and environmental impacts of plans, policies, and decisions.
- There is a vision for Rugby Town Centre, including a regeneration strategy and action plan to deliver the strategy.
- There is a Climate Emergency Working Group that reviews the councils activities and progress towards Environmental targets.
- All planning and development decisions are considered openly and transparently in terms of their economic, social, and environmental benefits and impacts in accordance with National Planning Policy Framework and are published on the Council's website. There is a Planning Services Working Party that monitors such activity.
- The Council is now a Carbon Literate Organisation and will be rolling out carbon literacy to the organisation.

#### **Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

Rationale: Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action).

Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.

- We have an Internal Constitution that sets out the roles and responsibilities of officers.
- We produce a Medium-Term Financial Plan (MTFP) annually, considering known issues and applying a number of assumptions to the Council's finances. The MTFP provides, on a rolling basis, a projection of the Council's finances.
- We produce a 3 year rolling medium term financial strategy which demonstrates the steps we are taking to ensure financial sustainability
- We manage performance through published local and management performance indicators; this enables intervention to be targeted where it is needed.
- The Leadership Team hold an assurance meeting each month to receive assurances in respect of finance, risk, HR, Health & Safety and governance along with dashboards and data to evidence the levels of assurance.
- There are eight distinct service areas each with a Chief Officer, and dedicated member portfolio holders aligned with these service areas.
- The Corporate Strategy Delivery Plan and service plans are designed to ensure that the Council targets the actions necessary to deliver the Corporate Strategy.
- We have Programme Board that receives and scrutinises progress against projects.
- We continue to review and update our corporate policies on our website.
- There is a Forward Plan of key decisions and scrutiny committee arrangements in place.
- An annual budget report, and rent setting report, are submitted and there is an established budget setting and monitoring process, which the Council looks to improve year on year, with greater focus on ownership and accountability.

**Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods.

- The designated role of Head of Paid Service is accountable to the Council for all aspects of management including sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers and building relationships with all Councillors. The Chief Executive is designated as Head of Paid Service.
- The Constitution sets out roles and responsibilities and the Council's decision-making process. An approved scheme of delegation is in place, updated in December 2021.
- There is an Internal Constitution sets out responsibilities and expectations for staff.
- Regular monitoring and management of the Council's performance, including financial performance is key to ensuring delivery against strategic objectives set out in the Council's corporate plan.
- Member training and development programme in place, including dedicated training for planning and licensing committee members. The Council also has a new formulated Learning & Development Policy which supports the overall development of all Councillors.
- Thorough induction processes are in place for all new employees and members, linked to the corporate values.
- We have extended people management training and support with additional resources to meet the forthcoming People Strategy.
- We encourage staff to continue their professional development including paying membership fees.
- We have a robust programme of 1-2-1 in place and a revised PDP process being introduced.
- Each Service has structured team meeting along with annual service plans for delivery targets.
- Performance Indicators are reviewed monthly by Leadership team and Cabinet Members are provided with quarterly and annual performance reports
- The Leadership Team continues to work collaboratively and provide cohesive leadership which aims to clarify accountability and responsibility.
- More empowerment is encouraged, and decision making is made at the right level promoting more clarity of how this happens and creates a senior structure that aligns specialisms more closely with our Corporate Plan.
- The management team meet monthly and have delegated authority to take responsibility for issues that arise at operational levels.
- Protocol in place setting out the relationship between and roles of members and officers.
- Each member of the leadership and management team undertakes professional development appropriate to their role.

### **Core Principle F: Managing risks and performance through robust internal control and strong public financial management**

Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes.

- We have a Risk management strategy, that is updated annually along with Strategic and operational risk registers which are aligned with the corporate strategy.
- The Strategy is reviewed annually while the risk registers are updated at least quarterly.
- The process for risk management has been revised and put into a standard risk registers for operational and corporate risk register along with dashboards for each.
- The Leadership Team, Audit & Ethics Committee, Cabinet, Strategic Risk Management Group, Health & Safety Committee and Information Governance Group all oversee the risk management arrangements.
- Senior Managers are responsible for maintaining operational risk registers and for Uplifting matters for inclusion on the Corporate Risk Register.
- The Leadership Team hold an assurance meeting each month to receive assurances in respect of performance against key targets including finance, risk, HR, Health & Safety and governance along with dashboards and data to evidence the levels of performance.
- Our Chief Financial Officer (Section 151 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- There is regular financial monitoring and quarterly reports are produced for presentation to the Finance and Performance Committee and Cabinet.
- We have Finance Business Partners for each service, who ensure that the accounting records are correct and understood through regular meetings and reports.
- The budget preparation is overseen by the budget working group
- A regular risk assessment of the Council's financial reserves and balances is conducted. Key risks are identified, and potential financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- The Audit and Ethics oversee the arrangements for internal audit reviewing the Council's internal audit plan, risk management arrangements and ensure effective relationships between internal and external audit. The Committee also receives and considers the work of external audit and approves our governance and assurance statements, statement of accounts, and anti- fraud and anti-corruption arrangements.
- We continually review the effectiveness of our complaints and compliments procedure including the outcome from complaints referred to the Local Government and Social Care Ombudsman to identify lessons learnt and take appropriate action.
- We ensure effective anti-fraud and corruption arrangements are in place, with a Counter fraud strategy, fraud response plan and confidential reporting code in place.
- The Council has a track record of producing and publishing its accounts on time. External audits are also completed on time.



### **Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner.

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of the external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- Details of delegated decisions taken by officers are published on the website.
- The views of Internal and external audit are reported regularly to the Audit and Ethics Committee.
- The Chief Internal Auditor's (Corporate Assurance Manager) Annual Internal Audit Report and Opinion forms part of the review of effectiveness along with the Annual Governance Statement.
- In accordance with the Local Government Transparency Code there is an open data section on the Council's website which includes details of senior officer salaries
- Our Freedom of Information (FOI) and Environmental Information Regulation (EIR) processes are regularly updated to comply with the Information Commissioners Office (ICO) guidelines.
- We continue to embed UK GDPR requirements and monitor the effectiveness of this legislation which has led to a reduction in reports of data breaches.
- The Corporate Assurance Manager is provided with direct unfettered access to the Chief Executive, and Chair and Vice Chairs of the Audit & Ethics Committee.
- The Council submits itself to external peer reviews including by the Local Government Association and has welcomed an equalities and diversity peer review and challenge.

## **7. REVIEW OF EFFECTIVENESS**

- 7.1 The Council reviews the effectiveness of its governance framework regularly to ensure the arrangements are effective now and remain fit for purpose for the future. This is driven by the Leadership teams, the Chief Officers, Internal Audit, External Auditors, and other external review agencies. Proportionate oversight and governance arrangements have been put in place for arm's length bodies.
- 7.2 The Council also undertakes annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council has developed a methodology for reviewing its governance framework and producing this Annual Governance Statement. This methodology accords with proper practice and is co-ordinated by the Chief Officer ( Governance and Legal), Section 151 Officers and the Corporate Assurance Manager.
- 7.3 The outcomes of the review are considered by the Chief Executive with support from the relevant statutory officers, Audit & Ethics Committee and Governance (who approve the final Statement). Once approved, the Annual Governance Statement is published alongside the Statement of Accounts.

## OTHER SOURCES OF ASSURANCE

### 8 COMMITTEES

- 8.1 The cabinet and full council meet quarterly and receive reports and recommendations from other committees, sub-committees, groups and officers. All papers include statements covering risk and impacts of the proposals or report.
- 8.2 The other committees and Groups include
- Scrutiny Committee set up in line with the Local Government Act 2000 which meets and reviews proposals and decisions.
  - Audit & Ethics committee reviews the Internal audit reports and activities, risk management and final accounts,
  - Planning Committee reviews applications and approvals are required
  - Licensing and Safety Committee reviews license fees, applications and withdrawals, Safety issues and actions.

### 9 LEADERSHIP & MANAGEMENT TEAM

The leadership team receive assurance reports from Finance, HR, risk,, health & safety and communications with reports also going to Management Team. This ensures that ongoing assurance is maintained.

### 10 INTERNAL AUDIT ASSURANCE OPINION

- 10.1 Internal Audit is responsible for objectively assessing the adequacy of governance and the management of risk and providing an objective and evidenced based opinion on governance, risk management and internal control.
- 10.2 The following opinion is based on the audit activity undertaken during 2023/24. The Chief Internal Auditor is satisfied that sufficient assurance work has been carried out to allow the formation of a reasonable conclusion on the adequacy and effectiveness the Council's internal control environment.
- 10.3 The Chief Internal Auditor confirms that the Council's framework of governance, risk management and control is **substantial** in most areas.

### 11 SUMMARY, CONCLUSION AND CERTIFICATION

- 11.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness, and honesty. It is the foundation for the delivery of good quality services that meet all local people's needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 11.2 Rugby Borough Council has put in place strong governance arrangements, which we are confident protect its interests and provide necessary assurances to our



customers and stakeholders. We intend over the coming year to further strengthen our governance arrangements by addressing Internal Audit recommendations and the matters identified and noted in this Annual Governance Statement. Governance arrangements will continue to be monitored by the Executive Head of Governance.

- 11.3 This statement has been considered by the Audit & Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 11.4 This year's statement shows the governance framework has been maintained and in a number of areas improved during the year. The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although several further development areas have been highlighted. Delivery of these activities will be monitored during 2024/25 as they progress, and an action plan is attached.
- 11.5 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operation.

**Mannie Ketley – Chief Executive**

Date:

**Councillor - Leader of Rugby Borough Council**

Date:

## 12 PROGRESS ON DELIVERY OF LAST YEAR'S ACTION PLAN

	Action	Lead officer	Target date	Current Status	Revised Target Date
1	Develop and implement the Anti-Fraud, Bribery and Corruption Action Plan.	Corporate Assurance Manager	31/03/2024	The revised Anti-fraud, Bribery and Corruption Strategy was approved by the Audit & Ethics Committee in June 2023 and the most appropriate training is being considered for each level of management and staffing.	30/06/2024
2	Implement the Action Plan arising from the internal audit review of Data Protection and Records Management.	Management Team	31/03/2024	The Information Governance Group has taken on responsibility for all data management issues. A Data Retention and Disposal Policy has been compiled and is waiting final approval through LT. A template has been issued to managers to identify and classify all data held.	31/06//2024
3	Implement the Action Plan arising from the whistleblowing investigation.	Chief Officer Finance & Performance	31/12/2023	The finance team are now carrying out regular checks on payments as well as enforcing the procurement rules and requirements.	Completed
4	Complete the planned work to further embed the performance management methodology across the Council.	Chief Officer Finance & Performance	31/03/2024	The performance indicators have been revised and have been categorised as KPIs, key statistics and operational measures A power BI dashboard has been introduced and the details are reported within the quarterly finance and performance report to Cabinet.	31/06/2024
5	Implement the revised CIPFA Financial Management Code Action Plan.	Chief Officer Finance & Performance	31/12/2023	Largely complete and will be fully implemented at year end	31/04/2024

6	Complete the review and update of Operational Risk Registers, ensuring that Service Managers effectively manage the risks in their area of responsibility.	Chief Officer Finance & Performance	31/03/2024	<p>The operational risk registers have been moved from the RPMS system to a new spreadsheet template.</p> <p>The corporate and strategic risk registers have also been reviewed and transferred onto the same format.</p> <p>A dashboard has been compiled that identifies the high level risks with no activity or overdue revisions.</p> <p>This provides evidence of how risks are being managed along with overall level of exposure. Training is being provided for member and officers.</p>	Completed
7	Implement the new Quality Assurance and Improvement Plan for the Internal Audit service.	Corporate Assurance Manager	31/03/2024	There has been progress in refining the audit methodology and a greater use of operational risks in developing the Terms of Reference and scopes of the reviews.	Completed

## 12, THIS YEAR'S ACTION PLAN

	Action	Lead officer	Target date	Current Status	Revised Target Date
1.	Provide training for new members in respect of governance, fraud and risk management.	CO Finance & Performance	31/07//2024		
2	Review and enhance the suite of KPIs used for monitoring activity.	Leadership Team /Corporate Assurance Manager	31/09/2024		
3	Further develop the Dashboards used for reporting KPIs	CO Finance & Performance	30/062024		
4	Further involve MT in the review of dashboards and KPIs.	CO Finance & Performance	30/06/2024		
5.	Include service managers in LT Assurance meetings to explain any issues or concerns with performance,	Leadership Team	30/06/2024		
6	Consider reporting methods and look to introduce a scorecard or similar approach to performance monitoring.	CO Finance & Performance	31/12/2024		
7	Provide training and support for members and	CO Finance & Performance/	31/09/2024		

	officers in respect of risk management awareness and application.	Corporate Assurance Manager			
8	Develop and use risk registers to identify issues and concerns.	Leadership Team	31/09/2024		
9	Add these actions to the Corporate Strategy Delivery Plan which will be then monitored through Programme Board	Leadership team	All year		



Appendix 2

## **Briefing Note**

# **2023/24 Pre-audited Financial Statements**

## 1. Preparation of Financial Statements

The Financial Statements have been prepared in line with:

- International Financial Reporting Standards (IFRS) as adapted for the Public Sector;
- CIPFA Accounting Code of Practice; and
- Statutory Requirements

The statutory deadline for publishing the Council's Unaudited Financial Statements was 31 May 2024 with the requirement to publish the audited financial statements by 30 September 2024. The Council has met the publishing deadline, only 41% of councils achieved this. The period for public inspection commenced on 3 June 2024 and Interested parties have a right to inspect the accounts for a 30-working day period and local electors have the right to ask questions of the auditor or to make an objection to the auditor on the Financial Statements. The period will end on 12 July 2024.

Azets are scheduled to start their audit work during July and it is expected that the audit will take six working weeks. Any amendments or corrections identified will then be made and the Audited Financial statements will be presented to the Audit & Ethics Committee at its meeting on 26 September 2024 for approval and signing.

## 2. Layout of the Financial Statements

The Financial Statements have been set out in a standard format comprising:

- Narrative Report (Page 1)– which sets out details of the Council's major activities and performance during the year;
- Four Primary Statements
  - Comprehensive Income and Expenditure Statements (CIES) (Page 22) – showing the financial performance during the year on a proper accounting basis
  - Movement in Reserves Statement (MiRS) (Page 23) – showing the movement of reserves during the year taking into account the financial performance during the year and the impact of statutory accounting adjustments
  - Balance Sheet (Page 24) – showing the net value of the Council, broken down into separate groupings of a like nature for assets and liabilities
  - Cashflow Statement (Page 25) – shows the impact of the Council's activities during the year on its cashflow position
- Notes (Page 26) supporting and providing more detail on information in the Primary Statements and the risks that the Council faces to its financial position
- Housing Revenue Account (Page 79) – showing the performance in the ring fenced HRA
- Collection Fund Accounts (Page 85)) – showing the movements on the Collection Fund relating to Council Tax and Business Rates, and

The Annual Governance Statement (AGS) will also be published as part of the Statement of Accounts.



