



RUGBY BOROUGH COUNCIL

STATEMENT of ACCOUNTS *2014 / 2015*



CLEAN, GREEN, SAFE

Statement of Accounts 2014/15

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Statement of Accounts 2014/15

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Financial Statements

The purpose of this Statement of Accounts (the Accounts) is to summarise the financial performance for the year 2014/15 and the overall financial position of the Council. This foreword aims to give a general guide to the main features of the information reported within the rest of the Accounts and provides a summary of the Council's overall financial position.

The Statement of Accounts for 2014/15 is prepared on an International Financial Reporting Standards (IFRS) basis. The framework within which these Accounts are prepared and published is regulated by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Financial Reporting Advisory Board, and the UK Government.

The accounting arrangements of any large organisation such as Rugby Borough Council are complex, as is local government finance. These Accounts are presented as simply as possible whilst recognising that it is necessary for some technical terminology to be used. To help you understand the Accounts, the main statements are supported by explanatory notes and a glossary of terms used is shown on pages 100 to 104.

The Accounts consist of:

- A Movement in Reserves Statement on pages 9 - 11
- A Comprehensive Income and Expenditure Statement on page 12. At the end of 2014/15 the total comprehensive net income was **£-2.550m (£-5.859m** in 2013/14). The 2014/15 net deficit/surplus (-) on provision of services for the GF and HRA respectively is **£3.250m** and **£-11.813m**
- The Balance Sheet on page 13 which sets out the financial position of Rugby Borough Council as at 31st March 2015. At the end of 2014/15 the total value of the Council's reserves was **£72.669m**
- The Cash Flow Statement which summarises the inflows and outflows of cash, page 14
- Notes to support the primary statements, pages 15 to 73
- The Housing Revenue Account on pages 74 to 78
- The Collection Fund Statement on pages 79 to 83, which includes transactions relating to Council Tax and Non-Domestic Rates (NDR). 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, which had a closing surplus balance as at 31st March 2015 of **£0.299m**

Managing Our Finances

Demand for Council services continues to be high during the on-going economic climate, at a time when the Council is facing significant reductions in Central Government funding.

The Council has to date successfully managed and balanced the impact through a careful review of services to identify where there is scope for a reduction in costs or the potential to generate additional income. Examples of this include:

- The Queen's Diamond Jubilee Centre (Leisure Centre) which has resulted in a considerable reduction of management fees as detailed on page 5;
- The continuing efforts to attract inward investment into the Borough resulting in increased business rates as detailed on page 5; and
- The construction of the Rainsbrook Crematorium with Daventry District Council as detailed on page 7.

As part of next year's budget setting the intention is to continue with this approach and ensure all opportunities are explored to enable the Council to achieve its ambition of becoming a self-sustaining organisation.

Revenue Budget and Expenditure

General Fund

In 2014/15 the Council had total Portfolio expenditure of £13,969,200 against a revised budget, after pending carry forward requests, of £14,496,510 resulting in an underspend of **-£527,310**.

Net revenue expenditure budgets include service specific income, such as fees and charges and specific grants. The year-end position on portfolio net expenditure is set out in the table below.

| Portfolio | Revised Budget £'000 | Actual £'000 | Variance £'000 |
|--------------------------------------|-------------------------|-----------------|-------------------|
| Economy, Development and Culture | 3,433 | 2,810 | -623 |
| Resources and Corporate Governance | 2,974 | 2,798 | -176 |
| Sustainable Environment | 6,314 | 6,450 | +136 |
| Sustainable Inclusive Communities | 1,712 | 1,848 | +136 |
| Rugby World Cup | 63 | 63 | 0 |
| Net Portfolio Expenditure | 14,496 | 13,969 | -527 |
| Corporate items | -135 | -64 | +71 |
| Total Net Revenue Expenditure | 14,361 | 13,905 | -456 |

However, the Council's overall variance on the 2014/15 budget was an overspend of **£274,310** compared to revised budgets. The net budget is funded from corporate income items such as council tax and business rates and the movement between these two positions is largely explained by £675,340 deficit on the Collection Fund, which has been met from the Business Rates Equalisation Reserve.