### 3. Overall messages arising from 2023/24

Please note that the Unaudited accounts do not incorporate the revaluation of Council dwellings, this arises due to delays in the valuer reporting his valuations. As agreed with the Audit Partner, the statements will be updated before being presented for audit.

The major impact to note is the improvement in the Council's Pension balance which is in an asset position of £15.3m (2022/23 £0.000m).

This improvement has resulted from the following factors:

- shorter mortality rates for men and women; and
- a small increase in the performance of pension fund assets.  
*(Details can be found in note 34 to the accounts)*

New valuers were appointed to value the assets for the 2023/24 accounts. The Council's assets have been revalued for year end. Council assets will be valued as at 31 March, however the authority is still awaiting the final valuations for the HRA properties.

#### Comprehensive Income and Expenditure Statement (CIES) (Page 22)

Within the CIES, the surplus on the provision of services is (£0.919m) (2022/2 deficit £2.733m).

Grant funding, set out in note 12, shows an increase in income, specifically £4m of conditional capital grants. This is offset in the in the reported Housing Revenue Account (HRA) performance

As a result of increased interest rates interest receivable has grown by £2m. (Note 10)

#### Balance Sheet (Page 24)

The Council's Balance Sheet shows the net worth of the entity, which has moved from a net asset position of £263m to £294m. An improvement of £31m, £15.3m of which relates to the improved pension position, and an additional £7.6m collection fund debtors.

#### Housing Revenue Account (Page 79)

The Housing revenue Account is showing a deficit of £1.817m (2022/23 surplus of £0.422m). However, it should be noted that downward revaluations of £3.2m were recognised in 2022/23. Any downward revaluation will need to be recognised here. Once the valuer reports his final valuation.

#### Collection Fund (Page 85)

There is a deficit on the Collection Fund for 2023/24 of £6.207m (2022/23 was a deficit of £1.650m). The deficit includes £6.345m relating to Business Rates and (£0.138m) relating Council Tax.

**AGENDA MANAGEMENT SHEET**

**Report Title:** Treasury Management 2023/24 – Annual Report

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Report Director:** Chief Officer - Finance and Performance

**Portfolio:** Finance, Performance, Legal and Governance

**Ward Relevance:** All wards

**Prior Consultation:** None

**Contact Officer:** Chris Raymakers, Lead Accountant Treasury and Capital.  
Chris.Raymakers@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** Yes

**Report En-Bloc:** No

**Forward Plan:** Yes

**Corporate Priorities:** This report relates to the following priority(ies):  
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)  
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)  
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)  
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)  
[Corporate Strategy 2021-2024](#)  
 This report does not specifically relate to any Council priorities but

**(C) Climate**  
**(E) Economy**  
**(HC) Health and Communities**  
**(O) Organisation**

**Summary:** The report sets out the Treasury Management activities for 2023/24.

**Financial Implications:** The capital finance and treasury management indicators are set to ensure that the Council is

guided into making prudent decisions on treasury management activities

**Risk Management Implications:**

There are no risk management implications for this report.

**Environmental Implications:**

There are no environmental implications for this report.

**Legal Implications:**

There are no legal implications arising from this report.

**Equality and Diversity:**

There are no equality and diversity implications arising from this report.

**Options:**

As this report complies with the Prudential and Treasury Management Codes of Practice, which have been approved by Council, no other options have been considered.

**Recommendation:**

- 1) The Treasury Management report for 2023/24 be considered; and
- 2) the actual treasury management indicators (Appendix A) be noted.

**Reasons for Recommendation:**

To provide Members with relevant information to make informed decisions around Treasury Management Activity and, in line with best practice, comply with the Code of Practice

**Audit and Ethics Committee - 27 June 2024**

**Treasury Management 2023/24 – Annual Report**

**Public Report of the Chief Financial Officer**

**RECOMMENDATION**

1. The Treasury Management report for 2023/24 be considered; and
2. The actual treasury management indicators (Appendix A) be noted.

**1. EXECUTIVE SUMMARY**

Throughout the 2023/24 financial year the Council's Treasury management Strategy was carried out according to the principals outlined in it. During the year.

- Long term borrowing stayed at the same level throughout the year
- £7m in short-term borrowing was taken out for cashflow purposes in March of 2024, this was repaid by the end of April.
- The Council's surplus cash was invested to maximise yield while adhering to the principals of security and liquidity.
- Two breeches in the Treasury Strategy did occur during 2023/24 and are detailed in Section 10 of this report.
- The Lothbury Property Fund is terminating in 2024/25 details of which are included in section 9.3

**2. INTRODUCTION**

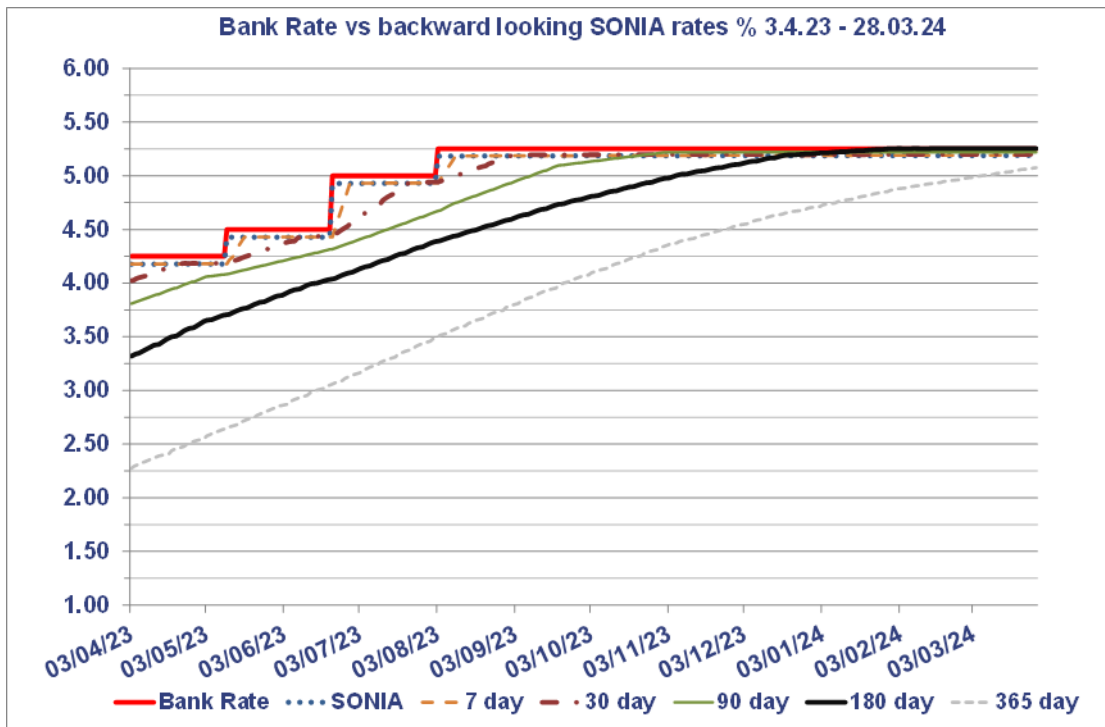
- 2.1. The Council is required to operate a balanced budget which broadly means that, year on year, cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus cash is invested in low-risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate liquidity initially before considering investment return as per the Council's Treasury Management Strategy which was adopted on 1 April 2023.
- 2.2. Local Authorities should have in place a Capital Strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The Treasury Management Strategy incorporating the Annual Investment Strategy (TMSS) currently includes a four-year programme.
- 2.3. Accordingly, treasury management is defined as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 2.4 On 22 February 2023, in accordance with the CIPFA Code of Practice for Treasury Management in the Public Sector, Council approved the Treasury Management Strategy for 2023/24. The Code requires the Council to approve a treasury management strategy before the start of each financial year, a mid-year report, and an annual report after the end of each financial year. The code requires local authorities to comply with three key principles:
- 2.5 **KEY PRINCIPLE 1** Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.
- 2.6 **KEY PRINCIPLE 2** Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds.
- 2.7 **KEY PRINCIPLE 3** They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.
- 2.5 The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.6 Part of the Council’s treasury activity is to address any borrowing need, either through borrowing from external bodies, or utilising temporary cash resources available within the Council. The wider treasury activities also include managing the Council’s cash flows, its existing borrowing activities, and investment of surplus funds. These activities are structured to manage risk foremost, and then to optimise performance.

### **3. INVESTMENT STRATEGY AND THE CONTROL OF INTEREST RATE RISK**

- 3.1. Investment returns picked up throughout the course of 2023/24 as central banks, including the Bank of England, continued to respond to inflationary pressures that were not transitory, and realised that tighter monetary policy was called for.
- 3.2. By the beginning of the financial year the Bank of England had moved the Bank Rate to 4.25%, The Bank moved the rates up in stepped increases of either 0.25% or 0.5%, reaching 5.25% by August where it stayed until the end of the financial year at which point, no further increases were anticipated. Indeed, the market is pricing in a first cut in Bank Rate in either June or August 2024.
- 3.3. The upward sloping yield curve that prevailed throughout 2023/24 meant that the Council continued to be faced with the challenge of proactive investment of surplus cash, and this emphasised the need for detailed cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment strategy.
- 3.4. With bond markets selling off, UK equity market valuations struggled to make progress, as did property funds, although there have been some spirited, if temporary, market rallies from time to time – including in November and December 2023. However, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration), have continued to be at the forefront of most local authority investment strategies, particularly given Money Market Funds have also provided decent returns in close proximity to Bank Rate for liquidity purposes. In the latter part of 2023/24, the local authority to local authority market lacked any meaningful measure of depth, forcing short-term investment rates above 7% in the last week of March.
- 3.5. While the Council has taken a prudent approach to investing surplus monies, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Global Financial Crisis of 2008/09. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 3.6. The table below shows the movement in interest rates during the financial year 2023/24



#### 4 BORROWING

4.1 During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened.

4.2 The prospect of future cuts in rate meant the Council is likely to postpone any further long-term borrowing, instead relying on internal borrowing or short-term loans for cashflow purposes.

#### 4.3 HIGH/LOW/AVERAGE PWLB RATES FOR 2023/24

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.65%	4.13%	4.20%	4.58%	4.27%
<b>Date</b>	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
<b>High</b>	6.36%	5.93%	5.53%	5.96%	5.74%
<b>Date</b>	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
<b>Average</b>	5.54%	4.99%	4.97%	5.34%	5.08%
<b>Spread</b>	1.71%	1.80%	1.33%	1.38%	1.47%

#### 5 CAPITAL EXPENDITURE AND FINANCING

5.1 The level of capital expenditure incurred by the Council, and its financing, forms one of the required prudential indicators.

5.2 The Council undertakes capital expenditure on long-term assets. These activities may either be:



- 5.3 Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- 5.4 If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
- 5.5 The table below shows total capital expenditure for the year and how this was financed.

	2023/24 Original Budget £000s	2023/24 Estimate at Q2 £000s	2023/24 Outturn £000s
Total capital expenditure	16,261	49,059	23,279
Resourced by:			
Capital receipts	(1,964)	(7,830)	(4,113)
Capital grants and other contributions	(796)	(10,502)	(5,830)
Capital reserves	(2,405)	(4,564)	(5,192)
Revenue	(1,205)	(5,717)	(3,522)
<b>Unfinanced capital expenditure</b>	<b>9,891</b>	<b>20,446</b>	<b>4,622</b>

## 6 THE COUNCIL'S OVERALL BORROWING NEED

- 6.1 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position and represents 2023/24 and historic net capital expenditure which has not yet been charged to revenue. The process for charging this capital expenditure to revenue is a statutory requirement and is called the Minimum Revenue Provision (MRP)\*. The Council has the option to charge more than the statutory MRP each year through Voluntary Revenue Provision (VRP). The Council's CFR for the year is shown below and represents a key prudential indicator. The total CFR can also be reduced by the application of additional capital resources (such as unapplied capital receipts.)

Capital Financing Requirement	31 March 2024 Original Indicator £000s	31 March 2024 Actual £000s
Opening balance 1 April 2023	92,396	90,443
Plus: unfinanced capital expenditure	1,591	4,622
Less: MRP/VRP	(1,297)	(1,297)
Closing balance 31 March 2024	92,690	93,770

6.2 The table above shows that the Council's overall borrowing need has increased slightly from the 2023/24 strategy.

6.3 Current and future estimated MRP and interest costs (updated from the most recent General Fund and HRA Medium Term Financial Plans) are detailed in the table below:

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
MRP/VRP (Debt repayments)	1,297	1,230	1,548	1,521
Net Cost of Borrowing (Interest repayments)	(2,048)	(979)	(150)	(150)
Direct Revenue Financing (DRF)	3,522	4,345	3,500	3,500
<b>Total Revenue Implications</b>	<b>2,771</b>	<b>3,596</b>	<b>4,898</b>	<b>4,871</b>

6.4 These values in future years may change as a consequence of the Chief Finance Officer choosing an alternative method of financing for some of the capital programme as set out in the 2024/25 Capital Strategy. No alternate methods of funding were utilised in 2023/24.

6.5 The borrowing strategy approved as part of the 2023/24 Treasury Management Strategy highlighted the authority had moved from an over borrowed position to a position of being under borrowed after clearing the debt taken out in 2012 as part of the HRA financing agreement with the government. This was necessary after taking out the debt to finance the Biart Place and Round Gardens schemes for which the Council utilised the HRA Certainty rate from the PWLB which were at an all-time low at the time. This leaves these schemes fully financed at an average interest rate of 1.4% and considerably reduces the Council's exposure to current, higher, interest rates.

	31 March 2024 £000s
Gross Long-Term Debt	83,300
Capital Financing Requirement	93,769
<b>(Under)/Over Borrowing</b>	<b>(10,469)</b>

6.6 Borrowing at low rates means that as investment rates rose over 2023/24 the Council will make considerable benefit, in the medium term, from investments made with the cash held while these schemes are being completed.

6.7 Each year the Council sets out limits and boundaries as follows

6.8 **The Authorised Limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2023/24 the Council has maintained gross borrowing within its authorised limit.

6.9 **The Operational Boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached

6.10 For 2023/24 these were as follows

	2023/24 £m
Authorised Limit	190.00
Operational Limit	180.00

At no point in the year were these limits breached

## 7 TREASURY POSITION AT 31 MARCH 2024

7.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

7.2 The table below shows a snapshot of the Council's position as at 31 March 2024 (not for the whole of 2023/24) compared with the previous year. This situation will of course change daily as investments are adjusted to meet cash flow requirements.

	31/03/2024		31/03/2023	
	£000s	Average Rate (%)	£000s	Average Rate (%)
Borrowings:				
PWLB	69,600	1.73	69,600	1.73
Market Deals	13,700	3.67	13,700	3.67
Local Authorities	7,000	7.29	0	0
<b>Total Debt Outstanding</b>	<b>90,300</b>	<b>2.36</b>	<b>83,300</b>	<b>2.02</b>
Investments:				
In house*	79,052	4.85	78,234	0.74
<b>Total Investments Outstanding</b>	<b>79,052</b>	<b>4.85</b>	<b>78,234</b>	<b>0.74</b>

7.3 The short-term debt taken from Local Authorities was to meet cashflow needs in March 2024 and fully repaid during April 2024.

## 8 BORROWING IN YEAR

8.1 The movement in outstanding debt was £7.000m (including temporary borrowing) as shown below:

	£000s
Debt outstanding at 1 April 2023	83,300
Borrowing in year (Inc. temporary borrowing)	7,000
Less: Repayments in year (Inc. temporary borrowing)	0
<b>Debt Outstanding at 31 March 2024</b>	<b>90,300</b>

8.2 Future Maturity Analysis of Loans (illustrates future changes in debt portfolio)

	2024/25 £000s	2025/26 £000s	2026/27 £000s
PWLB/Banks	0	1,000	700
Local Authorities/Housing Associations	7,000	0	0
<b>Total</b>	<b>7,000</b>	<b>1,000</b>	<b>700</b>

## 9 INVESTMENTS IN YEAR

9.1 The net movement in market investments during the year was an increase of £13m as shown below:

	£000s
<b>Opening Balance at 1 April 2023</b>	<b>58,000</b>
Investments in year	114,000
Less: Repayments in year	(101,000)
<b>Closing balance at 31 March 2024</b>	<b>71,000</b>

	Weighted Average Investment	Weighted Average Annual Rate of Return (Net of Fees)	Benchmark Return (Average annual SONIA Rate)	Original Estimate
	£m	%	%	%
Internally managed	80.8	4.85	5.01	3.5

At the beginning of the year the average rate of return on investments portfolio was 2.98%. The rate of return has steadily increased during the year to 4.85% as of 31 March 2024. The portfolios average risk number decreased from 3.48 at the beginning of the year to 2.77 as at the year end.

	31 March 2023	31 March 2024
	£000s	£000s
Local Authorities and Housing Associations	35,500	34,500
Banks and Building Societies	22,500	36,500
<b>Total</b>	<b>58,000</b>	<b>71,000</b>

## 9.2 Future Maturity Analysis of Investments

All market investments outstanding at the 31 March 2024 will mature during the 2024/25 financial year.

## 9.3 IFRS 9 fair value of investments

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities - DLUHC on IFRS 9 - Financial instruments, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. The Council is required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

	Externally Managed Pooled Investment Funds £000s	
	as at 31/03/2023	as at 31/03/2024
Nominal Value	6,000	6,000
Fair Value	5,991	5,771
Unrealised In Year Fair Value Gain / (Loss)	(1,176)	(220)

9.4 Since 2015, as part of its diverse investment portfolio, the Council has invested in the Lothbury Property Fund, managed by Lothbury Investment Management. This was an open-ended investment aimed at long term gains from both interest earned and capital appreciation which fitted with the Council's treasury policies and helped diversify the portfolio. The commercial property markets have found recent economic conditions difficult and as a result the value of the Council's investment has fallen. The fund managers have recently informed the Council that the fund would close, and funds returned to the Authority. Although the final value of the investment is as yet still unknown the Council has prudently made a provision in the accounts of £0.4m for any loss of capital. When viewing the life performance of the investment since 2015 the fund has provided approximately £0.574m in dividends to the Council.

9.5 Since 31 March 2024 Lothbury Investment Management have started to redeem their investments and have recently paid the Council £0.7m as the first instalment of its investment.

## 10 BREACHES OF TREASURY MANAGEMENT STRATEGY

10.1 Under the CIPFA Code of Practice, any breaches of the Council's Treasury Management Strategy need to be reported to Members with an explanation of the causes of the breach.

10.2 There were two breaches that have previously been reported during the 2023/24 financial year

- a) On 3 April 2023 the Council's operational bank account had an amount of £13.343m overnight, a breach of £3.343m overnight. This was due to an unplanned amount of income being received too late in the working day for officers to negotiate the movement of excess funds. This was reported to members in the mid-year report in December 2023
- b) Between 29 December 2023 and 1 January 2024 inclusive there was a breach where total balance of Lloyds was £10.148m, a breach of £0.148m for a total of 4 days. This occurred during the Christmas holiday period when the office was shut. Corrective action was taken on the 2 January.

## **11. NEW ACCOUNTING STANDARDS**

- 11.1 From 1 April 2024, having been delayed for a further year, the Council will be required to adopt International Financial Reporting Standard 16, Leases, (IFRS16). This standard will require the Council, as a lessee, to recognise the value of assets it is using under a lease arrangement on its balance sheet, with a corresponding liability recognising the corresponding lease liability. This effectively means that the Council will be changing its treatment of operating leases, except for low value or short-term leases, to finance leases.
- 11.2 After initial recognition, the value of assets leased will need to be revalued regularly on the same basis as Property, Plant and Equipment. Lease payments will be accounted for as payments of principal and interest.
- 11.3 The recognition of an asset on the Council Balance Sheet will effectively increase the Capital Financing Requirement meaning that the Council will also have to consider the requirement to account for Minimum Revenue Provision (MRP).
- 11.4 The recognition of a lease liability on the balance sheet will have a direct impact on the Council's prudential indicators. Prior to the adoption of the new accounting standard, the Council will undertake an impact assessment of the change in lease accounting and advise members of the changes.
- 11.5 The Council currently recognises two finance leases. After assessment it has assessed that the remainder of its leases which relate to housing accommodation will be de-minimis due to the short-term nature of the lease agreement. The Council will assess every new lease agreement in order to make appropriate treatment decisions.

## **12. ESG INVESTMENTS**

- 12.1 There is a significantly greater awareness of the approach to 'ethical' investments and the Council's consideration of Environment, Social and Governance (ESG) issues when making an investment, for example.
- 12.2 Following are examples of ESG issues.
  - 12.2.1 Environmental risks created by business activities have actual or potential negative impact on air, land, water, ecosystems, and human health. Company environmental activities considered ESG factors include managing resources and preventing pollution, reducing emissions and climate impact, and executing environmental reporting or disclosure. Environmental positive outcomes include avoiding or minimizing environmental liabilities, lowering costs and increasing profitability through energy and other efficiencies, and reducing regulatory, litigation and reputational risk.
  - 12.2.2 Social risks refer to the impact that companies can have on society. They are addressed by company social activities such as promoting health and safety, encouraging labour-management relations, protecting human rights, and focusing on product integrity. Social positive outcomes include



increasing productivity and morale, reducing turnover and absenteeism, and improving brand loyalty.

- 12.2.3 Governance risks concern the way companies are run. It addresses areas such as corporate brand independence and diversity, corporate risk management and excessive executive compensation, through company governance activities such as increasing diversity and accountability of the board, protecting shareholders and their rights, and reporting and disclosing information. Governance positive outcomes include aligning interests of shareowners and management and avoiding unpleasant financial surprises.

There is an overriding requirement for the Council to consider investments in the context of, security, liquidity, and yield as the core principles of the Treasury Management Strategy, as detailed in section B. If an investment meets the core principles and delivers ESG benefits, it will be pursued.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Subject Matter:** Treasury Management Annual Report 2023/24

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>

## TREASURY MANAGEMENT INDICATORS 2023/24

**1. Security: average credit rating**

To measure the security of its portfolio, the council compares the historic risk of default of its investments against a maximum target rate.

As an example, *based on historic data*, a AAA (least risk) rated investment has 0.04% chance of default within 1 year and a 0.16% chance of default within 3 years. A BBB+ (most risk) rated investment has a 0.14% chance of default within 1 year and a 0.65% chance of default within 3 years.

	Limit	Actual	Achieved
Historic risk of default	0.25%	0.009%	Yes

**2. Maturity structure of borrowing**

This indicator is set to control the Council's exposure to refinancing risk – that all borrowing falls due for repayment at the same time. The maturity structure of fixed rate borrowing was:

	Upper Limit	Lower Limit	Actual	Achieved
Under 12 months <sup>1</sup>	75%	0%	7.8%	Yes
12 months and within 24 months	75%	0%	0%	Yes
24 months and within 5 years	75%	0%	1.9%	Yes
5 years and within 10 years	75%	0%	0%	Yes
10 years to 20 years	75%	0%	0.5%	Yes
20 years to 30 years	75%	0%	0.5%	Yes
30 years and over	75%	0%	89.3%	No

<sup>1</sup>Includes temporary borrowing for cash flow purposes.

The Council has breached the upper limit for borrowing for 30 years and over until maturity. The structure of the Council's structure has now been reviewed as part of the 2024/25 Treasury Management Strategy to give a more flexibility in future years.

**3. Principal sums invested for periods longer than 364 days**

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. It is used in conjunction with the liquidity indicator to ensure sufficient cash resources are available without penalty during the short to medium term. The total principal sums invested to final maturities beyond the year end were:

	31 March 23 £000s	31 March 24 £000s	31 March 25 £000s
Limit on principal invested over 365 days	70,000	70,000	70,000
Actual principal invested over 365 days	6,000	6,000	6,000
<b>Achieved</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Currently the only investments the Council has invested for in excess of 365 days are the 3 property funds it holds with Lothbury Investment Management and CCLA

#### 4. Approved countries for investments as of 31 March 2024

Based on lowest available rating

##### AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

##### AA+

- Canada
- Finland
- U.S.A.

##### AA

- Abu Dhabi (UAE)
- Qatar

##### AA-

- Belgium
- France
- U.K.

## 5. Approved counterparty limits

Approved counterparties (limit per counterparty)				
Credit Rating	Banks / Building Societies	Non-UK Government	Corporate	Registered Providers
AAA	£10m 5 years	£5m 10 years	£5m 10 years	£15m 10 years
AA+	£10m 5 years	£5m 7 years	£5m 7 years	£15m 10 years
AA	£10m 4 years	£5m 5 years	£5m 5 years	£15m 10 years
AA-	£10m 3 years	£5m 4 years	£5m 4 years	£15m 10 years
A+	£10m 12 months	£5m 3 years	£5m 3 years	£15m 5 years
A	£10m 12 months	£5m 2 years	£5m 2 years	£15m 5 years
A-	£10m 6 months	£5m 1 year	£5m 1 year	£15m 5 years
BBB- and assets > £25bn	Council's UK operational bank account only £10m 1 day			
No credit rating	UK unrated Building Societies £3m 6 months	Corporates £1m 1 year	Registered Providers	
			£10m 3 years	
UK Govt	Central government: £unlimited 50 years UK Local Authority: £20m 10 years			
Pooled Funds (incl. Money Market Funds) and Real Estate Investment Trusts		£5m per Fund or Trust Overall limit on aggregate amounts invested across Funds or Trusts of £30m		

**AGENDA MANAGEMENT SHEET**

**Report Title:** Annual Report of Internal Audit

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Report Director:** Chief Officer - Finance and Performance

**Portfolio:** Finance, Performance, Legal and Governance

**Ward Relevance:** None

**Prior Consultation:** Chief Officer - Finance and Performance

**Contact Officer:** Richard Green - Interim Corporate Assurance Manager  
richard.green@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):  
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)  
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)  
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)  
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)  
[Corporate Strategy 2021-2024](#)  
 This report does not specifically relate to any Council priorities but

**(C) Climate**  
**(E) Economy**  
**(HC) Health and Communities**  
**(O) Organisation**

**Summary:** The report sets out the Corporate Assurance Manager's annual opinion of the overall adequacy and effectiveness of the Council's internal control environment, with an appended summary of the audit work undertaken to formulate the opinion.

<b>Financial Implications:</b>	None
<b>Risk Management/Health and Safety Implications:</b>	No direct implications. This report forms part of the evidence that supports the Council's Annual Governance Statement and provides assurance over the adequacy and effectiveness of the Council's internal controls to manage its key risks.
<b>Environmental Implications:</b>	Any environmental impact will have been addressed within the individual reviews as and when appropriate.
<b>Legal Implications:</b>	Any Legal implications will be addressed within the individual reviews as and when necessary.
<b>Equality and Diversity:</b>	Equality and diversity was considered and has been addressed within the individual reviews as and when appropriate.
<b>Options:</b>	None
<b>Recommendation:</b>	The report be considered and endorsed
<b>Reasons for Recommendation:</b>	To comply with the requirements of the terms of reference of the Audit & Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.



**Audit and Ethics Committee - 27 June 2024**

**Annual Report of Internal Audit**

**Public Report of the Chief Officer - Finance and Performance**

**Recommendation:**

The report be considered and endorsed.

**1. Introduction**

**1.1** The Accounts and Audit Regulations and the Public Sector Internal Audit Standards (the Standards) require the Interim Corporate Assurance Manager (CAM) to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The Standards also specify that the report must contain:

- an internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
- a summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
- a statement on the extent of conformance with the Standards including progress against the improvement plan resulting from any external assessments.

**2. Report Details**

**Opinion on the Overall Adequacy and Effectiveness of the Council's Control Environment**

**2.1** It is the responsibility of the CAM to provide the annual Internal Audit opinion and to detail the basis for this opinion. Based upon the work undertaken by Internal Audit during 2023/24, the CAM's overall opinion is that **Substantial Assurance** can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives. Whilst some elements of the control environment require attention, agreed actions have been put in place to address those issues and responsible managers have agreed reasonable timetables for their implementation. The progress made by management in implementing the agreed actions has been generally sound.

**2.2** **Appendix A** to this report provides a copy of the Draft Internal Audit Annual Report which includes the CAM's opinion on the control framework for 2023/24 and the basis for this opinion.

### **Effectiveness of Internal Audit**

- 2.3 The Annual Report also includes an overview of the performance of the Internal Audit service against its key performance measures and ways in which it has added value to the Council during 2023./24.