After accounting for this transfer there was residual underspend of £400,690 against all other budgets and therefore £400,000 has been transferred to the Budget Stability Reserve primarily to underwrite the planned Rugby World Cup celebrations for 2015/16. Further details of this and all other reserve movements are provided at pages 10 – 11 and 27 - 28.

The sources of income from which the Council's net revenue expenditure was financed, together with the final expenditure position for the year against the revised budget is set out in the next table.

| | Revised Budget £'000 | Actual £'000 | Variance £'000 |
|-------------------------|-------------------------|-----------------|-------------------|
| Revenue Support Grant | -2,473 | -2,473 | 0 |
| Retained Business Rates | -2,935 | -2,903 | +32 |
| Council Tax | -6,267 | -6,267 | 0 |
| New Homes Bonus Grant | -1,798 | -1,805 | -7 |
| Other Grants | -620 | -590 | +30 |
| Collection Fund Deficit | -100 | 575 | +675 |
| Other | -168 | -168 | 0 |
| Total Funding | -14,361 | -13,631 | +730 |
| NET POSITION | 0 | 274 | +274 |
| Net Reserve Transfers | 0 | -275 | -275 |

Some of the main reasons for the budget overspend of **£0.274m** were:

- A deficit on the Collection Fund of **£0.675m**, this was reported to Cabinet in June 2014, and will be offset with a transfer from the Business Rates Equalisation reserve;
- An underachievement of income from the Crematorium of **£0.070m** due to a slightly later than anticipated start and lower than anticipated burial rate in the first year;

Offset by:

- Additional planning income of approximately **£0.315m**;
- An unexpected early profit share receipt of **£0.176m** from the Leisure Centre management company;
- Recovery of pursued debts from Council Tax totalling **£0.044m**;
- Refunds from HMRC and External Audit totalling **£0.087m**

Officers also requested to carry forward a further £0.257m of unspent 2014/15 budgets into 2015/16. Full details of the various items that contributed to the year end position, the resultant budget variance and also the requested budget carry forward are explained within the Council's Finance and Performance Outturn report that was presented to Cabinet on the 29th June 2015.

In addition to the transfer to earmarked reserves explained above, £0.012m was contributed to General Fund balances to leave the general reserve position at 31st March 2015 at **£2.072m**.

Housing Revenue Account

The original budget approved in February 2014 was set to leave HRA balances unchanged. During the year net budget changes of £0.084m were approved, or are pending approval for 2014/15, to be taken from balances. The budget incorporated an estimated average rent rise of £4.51 per week calculated using government rent restructuring guidelines. The following table shows how the actual net surplus compared to the revised budget:

| | Revised Budget £'000 | Actual £'000 | Variance £'000 |
|---------------------------------------|-------------------------|-----------------|-------------------|
| Expenditure | 11,222 | 9,304 | -1,918 |
| Income | -18,202 | -18,145 | 57 |
| Net cost of HRA Services | -6,980 | -8,841 | -1,861 |
| Corporate items | 7,064 | 8,979 | 1,915 |
| Surplus (-) / Deficit for year | 84 | 138 | 54 |

In overall terms £0.138m was taken from HRA revenue balances to leave a total of **£2.725m** at 31st March 2015.

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 **£6.118m**. The expenditure analysed by portfolio was:-