### **Compliance with the Public Sector Internal Audit Standards**

- 2.4 The Internal Audit service, in the opinion of the Corporate Assurance Manager, is operating in general conformance to the Standards. Further details are contained within the Annual Report,

### **Statement of Organisational Independence and Objectivity**

- 2.5 If independence or objectivity is impaired in fact or appearance, the CAM is required to disclose this. The CAM can confirm that the internal audit service is independent and objective, and this is currently demonstrated in a number of ways:
- The CAM reports directly to the Chief Officer Finance & Performance (s151 officer) and the Audit & Ethics Committee, and has unfettered access to the Chief Executive, and Chair of the Audit & Ethics Committee.
  - Any attempts to unduly influence the scope of audit reviews or the contents of reports will be reported by the CAM to the Chief Executive and the Chair of the Audit & Ethics Committee.
  - All officers responsible for internal audit work are required to complete an annual Register of Interests declaration form, which is in turn reviewed by their line manager. In the case of the CAM, the annual declaration of interests is reviewed by the Chief Officer Finance & Performance. Auditors are required to report any interests that might compromise the impartiality of their professional judgements – or give rise to a perception that this impartiality has been compromised. Any conflicts of interest are avoided when allocating assignments.
  - The Audit & Ethics Committee approves any significant consultancy activity included in the Audit Plan.

Further details are set out in the Audit Charter, which was approved by the Audit & Ethics Committee in December 2021.

- 2.6 As previously reported to the Committee, the role and responsibilities of the CAM extend beyond internal auditing. There would be an actual or perceived impairment to independence and objectivity were the CAM to undertake internal audit reviews of areas for which he is operationally responsible for. Specific safeguards have been established in order to avoid any actual or perceived impairment to independence and objectivity; these safeguards have been reported to, considered and approved separately by the Committee. They are also set out in the Audit Charter.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Subject Matter:** Annual Report of Internal Audit

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>



Appendix A

# **ANNUAL REPORT OF INTERNAL AUDIT**

## **2023- 2024**

**Date: 9 JUNE 2024**

## Annual Report of Internal Audit 2023/24

### 1. BACKGROUND

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Chief Internal Auditor (Interim Corporate Assurance Manager) to provide an annual Internal Audit opinion and report that can be used by the organisation to inform its governance statement.
- 1.2 The Standards specify that the annual report must contain:
- An Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment);
  - A summary of the audit work from which the opinion is derived and any work by other assurance providers upon which reliance is placed; and
  - A statement of the extent of conformance with the Standards including progress against the improvement plan arising from any external assessments.

### 2. INTERNAL AUDIT OPINION 2023/24

- 2.1 Based upon the work undertaken by Internal Audit during the year, along with knowledge of the organisation gained from planning conversations, management discussions and risk management processes, the Corporate Assurance Manager's overall opinion on the Council's system of internal control is that:

**Substantial Assurance** can be given that there is an adequate and effective governance, risk and control framework in place, designed to meet the organisation's objectives.

Of the 17 graded assignments undertaken for 2023/24, 13 (77%) resulted in an opinion of High or Substantial Assurance, and 4 (23%) resulted in an opinion of Limited Assurance.

No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance

The progress made by management in implementing the actions arising from audits has been reasonable. 62% of agreed actions arising from audits were implemented within the agreed timescale and a further 10% were implemented late, resulting in an overall implementation rate of 72%. This is lower than the outturn of 98% for previous year, but still represents good performance as many reviews were carried out in the later part of the year.

## Appendix A

There were 8 agreed actions for the reviews carried out in the year which were overdue as at 31<sup>st</sup> March 2 of which were graded as High, 5 were Medium Risk and 1 Low. This is higher than 31<sup>st</sup> March 2023 when there were 4 recommendations outstanding.

- 2.2 It is pleasing to report that despite the resourcing challenges experienced during 2023/24, and the late commencement of the work, the Corporate Assurance team has been able to deliver an annual internal audit plan in accordance with the requirements of the Public Sector Internal Audit Standards.
- 2.3 The basis for the annual opinion is derived from an assessment of the individual opinions arising from the assignments undertaken throughout the year as part of the agreed internal audit plan and supported by other assurances such as External Audit. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing any control weaknesses.
- 2.4 The overall opinion on the effectiveness of the Council's risk management arrangements is based upon the overall results of internal audit testing of controls designed to manage risk undertaken as part of the audits.
- 2.5 A summary of Audit assurance opinions is shown in Table 1 below:

**Table 1 – Summary of Audit Opinions 2023/24**

<u>Assurance Area</u>	<u>High</u>	<u>Substantial</u>	<u>Limited</u>	<u>Total</u>
Financial	1	3	0	4
IT	0	1	0	1
Counter Fraud	0	0	1	1
Governance & Ethics	0	3	0	3
Strategic & Operational Risks	0	5	3	8
Total	1	12	4	17
Summary	6%	71%	23%	100%

In addition to the subject specific reviews carried out, fraud risks are evaluated and tested on a sample basis as standard practice for all audits.

### 3. REVIEW OF AUDIT COVERAGE

3.1 The Auditor's Opinion for each assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean:

**Table 2 – Assurance Categories**

Assurance Level	Design of Control Framework	Operation of Controls
<b>HIGH</b>	There is a robust framework of controls making it likely that corporate/ service objectives will be delivered.	Controls are operated continuously and consistently, with only infrequent minor lapses.
<b>SUBSTANTIAL</b>	The control framework includes generally sound key controls that promote the delivery of corporate/ service objectives.	Controls are applied, although some lapses and/ or inconsistencies were identified.
<b>LIMITED</b>	There is an absence of key controls, with an increased risk that corporate/ service objectives will not be achieved.	There have been significant and extensive breakdowns in the operation of key controls.
<b>NO</b>	There is an absence of basic controls resulting in inability to deliver corporate/ service objectives.	The fundamental controls are not being operated or complied with.

The Auditor's Opinion of the level of risk exposure is based on an assessment of the level of the likelihood of corporate/ service objectives not being achieved, and an assessment of the impact of any failure to achieve objectives. The assessments are conducted in line with the Council's Strategic and Operational Risk Matrix. In order that risks may be prioritised according to their severity, the Council operates a traffic light system. Risks are scored within one of the following levels:

Risk Rating	Risk Score	Prioritisation of Action
<b>HIGH</b>	8 – 16	Immediate Attention
<b>MEDIUM</b>	4 – 6	Moderate Risk, Mitigation Action Required
<b>LOW</b>	1 – 3	Regular Review

**3.2 Summary of Audit Work**

Table 3 details the assurance levels resulting from all audits undertaken in 2023/24 and the assessment of the levels of risk exposure:

**Table 3 – Details of Audit Opinions Issued in 2023/24**

Appendix A

Audit Area	Assurance Opinion	Risk Exposure Opinion
<b>Finance</b>		
External Audit Recommendations	High	Medium
Sundry Debts	Substantial	Medium
Assets – Statutory Compliance	Substantial	Medium
Housing Benefits	Substantial	Medium
<b>IT</b>		
Systems Resilience	Substantial	High
<b>Counter Fraud</b>		
Corporate Credit Card	Limited	Medium
<b>Governance &amp; Ethics</b>		
Annual Governance Statement	Substantial	Medium
Ethical Governance	Substantial	Medium
Complaints and FOIs	Substantial	Medium
<b>Strategic &amp; Operational Risks</b>		
Housing Rents	Limited	Medium
Property Repairs inc Stock Control	Limited	High
Project Management & Corporate Strategy Delivery	Substantial	Medium
Fleet Management	Limited	High
Fuel Usage	Substantial	Medium
Benn Hall	Substantial	Medium
Bereavement Services	Substantial	Medium
Corporate Health & Safety	Substantial	Medium
Business Continuity & Emergency Planning *	No Opinion	
Performance Management & Data Quality *	No Opinion	
Homelessness Grants	No Opinion	

\*These 2 reviews were curtailed, and position statements issued rather than reports as there were significant changes about to be introduced. The reviews will be completed during 2024/25



## Appendix A

Outlined at section 7 is a short summary of the findings of each of the audits completed. It should be noted that many of these findings have previously been reported as part of the defined cycle of progress update reports provided to the Audit & Ethics Committee.

### 3.3 **Implementation of Internal Audit Recommendations**

Internal Audit follows up on progress against all recommendations arising from completed assignments to ensure they have been appropriately implemented in a timely manner. Updates are provided to the Audit & Ethics Committee during the course of the year. Details of the outstanding audit recommendations are provided in Table 4 below:



**Table 4 - Summary: Outstanding Audit Recommendations as at March 2024**

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2023/24	Housing Rents	1	3	1	2	0	7	14
2023/24	Corporate Credit Cards	9	0	0	0	0	0	9
2023/24	Ethical Governance	8	0	0	0	0	1	9
2023/24	Fleet Management	1	11	0	1	0	0	13
2023/24	Complaints & FOI Requests	13	3	0	0	0	0	16
2023/24	Housing Benefits	6	0	0	0	0	0	6
	<b>Totals</b>	<b>38</b>	<b>17</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>8</b>	<b>67</b>

#### 4. HOW HAS INTERNAL AUDIT ADDED VALUE?

- 4.1 It is important that Internal Audit demonstrates its value to the organisation. The service provides assurance to management and members via its programme of work and also offers support, advice and insight to assist the Council in new areas of work or to proactively review and improve the control framework.
- 4.2 Beyond delivery of the core assurance assignments, the service added value in a number of additional areas during 2023/24. Examples are set out in Table 5 below:

**Table 5 – Internal Audit Contribution**

Area of Activity	Benefit to the Council
Support towards the Council's Counter fraud activity in the following areas: <ul style="list-style-type: none"> <li>• Review and update of the Anti-Fraud Bribery &amp; Corruption Strategy and an independent external review of the Council's Counter Fraud framework.</li> <li>• Completion of one corporate investigation, with support from other managers as required.</li> <li>• Provision of assurance work in relation to Corporate Credit Cards and the associated policy and procedures</li> </ul>	Greater strategic and procedural clarity, leading to a more consistent and coherent organisational approach to tackling the risks of fraud, bribery and corruption.
Risk Management – co-ordination and support to the Strategic Risk Management Group including preparation of updated strategic and operational risk registers, working with the Management and Leadership Teams. Compiling and agreeing a new approach to risk registers and dashboard reporting.	Implementation of best practice in relation to risk management, leading to more successful outcomes.
A total of 21 agreed actions have been implemented by management following completion of internal audit work. Furthermore, the internal audit service has, where appropriate, recommended actions to reduce or eliminate wasteful or inefficient processes.	Reduction in exposure to risk and improved organisational efficiency and effectiveness.

## 5. HOW WELL IS INTERNAL AUDIT PERFORMING?

5.1 Internal Audit maintains a number of agreed performance measures to enable ongoing monitoring by the Leadership Team and the Audit & Ethics Committee. Outturns against these indicators for the year ended 31<sup>st</sup> March 2024 are set out in Table 6 below:

**Table 6 – Internal Audit Performance Indicators**

<b>Theme</b>	<b>Title of Performance Indicator</b>	<b>2022/23</b>	<b>2022/23</b>	<b>2021/22</b>	<b>2020/21</b>
Delivery	Average end to end time for audits (number of days)	<b>83 days</b>	<b>86 days</b>	<b>87 days</b>	<b>88 days</b>
Adding Value	Customer Satisfaction – Average Rating  3 = Good 2 = Satisfactory 1 = Poor	<b>2.5</b>	<b>2.80</b>	<b>See para. 5.2 below</b>	<b>3.00</b>
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	<b>8 days</b>	<b>8.5 days</b>	<b>6.0 days</b>	<b>8.3 days</b>
Effectiveness	Implementation of Agreed Actions by Officers – Percentage implemented within agreed timescale	<b>62%</b>	<b>67%</b>	<b>75%</b>	<b>74%</b>

5.2 *For 2021/22, owing to there being an inadequate number of responses to customer surveys issued following completion of audits during the year, an annual survey was issued to all members of the Leadership Team. Overall, on a scale of 1 to 5 (1 being poor and 5 being excellent), the average score for the service based on the 16 responses received was 4.56.*

## 6. COMPLIANCE WITH PROFESSIONAL STANDARDS

- 6.1 The Public Sector Internal Audit Standards (the Standards) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 6.2 The objectives of the Standards are to:
- Define the nature of internal auditing within the public sector;
  - Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - Establish the basis for evaluation of internal audit performance and to drive improvement planning.
- 6.3 An external quality assessment of the internal audit service was completed in April 2023 and shows that the service is operating in “general conformance with the Standards”, the highest of the three possible grades.

## 7. SUMMARY OF AUDIT FINDINGS

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
<p><b>External Audit Recommendations</b> To assess the implementation of the actions agreed with the external auditors.</p>	High	Medium	This gave a high assurance rating with only two minor recommendations relating to deleting unused dummy accounts and reviewing the IT Risk Register.
<p><b>Sundry Debts</b> The objective of this audit was to provide assurance that the billing and collection of sundry income is accurate, complete and timely. It is also to ensure that the appropriate controls are in place, and operated consistently, to ensure the Council collects sundry debts efficiently and effectively</p>	Substantial	Medium	<p>Most areas raise invoices once the service has been provided. The ways that Service Areas record the services they have provided varies and some Service Areas would benefit from reviewing this</p> <p>The audit has identified that-</p> <ul style="list-style-type: none"> <li>• invoices relating to Sundry Income are being requested, raised and paid on a regular basis. However, testing identified instances in three different service areas where invoices were not raised.</li> <li>• higher charge for mobile based Lifelines was not being charged.</li> <li>• Recharges for voids repairs adds an overhead charge of 90.7% of the labour costs to the amount charged and this would benefit from a review.</li> <li>• The Financial Instructions need to be updated to include the section on the minimum amount that should be invoiced</li> </ul>
<p><b>Assets – Statutory Compliance</b> The audit was designed to provide assurance that the Council is operating in compliance with its statutory health and safety responsibilities in relation to asset maintenance.</p>	Substantial	Medium	<p>Overall a sound set of controls was found to be in operation with some significant improvements in documentation retention and monitoring systems in place since our last review.</p> <p>The main concerns related to</p>

Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
			<ul style="list-style-type: none"> <li>Ensuring that all remedial lift and lifting equipment works are followed through to completion with evidence retained on file</li> <li>Ensuring that the draft Asbestos contract with Environmental Essentials is finalised.</li> <li>Ensuring that the reconciliation between Civica CX and TF of the council's assets is completed on a regular basis and any anomalies investigated</li> <li>Consider whether further budget could be allocated to specifically targeting the Smoke alarm upgrade to achieve compliance as soon as possible.</li> </ul>
<p><b>Housing Benefits</b> The objective of this audit is to provide assurance that payments are processed accurately and correctly, that accounting records are accurate and complete, that overpayments are recovered, and that the system is secure</p>	Substantial	Medium	<p>The audit found a generally sound system of controls in place to ensure that accurate payments are made to customers in a timely manner.</p> <ul style="list-style-type: none"> <li>A good quality assurance process is in place to help minimise errors, although would benefit from higher volume checks</li> <li>The team are not following up on setting up recovery action as they should be due to a lack of resources.</li> <li>Although system generated reminders have been issued, there has been limited manual recovery activity due to initially the pandemic, and subsequently resourcing issues</li> </ul>
<p><b>Systems Resilience</b> The objective of the audit was to provide assurance that there are appropriate arrangements in place to ensure that the Council's network and systems are resilient and can be</p>	Substantial	Medium	<p>Systems Resilience involves the preparation and maintenance of an IT Disaster Recovery (DR) plan, annual testing to ensure that recovery plans are adequate and effective, clear communication of the Council's requirements for system recovery and ensuring</p>



Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
restored in a prioritised and timely manner, and that there are appropriate arrangements to prevent loss of data			<p>that all server hardware is afforded both physical and environmental protection.</p> <p>In addition, assurances should be obtained that all 3<sup>rd</sup> party Cloud Hosting providers offer evidence of annual IT Disaster Recovery tests.</p> <p>The review confirmed that IT hardware was sited in a secure IT server room at Rugby Town Hall. To provide fallback protection, a Disaster Recovery facility has been established through Crown Commercial Services at their data centre in Farnborough.</p>
<p><b>Corporate Credit Card</b></p> <p>The objective of the audit was to provide assurance that corporate credit card expenditure transactions are appropriate, are in line with the objectives of the Council and represent reasonable value for money</p>	Limited	Medium	<p>A number of issues were identified relating to the efficiency and effectiveness of the controls designed to minimise the risks of fraud, and that ensure expenditure represents value for money. In particular:</p> <ul style="list-style-type: none"> <li>• There is no corporate policy or dedicated instructions in place to guide officers on the use of corporate credit cards</li> <li>• Physical card and EPay transaction monitoring procedures are not sufficiently robust. Overall, insufficient information/records are being provided to Finance (or are available centrally) to enable meaningful independent scrutiny, oversight and challenge. As such, there remains a risk that fraud might not be identified.</li> <li>• Physical credit card transactions are not always authorised (or evidenced as such) prior to expenditure taking place; in such instances the control adds minimal value and does not mitigate the risk of fraud.</li> </ul>



Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
<p><b>Ethical Governance</b> The objectives of this audit were to provide assurance around: manage the risk of procurement related fraud, bribery and corruption The objective of the audit was to provide assurance that the Council's ethical governance arrangements are fit for purpose and effectively implemented. A key aim of the review was to provide assurance that the Council is appropriately applying its scheme of delegated authority, specifically in relation to its delegated and emergency decision processes.</p>	Substantial	Medium	<p>The review has confirmed that, overall, an effective ethical governance framework is in place. Responsibilities are clearly documented, with comprehensive policies and procedures in existence to ensure current levels of governance, including decision making processes, are maintained and developed. Compliance with ethical standards is clear. The review highlighted the following key issues</p> <ul style="list-style-type: none"> <li>• No formal requirement for Declaration of Pecuniary Interest Forms to be completed annually by Members</li> <li>• No central record/summary document is retained of emergency decisions</li> <li>• No review/update of the Employee Code of Conduct since December 2018.</li> </ul>
<p><b>Complaints &amp; FOIs</b> The objectives of this audit are to review and evaluate the efficiency and effectiveness of the complaints and freedom of information (FOI) processes applied across the Council. Identification of any areas of waste, inefficiency or duplication of controls, and any areas of potential control weakness. Assurance that complaints and FOI requests are being processed within expected timescales</p>	Substantial	Medium	<p>Complaints and Freedom of Information requests are being handled effectively on a regular basis and all complaints have been resolved with the customer. Whilst this is the case, although it is mandatory for customers to receive a written response, some complaints were resolved verbally. 71% of complaint cases and 67% of FOI cases sampled were completed on time. Work is needed to ensure that the recording of letters from MPs is kept up to date.</p> <p>Complaint and FOI requests are monitored on a regular basis and reporting is provided to the Management Team, Leadership Team and Cabinet</p>

Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
<p><b>Housing Rents</b> The objective of this audit is to provide assurance that appropriately designed controls are in place to ensure the accuracy and completeness of billing and accounting records and that the system and access controls are effective</p>	<p>Limited</p>	<p>Medium</p>	<p>There is currently an issue sending Direct Debit letters which puts RBC at risk of providing poor service to tenants and breaching our regulatory requirements.</p> <p>The processes by which the rents and service charges are calculated each year are robust, in terms of regular uplifts and standard changes. However, the way these are updated to the system would benefit from additional checks.</p> <p>Service charges are applied, however, it would be beneficial to review whether RBC are charging for all the services they offer</p>
<p><b>Property Repairs inc Stock Control</b> The purpose of this audit was to: 1. Seek assurance that the new TF Cloud system is delivering its expected outcomes. 2. Provide assurance that appropriately designed controls are in place and consistently applied. 3. Review performance management arrangements, stock control, the handyperson service and implementation of the service plan</p>	<p>Limited</p>	<p>Medium</p>	<p>The TF Cloud system was predominantly designed and procured as an asset management system and is not ideal for a responsive repairs system.</p> <p>A new system called TotalConnect/TotalMobile is set to be introduced in April 2024 which will sit on top of TF and assist with the scheduling and management of responsive repairs along with voids and Street Scene.</p> <p>Van stocktakes are a time-consuming process and could be carried out in a smarter and more focussed way by using the data available to look at high frequency items on a rolling basis.</p> <p>There is a high level of discrepancy with stock, both over and under what the system is saying there should be.</p> <p>There are containers at WSU which contain parts for jobs which are not monitored in any way and nor is access to the site.</p>

Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
			<p>Performance management for operatives is carried out by Contract Officers but without an emphasis on misappropriation of stock because the system cannot be relied upon for accuracy. Therefore, the likelihood of fraud is possible.</p> <p>The Handyperson service is currently on hold as both operatives who cover this work have been off with long term sickness, however this service does make a financial loss, so its future is under consideration.</p>
<p><b>Project Management</b> The objective of the audit was to provide assurance that the Council's Project Management arrangements for delivering the corporate strategy delivery plan was working well and assisting departments to deliver projects on time, to quality and within budget on each and every occasion</p>	<p>Substantial</p>	<p>Medium</p>	<p>The review highlighted the following key issues:</p> <ul style="list-style-type: none"> <li>• Progress needs to be made in establishing Project Boards as these are an important part of the control and monitoring of projects.</li> <li>• As the Programme Board is an important control for project management the Minutes of the Programme Board should be structured and contain sufficient data to form an accurate record of proceedings. A template should be produced that contains the key elements of a minute document such as name, date and time of meeting, who is present and any apologies as well as narrative on the discussion and clear action points arising for example.</li> <li>• Consideration should be given to making the Corporate Strategy Delivery Unit (CSDU) part of the permanent establishment with its own approved budget.</li> </ul>

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
<p><b>Fleet Management</b>            The objectives of the review were to assess the arrangements for the management of vehicles used by the Council to ensure:</p> <ul style="list-style-type: none"> <li>• compliance with operator licence regulations,</li> <li>• value for money, planning of the fleet to ensure that operational needs are met,</li> <li>• compliance with safety standards including vehicle checks and maintenance,</li> <li>• purchasing and disposals.</li> </ul>	<p>Limited</p>	<p>Medium</p>	<p>The council's fleet is split across four services and locations.</p> <p>A master spreadsheet is retained that records the service dates for all. However, this is not readily available at the other locations to allow for forward planning vehicles in the fleet.</p> <p>Vehicle road taxes are managed by one officer and are paid annually on demand and by credit card.</p> <p>There is only one defects pad used for all PRS vehicles.</p> <p>The processes are all paper based including servicing and repairs and are therefore inefficient and prone to error. An It based approach would provided more control and information as well as better cost control.</p> <p>Driver's records and checks were not appropriate or completed fully.</p>
<p><b>Fuel Usage</b>            The objectives or the review were to assess the arrangements for access and use of the Fuel pumps and to provide assurance that appropriate controls are operated to mitigate</p>	<p>Substantial</p>	<p>Medium</p>	<p>There are three tanks at the WSU that are used for Diesel (2 tanks) and Add-blu.</p> <p>There are no supplies of Petrol, which is obtained from a local garage using a fuel card.</p>

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
<p>the risk of fuel theft, either by officers or by members of the public</p>			<p>Each vehicle has a fob that is dedicated to that vehicle and each driver has an individual pin number that have to be used in conjunction to allow the pump to operate. The vehicle mileage also has to be inserted to allow fuel usage to be monitored.</p> <p>Reports of fuel usage by vehicle are available but these are only used to monitor the fuel left in the tanks and identify when a new order needs to be placed.</p> <p>From the reports obtained it is apparent that the mileages inserted when using the pumps are not checked via the report.</p>
<p><b>Benn Hall</b>            The objective for this audit was to provide assurance that the Benn Hall service is being run efficiently and effectively in line with the business plan.            Assurance was also sought that income and expenditure is accurately and completely accounted for, with particular focus on ticket sales, stock control and any cash receipting.</p>	Substantial	Medium	<p>Controls are generally good around ticket sales, with the vast majority being sold online. For the small percentage sold in person, there is an extra step required logging the payment on Paye.net which could be missed accidentally or deliberately, although there is no evidence of this, and the risk is low.</p> <p>The bar is a high-risk area and there are almost no stock control procedures in place, mainly due to having an outdated till system.</p>
<p><b>Corporate Health &amp; Safety</b>            The objective of this audit is to provide assurance that appropriate Health and Safety (H&amp;S) policies and procedures are in place and operated effectively, and that appropriate staff training, monitoring and remedial action is taken where necessary</p>	Substantial	Medium	<p>The review identified a number of issues including</p> <ul style="list-style-type: none"> <li>Monitoring and recording of adherence to Health and Safety policies, procedures and risk assessments varies across different teams and makes analysis difficult Safety &amp; Resilience currently complete little monitoring of reports of</li> </ul>



Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
			<p>incidents, accidents, near misses and acts of violence &amp; aggression.</p> <ul style="list-style-type: none"> <li>• Oversight by Safety &amp; Resilience to ensure that monitoring of adherence to H&amp;S policies, procedures and risk assessments is not currently completed.</li> <li>• Health &amp; Safety risk assessments belonging to several Services are overdue for a review.</li> </ul>
<p><b>Annual Governance Statement (2023/24)</b> To review the Annual Governance statement and confirm the contents.</p>	Substantial	Medium	<p>The overall governance framework provides a substantial level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2024/25.</p>
<p><b>Business Continuity Planning ( BCP)</b> The objective of this review is to determine the current status of Business Continuity Planning at RBC. A full internal audit of the Business Continuity and Emergency Planning process has been moved to 2024/25</p>	<p>No Opinion A position statement was produced and the full review deferred</p>	Medium	<p>The review gave rise to three recommendations All critical areas to produce an updated BCP based on the new template Confirm to Chief Officers and managers what actions (if any) need to be taken now, and what the plan/timescale is for writing or updating BCPs Ensure the new BCP template provided by CSWRT is reviewed and feedback provided Clarify with HR and communicate to the managers what information can be recorded on the Critical Contact Lists.</p>
<p><b>Performance Management</b> To provide assurance that the Council's performance management framework is fit for purpose and that the performance data are high quality, accurate, complete and</p>	<p>No Opinion A position statement was produced, and the full</p>	Medium	<p>The Council's performance management system, processes and management arrangements are in a state of transition. There is corporate awareness and recognition that current systems</p>

Appendix A

Audit Area and Scope	Assurance Opinion	Risk Exposure	Summary of Key Findings
<p>timely to enable the effective monitoring and reporting of performance and levels of service delivery.</p> <p>To identify any issues or inefficiency within performance management and provide relevant and realistic recommendations to improve these.</p>	<p>review deferred</p>	<p style="background-color: yellow;">Medium</p>	<p>require strengthening, in light of which, appropriate solutions are currently being considered.</p> <p>The full originally planned audit (fieldwork planned Q1 2024/25) would therefore be of limited value as it is widely known and understood that the current control framework for performance management is insufficient to mitigate all of the risks identified to tolerant levels. Detailed testing of performance measures (KPI's) will quickly become obsolete when the current performance measure set is changed.</p>
<p><b>Homelessness Grants</b> An advisory review of how the grant pot is being utilised, including whether all applicable activity and costs are being charged to the grant pot.</p>	<p>No Opinion</p>	<p style="background-color: yellow;">Medium</p>	<p>The report highlighted a number of issues that could improve the process and</p> <p>Ensure a policy is written as soon as possible outlining how RBC should utilise the HPF</p> <p>Review the layout of the loans/grants spreadsheet to make it possible to sort the information by date.</p> <p>Carry out a review of older loans and decide whether these should be written off.</p>

## **Limitations and Responsibilities**

### ***Limitations inherent to the Internal Auditor's work***

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Ethics Committee subject to the limitations outlined below.

#### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work, were excluded from the scope of individual internal audit assignments, or were not brought to the attention of Internal Audit. As a consequence, the Audit & Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

#### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others management overriding controls, and unforeseeable circumstances.

#### ***Future Periods***

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected, additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.



**AGENDA MANAGEMENT SHEET**

**Report Title:** Annual Governance Statement

**Name of Committee:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Report Director:** Chief Officer - Finance and Performance

**Portfolio:** Finance, Performance, Legal and Governance

**Ward Relevance:** None

**Prior Consultation:** Leadership team

**Contact Officer:** Richard Green - Interim Corporate Assurance Manager  
richard.green@rugby.gov.uk

**Public or Private:** Public

**Report Subject to Call-In:** No

**Report En-Bloc:** No

**Forward Plan:** No

**Corporate Priorities:** This report relates to the following priority(ies):  
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)  
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)  
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)  
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)  
[Corporate Strategy 2021-2024](#)  
 This report does not specifically relate to any Council priorities but

**Summary:** The report presents the Annual Governance Statement (AGS) for approval.

**Financial Implications:** None

<b>Risk Management/Health and Safety Implications:</b>	If the AGS is not approved and published the Council may experience reputational damage, adverse media coverage and stakeholder concern, and the annual accounts would not be able to be signed off
<b>Environmental Implications:</b>	None
<b>Legal Implications:</b>	There would be a breach of the Accounts and Audit Regulations if the AGS was not published.
<b>Equality and Diversity:</b>	No implications
<b>Options:</b>	None
<b>Recommendation:</b>	The Annual Governance Statement (AGS) for 2023/24 be approved, with or without amendments.
<b>Reasons for Recommendation:</b>	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee - 27 June 2024**

**Annual Governance Statement**

**Public Report of the Chief Officer - Finance and Performance**

**Recommendation:**

The Annual Governance Statement for 2023/24 be approved, with or without amendments.