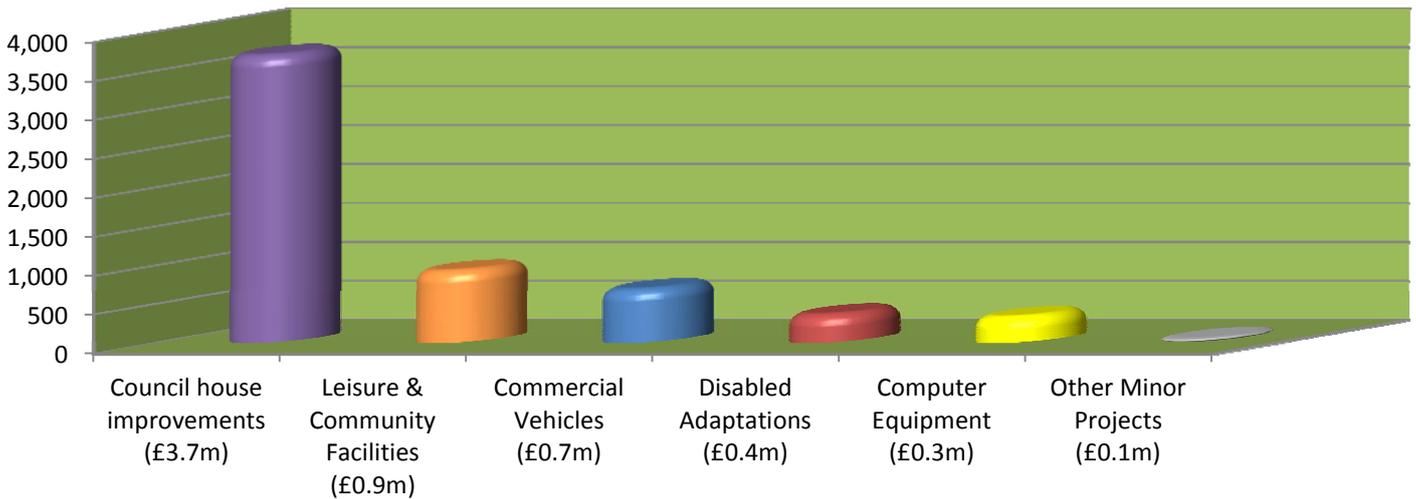
| Portfolio | Revised Budget £'000 | Actual £'000 | Variance £'000 |
|------------------------------------|-------------------------|-----------------|-------------------|
| Resources and Corporate Governance | 543 | 307 | -236 |
| Economy, Development and Culture | 2,010 | 1,112 | -898 |
| Sustainable Environment | 1,377 | 513 | -864 |
| Sustainable Inclusive Communities | 7,611 | 4,146 | -3,465 |
| Rugby World Cup | 130 | 40 | -90 |
| | 11,671 | 6,118 | -5,553 |

Some of the main reasons for the budget underspend of **£5.553m** were:

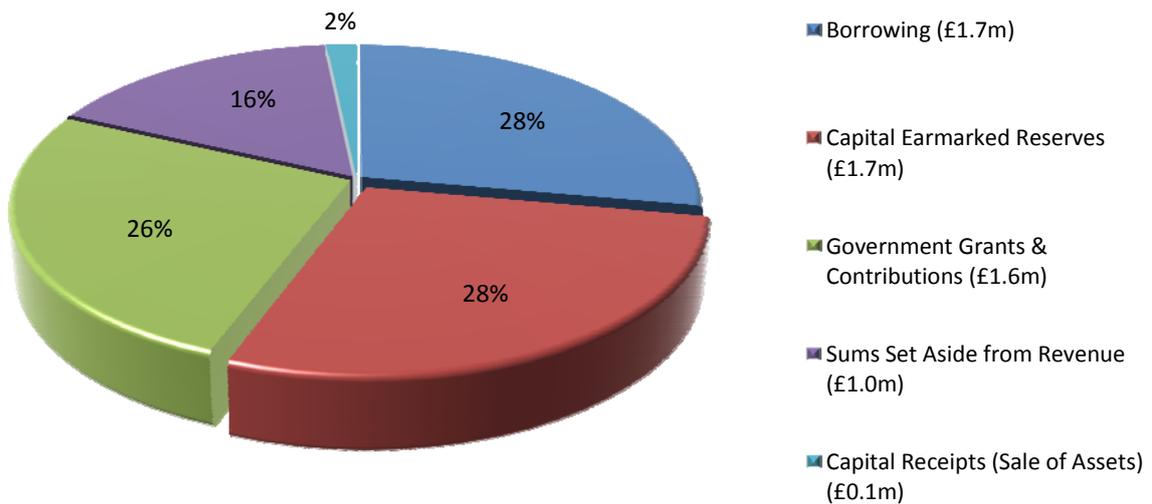
- Carry forwards for the completion of the Woodside Gypsy and Traveller Caravan Site expansion and upgrade project (**£0.692m**);

- Recovery of VAT costs on the Rainsbrook Crematorium project (£0.425m);
- Rescheduling of the HRA window replacement programme to facilitate a larger programme in 2015/16 (£0.728m);
- Delays in completing Electric to Gas conversions consequent to the supply of mains from British Gas (£0.680m)

The graphs below show how the money was spent and how it was financed.