**1. Introduction**

- 1.1 The purpose of this report is to set out an Annual Governance Statement (AGS) for 2023/24, describing the governance arrangements that were in place during the financial year.
- 1.2 The AGS is formally approved by the Leadership Team and signed by the Chief Executive and Leader of the Council, who take personal responsibility for the control framework described and for the delivery of the identified improvements to the framework.
- 1.3 The AGS for 2023/24 was drafted by the Corporate Assurance Manager in consultation with the Leadership Team and various managers across the Council.
- 1.4 The AGS also forms part of the drafts accounts and is published as part of that document once approved,
- 1.5 The AGS for 2023/24 is appended to this report.

**2. Report Details**

- 2.1 Corporate governance is defined as the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate lead their communities.
- 2.2 There is a strong correlation between effective governance and effective service delivery and achievement of corporate objectives. To deliver the Council's vision and support the drive for continuous improvement strong governance arrangements need to be in place.
- 2.3 A number of evidence sources were utilised for the purpose of drafting the AGS, including:

- Consultation with, and assurances provided by, key officers. Further evidence was provided by various officers across the Council.
- Work undertaken during the year by Internal Audit and other inspection bodies.
- Key corporate documents including the Corporate Strategy, Committee reports, the Annual Audit Letter, the Constitution, the draft financial statements, the Annual Report of the Corporate Assurance Manager, the annual report setting out the Council's achievements, and the officer and member training programmes.
- Cumulative knowledge and experience.

**2.4** The Council is satisfied therefore that its overall governance framework provides a **Substantial** level of assurance of effectiveness, although a number of further development areas have been highlighted. Delivery of the Action Plan will be monitored during 2024/25. The AGS was approved by the Leadership Team in May 2024, and the full document is set out at Appendix A.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Subject Matter:** Annual Governance Statement

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>

# ANNUAL GOVERNANCE STATEMENT

2023 / 2024

RIGHT FOR RUGBY

## Annual Governance Statement 2023/24

### 1. SCOPE OF RESPONSIBILITY

## Appendix A

- 1.1 Rugby Borough Council is responsible for ensuring that it conducts its business in accordance with the law and proper standards. Public money must be used economically, efficiently and effectively, safeguarded and properly accounted for. The Council must have in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.2 The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control and report the findings in an annual governance statement (AGS). The statement must be prepared in accordance with proper practices and be reported to a Committee of Councillors. This document comprises the Council's AGS for 2023/24. This year's statement shows the governance framework has again been maintained and enhanced during the year. Sound governance helps the Council deliver on its corporate strategy, specifically the objective to "maintain robust systems of governance that ensure fairness, accountability and transparency".

## **2. WHO IS RESPONSIBLE FOR ENSURING GOOD GOVERNANCE?**

- 2.1 The Council's governance arrangements are overseen by the Audit & Ethics Committee. The Chief Executive has overall responsibility for ensuring that effective controls and processes are implemented across the Council, and these are regularly reviewed and updated. Regular reports are submitted to the Audit & Ethics Committee highlighting any identified enhancements. The Chief Officer Finance and Performance (s151 Officer) is responsible for ensuring that effective financial controls are in place, for the maintenance of an effective internal audit function and, alongside the Chief Officer Legal and Governance (Monitoring Officer) for reviewing the overall effectiveness of the governance framework. In addition, the Leadership Team shares a collective responsibility for sound financial management and governance. The overview and co-ordination of this process is undertaken by the Corporate Assurance Manager.

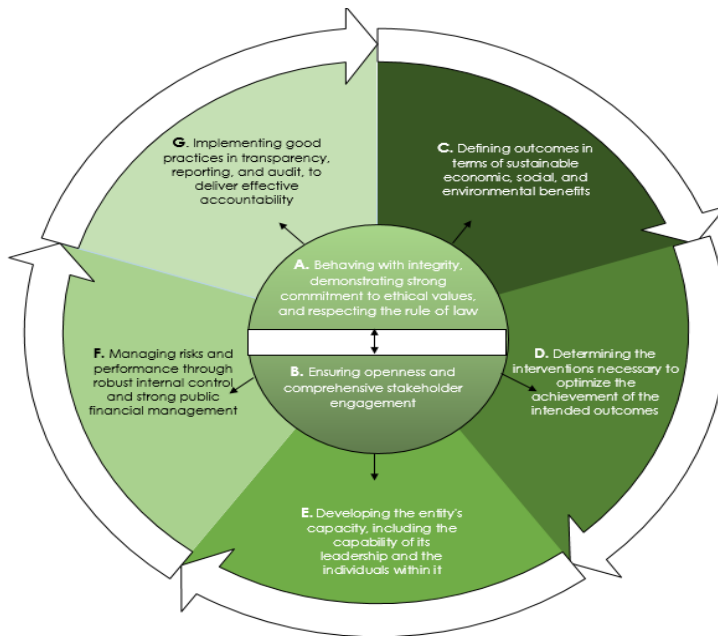


### **3. WHAT THIS STATEMENT TELLS YOU**

- 3.1 This Statement provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance set out in the Constitution and how assurance is obtained that these are both effective and appropriate. It provides the reader with a clear assessment of how the governance framework has operated over the past financial year, how effective that framework has been in enabling the Council to achieve its objectives, and to identify any improvements made and any weaknesses or gaps in arrangements that need to be addressed. Its main aim is to provide the reader with confidence that the Council is managed effectively and efficiently; that services are delivered in accordance with current legislation, the corporate strategy and in a way that optimises value for money.

### **4. THE PRINCIPLES OF GOOD GOVERNANCE**

- 4.1 The principles of good governance are set out in the CIPFA Framework for Delivering Good Governance in Local Government 2016. The framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. This statement explains how the Council has complied with the framework and meets the requirements of the Accounts and Audit Regulations 2015 (England).
- 4.2 Good governance is dynamic, and the Council is committed to improving its governance on a continuing basis through a process of evaluation and review. The diagram below, taken from the International Framework for Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other. At Rugby Borough Council, sound governance is embedded as a priority in the corporate strategy.



*Principles A and B permeate implementation of principles C to G*

## 5. THE GOVERNANCE FRAMEWORK

- 5.1 The governance framework comprises the policies, plans, systems, processes, culture and values (the system of 'internal control') that the Council has in place to ensure its intended outcomes for stakeholders and the community are defined and delivered. To deliver good governance objectives must be achieved whilst also acting in the public interest. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 5.2 Our system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. However, 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.

## 6. Key Elements of the governance framework and an assessment of its effectiveness for 2023/24

- 6.1 The Council has an overarching vision for the Borough: To lead and support Rugby Borough and its communities: developing a strong and sustainable economy that supports improved standards of living for residents; promoting thriving and healthy communities; and maintaining an attractive and sustainable environment that residents value.

6.2 We will do this by:

- Having a vision and a plan for the future of our Borough
- Engaging with customers to continually improve our services
- Meeting the needs of our residents, businesses, and other key stakeholders
- Strengthening our relationships with partners
- Operating in a business-like, commercially focused way
- Having a skilled, high performing workforce
- Making the best use of technology
- Ensuring our services are well planned and efficient.

6.3 We also believe that success is achieved not just by 'what we do,' but by the 'way we do it'.

- Having staff who demonstrate the right behaviours for our organisation is just as important as having the right skills, experience, and knowledge for our roles.
- Defining and demonstrating those behaviours is essential if we are to deliver on our mission of 'Supporting Communities, Improving Lives.'
- 'Our 'Way We Work' framework is based on our core values: Fairness, Ambition and Empowerment.

6.4 The following table provides detail of how the Council can demonstrate compliance with the principles of Good Governance in accordance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and its seven principles:

- *Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.*
- *Principle B – Ensuring openness and comprehensive stakeholder engagement.*
- *Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits.*
- *Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes.*
- *Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it.*
- *Principle F – Managing risks and performance through robust internal control and strong public financial management.*
- *Principle G – Implementing good practices in transparency, reporting, and audit to deliver.*

## Appendix A

### **Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.**

Rationale: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved

- The roles and responsibilities of our Councillors and staff and the processes we use to govern Council business are defined in the Council's Constitution and our Internal Constitution These sets out how we operate and how we make decisions.
- We have codes of conduct in place for Councillors and staff to make sure that public business is conducted with fairness and integrity and that we define high ethical values and the standards of behaviour we expect.
- We maintain and publish a register of interests to ensure that any conflict of interest remains open and transparent, and a register of gifts and hospitality for Councillors is maintained by the Monitoring Officer.
- We have financial instructions and regulations to ensure propriety of funds.
- And we maintain a staff register of gifts and hospitality which was reviewed in March 2024.
- The Local Authorities (Members allowances) Regulations 2003 require that every authority publicises, within its
- area, the sum paid by it in that year under the scheme to each Councillor and co-opted member in respect of basic allowance, special responsibility allowance, travelling and subsistence allowance; we comply with this requirement.
- We have Corporate CANDO values and behaviours framework in place which all employees are expected to act in accordance with as well as a blueprint that's sets out our values.
- Corporate Strategy Delivery Plan and Commercial Pillars are in place, supported by Service Plans.
- We have Confidential Reporting Code, Counter Fraud, Bribery and Corruption Strategy and Fraud Response Plan.
- We respond to Freedom of Information requests and Subject Access requests within the statutory timeframes and adhere to data protection legislation
- We have a Performance dashboard that details our activity and key statistics which demonstrates our compliance with our principles.
- Our procurement framework ensures that we comply with those principles when commissioning any new contracts or purchases.

## Appendix A

### **Core Principle B: Ensuring openness and comprehensive stakeholder engagement**

Rationale: Local government is run for the public; good organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders.

- Our Council, meetings are open for members of the public to attend and cabinet, council, planning committee and scrutiny are live streamed with recordings retained on the Council's website.
- Our committee agendas, minutes, and decisions, (including Cabinet decisions) are made publicly available on the Council's website to ensure transparency and openness. All our public meetings are also held in the Town Hall.
- A limited number of reports are considered in private session only when the subject meets the prescribed criteria. A summary of these is published and the rationale for non-disclosure made available.
- Councillors are appointed to outside bodies which are external organisations, including formal or informal partnerships, to which the Borough Council is a party, which have requested that the Council appoint an Elected Councillor or a representative to them or to which the Council expects to make appointments.
- The draft budget and statement of accounts are published for public scrutiny.
- We communicate our work, purpose, aims and vision regularly through several different communications channels.
- We publish and regularly update a range of content and open data on our Freedom of Information, Publication Scheme and Transparency Code pages on our website.
- We undertake and publish resident and tenant surveys and take actions to address concerns.
- We carry out consultations with our residents when appropriate for example on the Local Plan.
- We involve our stakeholders, including partners and businesses as far as possible.
- We publish a contracts register on a quarterly basis and are currently reviewing the procurement strategy.
- We publish a range of information including financial and procurement data, invitations to tender, senior officer salaries, the contracts register, annual governance statement and financial statements, corporate performance information, planning applications and decisions, delegated decisions and section 106 agreements.

## Appendix A

### **Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

Rationale: The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources

- A Corporate Strategy is in place covering the period 2021-2024, supported by more detailed strategies such as Climate, Town Centre and Housing.
- Performance data is reported to Cabinet and the Leadership Team and is reviewed by the Management Team.
- Council receives reports for performance monitoring which includes dashboard monitoring of KPIs, key statistics and operational performance measures.
- The templates for Council and Committee reports includes specific paragraphs detailing the implications the decision being recommended has on finances, equalities and diversity and climate change and environment and risks.
- We use Equality Impact Assessments and Environmental Impact Assessments to inform member when making decisions.
- The Council consults widely on its proposals considering the economic, social, and environmental impacts of plans, policies, and decisions.
- There is a vision for Rugby Town Centre, including a regeneration strategy and action plan to deliver the strategy.
- There is a Climate Emergency Working Group that reviews the councils activities and progress towards Environmental targets.
- All planning and development decisions are considered openly and transparently in terms of their economic, social, and environmental benefits and impacts in accordance with National Planning Policy Framework and are published on the Council's website. There is a Planning Services Working Party that monitors such activity.
- The Council is now a Carbon Literate Organisation and will be rolling out carbon literacy to the organisation.

**Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

Rationale: Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action).

Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.

- We have an Internal Constitution that sets out the roles and responsibilities of officers.
- We produce a Medium-Term Financial Plan (MTFP) annually, considering known issues and applying a number of assumptions to the Council's finances. The MTFP provides, on a rolling basis, a projection of the Council's finances.
- We produce a 3 year rolling medium term financial strategy which demonstrates the steps we are taking to ensure financial sustainability
- We manage performance through published local and management performance indicators; this enables intervention to be targeted where it is needed.
- The Leadership Team hold an assurance meeting each month to receive assurances in respect of finance, risk, HR, Health & Safety and governance along with dashboards and data to evidence the levels of assurance.
- There are eight distinct service areas each with a Chief Officer, and dedicated member portfolio holders aligned with these service areas.
- The Corporate Strategy Delivery Plan and service plans are designed to ensure that the Council targets the actions necessary to deliver the Corporate Strategy.
- We have Programme Board that receives and scrutinises progress against projects.
- We continue to review and update our corporate policies on our website.
- There is a Forward Plan of key decisions and scrutiny committee arrangements in place.
- An annual budget report, and rent setting report, are submitted and there is an established budget setting and monitoring process, which the Council looks to improve year on year, with greater focus on ownership and accountability.



**Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it**

Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods.

- The designated role of Head of Paid Service is accountable to the Council for all aspects of management including sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers and building relationships with all Councillors. The Chief Executive is designated as Head of Paid Service.
- The Constitution sets out roles and responsibilities and the Council's decision-making process. An approved scheme of delegation is in place, updated in December 2021.
- There is an Internal Constitution sets out responsibilities and expectations for staff.
- Regular monitoring and management of the Council's performance, including financial performance is key to ensuring delivery against strategic objectives set out in the Council's corporate plan.
- Member training and development programme in place, including dedicated training for planning and licensing committee members. The Council also has a new formulated Learning & Development Policy which supports the overall development of all Councillors.
- Thorough induction processes are in place for all new employees and members, linked to the corporate values.
- We have extended people management training and support with additional resources to meet the forthcoming People Strategy.
- We encourage staff to continue their professional development including paying membership fees.
- We have a robust programme of 1-2-1 in place and a revised PDP process being introduced.
- Each Service has structured team meeting along with annual service plans for delivery targets.
- Performance Indicators are reviewed monthly by Leadership team and Cabinet Members are provided with quarterly and annual performance reports
- The Leadership Team continues to work collaboratively and provide cohesive leadership which aims to clarify accountability and responsibility.
- More empowerment is encouraged, and decision making is made at the right level promoting more clarity of how this happens and creates a senior structure that aligns specialisms more closely with our Corporate Plan.
- The management team meet monthly and have delegated authority to take responsibility for issues that arise at operational levels.
- Protocol in place setting out the relationship between and roles of members and officers.
- Each member of the leadership and management team undertakes professional development appropriate to their role.



**Core Principle F: Managing risks and performance through robust internal control and strong public financial management**

Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes.

- We have a Risk management strategy, that is updated annually along with Strategic and operational risk registers which are aligned with the corporate strategy.
- The Strategy is reviewed annually while the risk registers are updated at least quarterly.
- The process for risk management has been revised and put into a standard risk registers for operational and corporate risk register along with dashboards for each.
- The Leadership Team, Audit & Ethics Committee, Cabinet, Strategic Risk Management Group, Health & Safety Committee and Information Governance Group all oversee the risk management arrangements.
- Senior Managers are responsible for maintaining operational risk registers and for Uplifting matters for inclusion on the Corporate Risk Register.
- The Leadership Team hold an assurance meeting each month to receive assurances in respect of performance against key targets including finance, risk, HR, Health & Safety and governance along with dashboards and data to evidence the levels of performance.
- Our Chief Financial Officer (Section 151 officer) is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.
- There is regular financial monitoring and quarterly reports are produced for presentation to the Finance and Performance Committee and Cabinet.
- We have Finance Business Partners for each service, who ensure that the accounting records are correct and understood through regular meetings and reports.
- The budget preparation is overseen by the budget working group
- A regular risk assessment of the Council's financial reserves and balances is conducted. Key risks are identified, and potential financial impacts are quantified. Reserves are reviewed annually in the context of the risk assessments.
- The Audit and Ethics oversee the arrangements for internal audit reviewing the Council's internal audit plan, risk management arrangements and ensure effective relationships between internal and external audit. The Committee also receives and considers the work of external audit and approves our governance and assurance statements, statement of accounts, and anti- fraud and anti-corruption arrangements.
- We continually review the effectiveness of our complaints and compliments procedure including the outcome from complaints referred to the Local Government and Social Care Ombudsman to identify lessons learnt and take appropriate action.
- We ensure effective anti-fraud and corruption arrangements are in place, with a Counter fraud strategy, fraud response plan and confidential reporting code in place.

## Appendix A

- The Council has a track record of producing and publishing its accounts on time. External audits are also completed on time.

### **Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner.

- A range of information is published including an annual report of internal audit, the financial statements, the annual report of the external auditor and this annual governance statement, which contains an action plan demonstrating a commitment to continuous improvement.
- Details of delegated decisions taken by officers are published on the website.
- The views of Internal and external audit are reported regularly to the Audit and Ethics Committee.
- The Chief Internal Auditor's (Corporate Assurance Manager) Annual Internal Audit Report and Opinion forms part of the review of effectiveness along with the Annual Governance Statement.
- In accordance with the Local Government Transparency Code there is an open data section on the Council's website which includes details of senior officer salaries
- Our Freedom of Information (FOI) and Environmental Information Regulation (EIR) processes are regularly updated to comply with the Information Commissioners Office (ICO) guidelines.
- We continue to embed UK GDPR requirements and monitor the effectiveness of this legislation which has led to a reduction in reports of data breaches.
- The Corporate Assurance Manager is provided with direct unfettered access to the Chief Executive, and Chair and Vice Chairs of the Audit & Ethics Committee.
- The Council submits itself to external peer reviews including by the Local Government Association and has welcomed an equalities and diversity peer review and challenge.

## **7. REVIEW OF EFFECTIVENESS**

- 7.1 The Council reviews the effectiveness of its governance framework regularly to ensure the arrangements are effective now and remain fit for purpose for the future. This is driven by the Leadership teams, the Chief Officers, Internal Audit, External Auditors, and other external review agencies. Proportionate oversight and governance arrangements have been put in place for arm's length bodies.
- 7.2 The Council also undertakes annually, a review of the effectiveness of its governance framework, including the system of internal control. The Council has developed a methodology for reviewing its governance framework and producing this Annual Governance Statement. This methodology accords with proper practice

and is co-ordinated by the Chief Officer ( Governance and Legal), Section 151 Officers and the Corporate Assurance Manager.

- 7.3 The outcomes of the review are considered by the Chief Executive with support from the relevant statutory officers, Audit & Ethics Committee and Governance (who approve the final Statement). Once approved, the Annual Governance Statement is published alongside the Statement of Accounts.

## OTHER SOURCES OF ASSURANCE

### 8 COMMITTEES

- 8.1 The cabinet and full council meet quarterly and receive reports and recommendations from other committees, sub-committees, groups and officers. All papers include statements covering risk and impacts of the proposals or report.
- 8.2 The other committees and Groups include
- Scrutiny Committee set up in line with the Local Government Act 2000 which meets and reviews proposals and decisions.
  - Audit & Ethics committee reviews the Internal audit reports and activities, risk management and final accounts,
  - Planning Committee reviews applications and approvals are required
  - Licensing and Safety Committee reviews license fees, applications and withdrawals, Safety issues and actions.

### 9 LEADERSHIP & MANAGEMENT TEAM

The leadership team receive assurance reports from Finance, HR, risk,, health & safety and communications with reports also going to Management Team. This ensures that ongoing assurance is maintained.

### 10 INTERNAL AUDIT ASSURANCE OPINION

- 10.1 Internal Audit is responsible for objectively assessing the adequacy of governance and the management of risk and providing an objective and evidenced based opinion on governance, risk management and internal control.
- 10.2 The following opinion is based on the audit activity undertaken during 2023/24. The Chief Internal Auditor is satisfied that sufficient assurance work has been carried out to allow the formation of a reasonable conclusion on the adequacy and effectiveness the Council's internal control environment.
- 10.3 The Chief Internal Auditor confirms that the Council's framework of governance, risk management and control is **substantial** in most areas.

## 11 SUMMARY, CONCLUSION AND CERTIFICATION

- 11.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people in the area, in a fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness, and honesty. It is the foundation for the delivery of good quality services that meet all local people’s needs. It is fundamental to showing public money is well spent. Without good governance the Council will struggle to deliver the outcomes set out in the corporate strategy.
- 11.2 Rugby Borough Council has put in place strong governance arrangements, which we are confident protect its interests and provide necessary assurances to our customers and stakeholders. We intend over the coming year to further strengthen our governance arrangements by addressing Internal Audit recommendations and the matters identified and noted in this Annual Governance Statement. Governance arrangements will continue to be monitored by the Executive Head of Governance.
- 11.3 This statement has been considered by the Audit & Ethics Committee, which was satisfied that it is an accurate reflection of the governance framework and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 11.4 This year’s statement shows the governance framework has been maintained and in a number of areas improved during the year. The Council is satisfied that its overall governance framework provides a substantial level of assurance of effectiveness, although several further development areas have been highlighted. Delivery of these activities will be monitored during 2024/25 as they progress, and an action plan is attached.
- 11.5 Our overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure an effective internal control environment is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operation.

**Mannie Ketley – Chief Executive**

Date:



**Councillor - Leader of Rugby Borough Council**

Appendix A

Date:

## 12 PROGRESS ON DELIVERY OF LAST YEAR'S ACTION PLAN

	Action	Lead officer	Target date	Current Status	Revised Target Date
1	Develop and implement the Anti-Fraud, Bribery and Corruption Action Plan.	Corporate Assurance Manager	31/03/2024	The revised Anti-fraud, Bribery and Corruption Strategy was approved by the Audit & Ethics Committee in June 2023 and the most appropriate training is being considered for each level of management and staffing.	30/06/2024
2	Implement the Action Plan arising from the internal audit review of Data Protection and Records Management.	Management Team	31/03/2024	The Information Governance Group has taken on responsibility for all data management issues. A Data Retention and Disposal Policy has been compiled and is waiting final approval through LT.  A template has been issued to managers to identify and classify all data held.	31/06//2024
3	Implement the Action Plan arising from the whistleblowing investigation.	Chief Officer Finance & Performance	31/12/2023	The finance team are now carrying out regular checks on payments as well as enforcing the procurement rules and requirements.	Completed
4	Complete the planned work to further embed the performance management methodology across the Council.	Chief Officer Finance & Performance	31/03/2024	The performance indicators have been revised and have been categorised as KPIs, key statistics and operational measures	31/06/2024

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				A power BI dashboard has been introduced and the details are reported within the quarterly finance and performance report to Cabinet.	
5	Implement the revised CIPFA Financial Management Code Action Plan.	Chief Officer Finance & Performance	31/12/2023	Largely complete and will be fully implemented at year end	31/04/2024
6	Complete the review and update of Operational Risk Registers, ensuring that Service Managers effectively manage the risks in their area of responsibility.	Chief Officer Finance & Performance	31/03/2024	<p>The operational risk registers have been moved from the RPMS system to a new spreadsheet template.</p> <p>The corporate and strategic risk registers have also been reviewed and transferred onto the same format.</p> <p>A dashboard has been compiled that identifies the high level risks with no activity or overdue revisions.</p> <p>This provides evidence of how risks are being managed along with overall level of exposure.</p> <p>Training is being provided for member and officers.</p>	Completed
7	Implement the new Quality Assurance and Improvement Plan for the Internal Audit service.	Corporate Assurance Manager	31/03/2024	There has been progress in refining the audit methodology and a greater use of operational risks in developing the Terms of Reference and scopes of the reviews.	Completed



## 12, THIS YEAR'S ACTION PLAN

	<b>Action</b>	<b>Lead officer</b>	<b>Target date</b>	<b>Current Status</b>	<b>Revised Target Date</b>
1.	Provide training for new members in respect of governance, fraud and risk management.	CO Finance & Performance	31/07//2024		
2	Review and enhance the suite of KPIs used for monitoring activity.	Leadership Team /Corporate Assurance Manager	31/09/2024		
3	Further develop the Dashboards used for reporting KPIs	CO Finance & Performance	30/062024		
4	Further involve MT in the review of dashboards and KPIs.	CO Finance & Performance	30/06/2024		
5.	Include service managers in LT Assurance meetings to explain any issues or concerns with performance,	Leadership Team	30/06/2024		



Appendix A

6	Consider reporting methods and look to introduce a scorecard or similar approach to performance monitoring.	CO Finance & Performance	31/12/2024		
7	Provide training and support for members and officers in respect of risk management awareness and application.	CO Finance & Performance/ Corporate Assurance Manager	31/09/2024		
8	Develop and use risk registers to identify issues and concerns.	Leadership Team	31/09/2024		
9	Add these actions to the Corporate Strategy Delivery Plan which will be then monitored through Programme Board	Leadership team	All year		

**AGENDA MANAGEMENT SHEET**

<b>Report Title:</b>	Internal Audit Progress Update
<b>Name of Committee:</b>	Audit and Ethics Committee
<b>Date of Meeting:</b>	27 June 2024
<b>Report Director:</b>	Chief Officer - Finance and Performance
<b>Portfolio:</b>	Finance, Performance, Legal and Governance
<b>Ward Relevance:</b>	None
<b>Prior Consultation:</b>	Chief Officer - Finance and Performance
<b>Contact Officer:</b>	Richard Green - Interim Corporate Assurance Manager richard.green@rugby.gov.uk
<b>Public or Private:</b>	Public
<b>Report Subject to Call-In:</b>	No
<b>Report En-Bloc:</b>	No
<b>Forward Plan:</b>	No
<b>Corporate Priorities:</b>	This report relates to the following priority(ies): <input type="checkbox"/> Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C) <input type="checkbox"/> Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E) <input type="checkbox"/> Residents live healthy, independent lives, with the most vulnerable protected. (HC) <input checked="" type="checkbox"/> Rugby Borough Council is a responsible, effective and efficient organisation. (O) <a href="#">Corporate Strategy 2021-2024</a> <input type="checkbox"/> This report does not specifically relate to any Council priorities but
<b>(C) Climate</b> <b>(E) Economy</b> <b>(HC) Health and Communities</b> <b>(O) Organisation</b>	
<b>Summary:</b>	The report sets out progress towards delivery of the annual internal audit plan and provides an update on service performance.
<b>Financial Implications:</b>	None

<b>Risk Management/Health and Safety Implications:</b>	Non delivery of an adequate internal audit plan would have an adverse impact on the level of assurance provided in the Annual Governance Statement.
<b>Environmental Implications:</b>	None
<b>Legal Implications:</b>	None
<b>Equality and Diversity:</b>	None
<b>Options:</b>	None
<b>Recommendations:</b>	1. The internal audit progress update be noted.
<b>Reasons for Recommendations:</b>	To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

**Audit and Ethics Committee - 27 June 2024**

**Internal Audit Progress Update**

**Public Report of the Chief Officer - Finance and Performance**

**Recommendations:**

1. The internal audit progress update be noted.

**1. Introduction**

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2024/25.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- The Council's assets and interests are safeguarded;
- Reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- Services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

**2. Summary of Audit Work**

- 2.1 The Internal Audit plan for 2024/25 was approved by the Audit and Ethics Committee on 25<sup>th</sup> April 2024. Progress against delivery of that plan is set out at Appendix A.

**3. Revisions to the 2024/25 Internal Audit Plan**

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are currently no proposed amendments to the internal audit plan.

**Name of Meeting:** Audit and Ethics Committee

**Date of Meeting:** 27 June 2024

**Subject Matter:** Internal Audit Progress Update

**Originating Department:** Finance and Performance

**DO ANY BACKGROUND PAPERS APPLY**  YES  NO

**LIST OF BACKGROUND PAPERS**

<b>Doc No</b>	<b>Title of Document and Hyperlink</b>

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

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Exempt information is contained in the following documents:

<b>Doc No</b>	<b>Relevant Paragraph of Schedule 12A</b>

**INTERNAL AUDIT PROGRESS  
UPDATE  
For the year 2023-24**

**June 2024**

**RIGHT FOR RUGBY**

## ***Introduction***

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

## ***Performance***

### **2.1 Will the Internal Audit Plan be delivered?**

The position by the date of the Committee meeting is as follows:

- 17 final reports have been issued - 9 since last meeting,
- 1 compliance assessment issued,
- 1 review has been deferred due to an unexpected event within the team concerned,
- 2 reviews have been revised to position statements as there are plans to revise the Business Continuity Planning arrangements; and the Performance reporting is currently being developed further. Revised scopes will be included in next year's audit plan.

All the 2023-24 reviews have now been completed as planned, and work has started on the Planned assignments for 2024-25.

Internal audit was supported by the Council's external contractor, Lighthouse Consulting Ltd, who were asked to deliver four audits, three of which were within a short time span and managed to complete them.

Progress on individual assignments is shown at pages 10 to 13 of this report.