The capital expenditure was funded from a variety of sources including the following:



Capital Reserves

At 31 March 2015 the Council has earmarked and other capital reserves of **£22.516m**.

Other Reserves

At 31 March 2015 the Council has other reserves (Earmarked General Fund and Housing Repairs Account) of **£4.135m**.

Pension Fund

Local Authorities are required to comply with the disclosure requirements of International Accounting Standard (IAS) 19 - Employee Benefits. Under IAS 19, the Council is required to reflect in the primary statements of the Accounts, the assets and liabilities of the Pension Fund attributable to the Council and the cost of pensions. IAS 19 is based upon the principle that the Council should account for retirement benefits when it is committed to give them even though the cash payments may be many years into the future. This commitment is accounted for in the year that an employee earns the right to receive a pension in the future. These disclosures are reflected in the Comprehensive Income and Expenditure Account, the Balance Sheet and the Movement in Reserves Statement.

IAS 19

The 2014/15 IAS 19 report shows that the Pension Fund now has a deficit of **£42.702m**. This is an increase in the deficit of **£10.353m** since last year. The main reason for the increase in the deficit was due to **£15.720m** of actuarial losses from changes in financial assumptions. Actuarial losses are recognised in Other Comprehensive Income and Expenditure, however they have no impact on General Fund Balances in 2014/15. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2014/15, earlier years, and for future years. The balance currently stands at **£90,891,000** (both short and long term borrowing) as shown on the balance sheet on page 13. Future capital expenditure will be financed from borrowing, revenue contributions, sale of surplus fixed assets, capital grants and contributions, and relevant funds within earmarked reserves.

Jointly Controlled Operation

International Accounting Standard (IAS) 31 deals with investments in joint ventures. The role of Rugby Borough Council and Daventry District Council with regard to the Rainsbrook Crematorium Joint Committee is such that the treatment of the crematorium is considered to be a jointly controlled operation which falls within this IAS. As such 50% of the relevant financial transactions in respect of the Joint Committee have been included in these accounts.

Investments in Iceland

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed. The Council had £3m deposited across these institutions. During 2013/14 the Council sold its remaining claim in Landsbanki via auction in conjunction with the majority of other local authorities affected by this matter. The Glitnir claims were paid in full in 2011/12, although a proportion of the disbursement remains held in Icelandic Krona until such time as currency controls are lifted. Details of the remaining funds held in escrow are included at Note 10.

The Authority's Responsibilities

The authority is required:

- to make arrangements for the proper administration of its financial affairs and for one of its officers to be responsible for the administration of those affairs. In Rugby Borough Council, this is the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for preparing Rugby Borough's Statement of Accounts to present a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31st March 2015, according to the CIPFA / LASAAC Code of Practice on Local Authority Accounting in Great Britain.

CHIEF FINANCIAL OFFICER'S CERTIFICATION

I certify that I have prepared the accounts of the Council to comply with all legislative requirements and in accordance with the above Code of Practice.

I have:

- 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.

Signed:

Adam Norburn
Chief Financial Officer

Date: **25th June 2015**

Movement In Reserves Statement

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

The 'surplus (-) or deficit on the provision of service' line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund (GF) Balance for council tax setting and Housing Revenue Account (HRA) for rent setting purposes.