### **2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?**

There are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

There have been four limited assurance reports that have been acted upon by management and improvements made.

### 2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, since 2021, 68% of actions have been implemented by the agreed date and a further 19% implemented late and an overall implementation rate of 87%.

A summary analysis of progress on implementation of audit recommendations is shown at pages 12 to 13.

At the time of reporting there are 27 agreed management actions for which implementation is overdue, 11 of which are regarded Medium risk and 16 Low risk.

The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 14 to 15. Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

### 2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	83 days This has reduced slightly but still high due to including all days within the period. This is to be revised for 2024/25.
Audit Delivery	Average time from Fieldwork start to draft report issued	70 days This is a new measure but is high as it includes all days during that period and the exact dates were not recorded previously and have been estimated.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7 days Performance is broadly stable and below the 10 days considered to be the benchmark followed by peers.
Report Clearance	Average time to move a draft report to final status	24 days This is a new measure and includes some reports that covered multiple service areas
Effectiveness	Implementation of Agreed Actions –	82% (since 2021/22)



	Percentage implemented.	at the time of reporting there are 27 recommendations which are past their agreed implementation date out of 279 agreed since 2020/21.
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### **Limitations and Responsibilities**

#### ***Limitations inherent to the Internal Auditor's work***

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

#### ***Opinion***

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

#### ***Internal Control***

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

#### ***Future Periods***

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

#### ***Responsibilities of Management and Internal Auditors***

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and to prevent or detect irregularities

and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

### **Progress to date**

Since the last Audit & Ethics committee meeting there has been eight final audit reports issued.

**Property Repairs Including Stock Control – Limited** assurance so attached as an Appendix.

**Sundry Debts - Substantial** Assurance with 14 recommendations of which there were 9 medium and 5 low risk.

Most areas raise invoices once the service has been provided. The ways that Service Areas record the services they have provided varies and some Service Areas would benefit from reviewing this.

The audit has identified that-

- invoices relating to Sundry Income are being requested, raised and paid on a regular basis. However, testing identified instances in three different service areas where invoices were not raised.
- higher charge for mobile based Lifelines was not being charged.
- Recharges for voids repairs adds an overhead charge of 90.7% of the labour costs to the amount charged and this would benefit from a review.
- The Financial Instructions need to be updated to include the section on the minimum amount that should be invoiced

**Housing Rents - Substantial** Assurance with 14 recommendations, of which there were 4 High, 7 medium and 3 low risk.

There were a number of issues raised relating to the system and its use which were partially being addressed. The other main concerns were that

There is currently an issue sending Direct Debit letters which puts RBC at risk of providing poor service to tenants and breaching our regulatory requirements.

The processes by which the rents and service charges are calculated each year are robust, in terms of regular uplifts and standard changes. However, the way these are updated to the system would benefit from additional checks.

Service charges are applied, however, it would be beneficial to review whether RBC are charging for all the services they offer.

**Benn Hall - Substantial Assurance** with 11 recommendations of which 3 were high, 6 medium and 3 low.

Controls are generally good around ticket sales, with the vast majority being sold online. For the small percentage sold in person, there is an extra step required logging

the payment on Paye.net which could be missed accidentally or deliberately, although there is no evidence of this, and the risk is low.

The bar is a high-risk area and there are almost no stock control procedures in place, mainly due to having an outdated till system.

**System Resilience (Follow -up) - Substantial Assurance** with only 2 low risk recommendations

Systems Resilience involves the preparation and maintenance of an IT Disaster Recovery (DR) plan, annual testing to ensure that recovery plans are adequate and effective, clear communication of the Council's requirements for system recovery and ensuring that all server hardware is afforded both physical and environmental protection.

In addition, assurances should be obtained that all 3<sup>rd</sup> party Cloud Hosting providers offer evidence of annual IT Disaster Recovery tests.

The review confirmed that IT hardware was sited in a secure IT server room at Rugby Town Hall. To provide fallback protection, a Disaster Recovery facility has been established through Crown Commercial Services at their data centre in Farnborough.

**Project Management - Substantial Assurance** with only 3 Low recommendations

The review highlighted the following key issues:

- Progress needs to be made in establishing Project Boards as these are an important part of the control and monitoring of projects.

As the Programme Board is an important control for project management the Minutes of the Programme Board should be structured and contain sufficient data to form an accurate record of proceedings. A template should be produced that contains the key elements of a minute document such as name, date and time of meeting, who is present and any apologies as well as narrative on the discussion and clear action points arising for example

**Corporate Health & Safety - Substantial Assurance** with 17 recommendations of which 14 were medium and 3 low.

The review identified 17 recommendations covering a number of services including

- Monitoring and recording of adherence to Health and Safety policies, procedures and risk assessments varies across different teams and makes analysis difficult Safety & Resilience currently complete little monitoring of reports of incidents, accidents, near misses and acts of violence & aggression.
- Oversight by Safety & Resilience to ensure that monitoring of adherence to H&S policies, procedures and risk assessments is not currently completed.
- Health & Safety risk assessments belonging to several Services are overdue for a review.

### Progress against the Annual Plan

Audit	Assurance level	Recommendations			
		High	Medium	Low	Total
Housing Rents	Limited	4	7	3	14

Company Credit Cards	Limited		6	3	<b>9</b>
External Audit Recommendations	High			2	<b>2</b>
Ethical Governance	Substantial		7	2	<b>9</b>
Fleet Management	Limited	6	5	2	<b>13</b>
Fuel Usage.	Substantial			1	<b>1</b>
Complaints and FOIs	Substantial		12	4	<b>16</b>
Housing Benefits	Substantial	1	4	1	<b>6</b>
Property Repairs inc Stock Control	Limited	2	5	2	<b>9</b>
Sundry Debts	Substantial		9	5	<b>14</b>
Housing Rents	Substantial	4	7	3	<b>14</b>
Benn Hall	Substantial	3	6	3	<b>11</b>
System Resilience	Substantial			2	<b>2</b>
Project Management	Substantial			3	<b>3</b>
Corporate Health & Safety	Substantial		14	3	<b>17</b>
Bereavement Services	Substantial				
Assets – Statutory Compliance	Substantial	2	6	5	<b>13</b>
Business Continuity & Emergency Planning	N/A				
Performance Management & Data Quality	N/A				
Homelessness Grants – Compliance	N/A				

**Progressing the Annual Internal Audit Plan****KEY**

Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Benefits	20						✓	Substantial	
Sundry Debts	16						✓	Substantial	
Housing Rents	20						✓	Limited	
CIPFA Financial Management Code Compliance	10						✓	Not applicable	
Counter Fraud									
Corporate Credit Cards	10						✓	Limited	
Fraud Awareness	8							Not applicable	
ICT									
System Resilience	8						✓	Substantial	Delivered by external contractor
Corporate Risks									

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Business Continuity & Emergency Planning	12						✓	Position Statement	
Corporate Health & Safety	25						✓	Substantial	
Performance Management & Data Quality	20						✓	Position statement	Delivered by external contractor
Project Management & Corporate Strategy Delivery	16						✓	Substantial	Delivered by external contractor
Customer Access Strategy	12								Deferred
Governance & Ethical Risks									
Ethical Governance	15						✓	Substantial	Delivered by external contractor
Operational Risks									
Benn Hall	16						✓	Substantial	
Bereavement Services	20							Substantial	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Complaints and Freedom of Information	18						✓	Substantial	
Fleet Management	20						✓	Limited	
Transport – Fuel Usage.	12						✓	Substantial	
WSU Health & Safety Action Plan	10								Deferred
Property Repairs including Stock Control	25						✓	Limited	
Assets – Statutory Compliance	12						✓	Substantial	
Additional Support									
Annual Governance Statement	12						✓	Substantial	
External Audit Recommendations	5						✓	High	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Homelessness Grants	8							Not Applicable	
Follow up work	28							Not Applicable	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	25							Not applicable	
Corporate Investigation Work	40							Not applicable	



### Summary Of Audit Recommendations 2021 - 2024 to date

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
<b>2021/22</b>	Payment Card Industry Data Security Standards (PCI DSS)	0	5	3	0	0	1	9
2021/22	Policies, Procedures and Strategies	0	1	0	0	0	0	1
2021/22	Treasury Management	0	3	0	8	0	1	12
2021/22	Fraud Risk Review	0	4	0	0	0	0	4
2021/22	Trade Waste	0	1	2	0	10	0	13
2021/22	Housing Rent Arrears	2	2	0	3	2	2	11
2021/22	Council Tax	1	1	0	3	0	0	5
2021/22	Service Desk Management	0	0	0	0	0	3	3
2021/22	Budget Setting & Budgetary Control	0	4	0	1	0	0	5
2021/22	Housing Standards	0	1	0	0	0	0	1
2022/23	Workforce Training	1	5	4	1	0	0	11
2022/23	Procurement & Contract Management	0	4	1	1	0	0	6
2022/23	ICT Financial Processes Review	0	0	0	1	0	0	1
2022/23	Voids Review	2	3	1	5	0	5	16
2022/23	Risk Management	0	0	0	2	0	0	2
2022/23	Licensing	1	3	2	1	0	0	7
2022/23	NDR	0	5	0	0	0	0	5
2022/23	Food Safety	2	1	2	0	0	0	5
2022/23	Right to Buy	0	1	1	1	0	1	4
2022/23	Section 106 Agreements	0	3	0	0	0	0	3
2022/23	Systems Resilience	1	2	1	0	1	1	6
2022/23	Data Protection/Records Management	7	0	1	1	0	0	9
2022/23	Counter Fraud Framework	1	2	2	0	0	0	5

2022/23	Growth Hub Grants	0	2	1	0	0	0	3
2022/23	Impact Assessments	0	0	0	1	1	0	2
2023/24	Housing Rents	1	4	5	2	0	2	14
2023/24	Corporate Credit Cards	9	0	0	0	0	0	9
2023/24	Ethical Governance	3	0	4	2	0	0	9
2023/24	Fleet Management	1	9	3	0	0	0	13
2023/24	Complaints & FOI Requests	5	5	0	1	0	5	16
2023/24	Housing Benefits	2	3	1	0	0	0	6
2023/24	Fuel Usage	1	0	0	0	0	0	1
2023/24	Benn Hall	5	5	0	1	0	1	12
2023/24	PRS	7	1	1	0	0	0	9
2023/24	Corporate H & S	11	0	2	0	0	4	17
2023/24	Sundry Debts	6	6	1	0	0	1	14
2023/24	Homelessness Grants	10	0	0	0	0	0	10
	<b>Totals</b>	<b>79</b>	<b>86</b>	<b>38</b>	<b>35</b>	<b>14</b>	<b>27</b>	<b>279</b>






Notes:


*Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.*

*Out of time: This is where the action was implemented later than the agreed timescale*

### Details of Overdue High and Medium Risk Audit Recommendations

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Benn Hall 2023/24	Consider replacing the safe with an electronic safe with biometric access.	31-May-2024		Note from Benn Hall Manager 16/5/24: This is ongoing.	16-May-2024	Medium Risk	BH Manager
Complaints and Freedom of Information Requests 2023/24	Review the option to receive the response by phone to ensure customers and staff are aware that RBC will send a written response as well.	01-May-2024		CCIM has advised that this option has been removed on the new system, which is to be implemented shortly.	03-Jun-2024	Medium Risk	Communications Consultation and Information Manager
Complaints and Freedom of Information Requests 2023/24	Ensure that all complaints are classified as upheld or not upheld, with a third option for those that have been withdrawn. Consider making this mandatory to improve the accuracy of the data.	01-Apr-2024		CCIM has advised that the new system should be implemented shortly and this has been incorporated into it.	03-Jun-2024	Medium Risk	Communications Consultation and Information Manager
Complaints and Freedom of Information Requests 2023/24	Waste Services, the Contact Centre and Communications teams to review, discuss and agree when 'Bin collection' cases should be classed as complaints.	01-May-2024		CCIM has advised that this is still to be completed but a meeting has been booked for 12/06/2024	04-Jun-2024	Medium Risk	Communications Consultation and Information Manager
Complaints and Freedom of Information Requests 2023/24	Include the deadline date on the email from the PAs to the service for MPs letters and request that responses are returned to the PAs as a Word document. Ensure all MP complaint responses are issued via the PAs office.	01-Apr-2024		The Democratic & Support Services Manager has advised that the first part of this recommendation is ongoing and regarding the second part: <i>Some letters are sent direct to service managers so are not issued via the PAs office currently.</i>	30-Apr-2024	Medium Risk	Democratic & Support Services Manager

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Corporate Health and Safety 2023/24	RAGM should ensure that Safety Data Sheets and COSHH Risk assessments are obtained/produced for their chemicals classed as hazardous	01-May-2024		04/06/2024 Requested update from RAGM manager	04-Jun-2024	 Medium Risk	RAGM Manager
Payment Card Industry Data Security Standards 21/22	Review the security assessment and implement the recommendations.	31-Mar-2024		Update from Stuart Mewes -  No change to the PCIDSS status, still in review, whilst this sits under IT this should be noted this is an organisational requirement and requires input from several services areas to achieve fully, as well as suppliers and their systems. We have also been slowed by lack of resource following our restructure which went live in Oct 27th 2023, but we currently have 7 vacancies.	22-Nov-2023	 Medium Risk	IT & Digital Services Manager
Service Desk Management 21/22	Management to review options around Service Desk management and oversight.	31-Mar-2024		Update from Stuart Mewes -  We have also been slowed by lack of resource following our restructure which went live in Oct 27th 2023, but we currently have 7 vacancies, one of which is the Senior Service Desk Analyst who will undertake these actions.	22-Nov-2023	 Medium Risk	IT & Digital Services Manager
Service Desk Management 21/22	The development and documentation of problem management processes and controls should be assigned to a nominated owner.	31-Mar-2024		Update from Stuart Mewes - We have also been slowed by lack of resource following our restructure which went live in Oct 27th 2023, but we currently have 7 vacancies, one of which is the Senior Service Desk Analyst who will undertake these actions.	22-Nov-2023	 Medium Risk	IT & Digital Services Manager
Systems Resilience 22/23	A documented IT Disaster Recovery plan is produced outlining detailed procedures for	30-Apr-2024		Due date extended to end of April 2024 as Lighthouse currently re-reviewing this area.	26-Mar-2024	 Medium Risk	IT & Digital Services Manager

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
	recovery of the ICT network infrastructure.						
Systems Resilience 22/23	IT Disaster Recovery arrangements are subject to annual testing. A Post DR Recovery report is produced summarising the results of each recovery test.	01-Apr-2024		RH - 11/01 - Interim Corporate Assurance Manager has confirmed due date can be moved forward.	11-Jan-2024	 Medium Risk	IT & Digital Services Manager