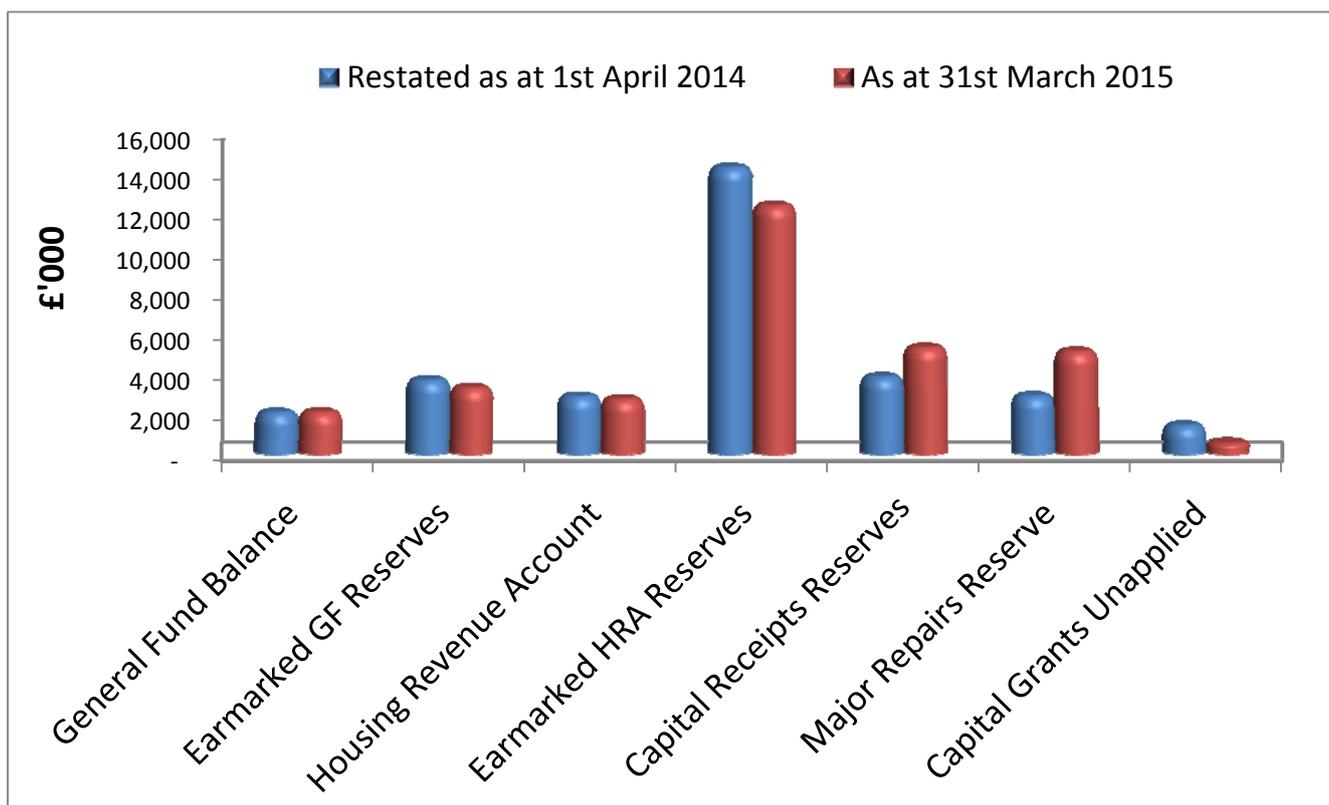
The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund (GF) Balance and Housing Revenue Account (HRA) before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Following the closure of the 2013/14 accounts, the Non Domestic Rating Income figure was revised due to an adjustment for Transitional Protection Payments. This reduced the surplus on provision of services by £111,000, but due to an equivalent restated transfer to the Collection Fund Adjustment Account via the Movement in Reserves Statement there was no impact on General Fund Balances. See the Collection Fund Statement for further details.

In addition, following a review of the Council's accounting policy in regard to Revenue Expenditure funded from Capital under Statute (REFCUS) it was discovered that an element of expenditure charged to Cost of Services in 2013/14 should have been recognised initially as a non-current asset and subsequently revalued. This reduced the Cost of Services figure by £221,000 with a corresponding entry within increase within Other comprehensive income and expenditure, which again following restated transfers within the Movement in Reserves Statement resulted in no impact on General Fund Balances. See note 19 for further details.

The graph below shows how the Council's usable reserves have changed during 2014/15.

2014/15 Usable Reserves



Movement in Reserves Statement 2013/14 – Restated

| | General Fund (GF) Balance | Earmarked GF Reserves | Housing Revenue Account (HRA) | Earmarked HRA Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|---|---------------------------|-----------------------|-------------------------------|------------------------|--------------------------|-----------------------|--------------------------|-----------------------|-------------------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1st April 2013 brought forward | -1,729 | -2,934 | -6,171 | -9,558 | -4,303 | -2,776 | -1,528 | -28,999 | -35,261 | -64,260 |
| Restated surplus (-) or deficit on provision of services (accounting basis) | 5,480 | 0 | -10,682 | 0 | 0 | 0 | 0 | -5,202 | 0 | -5,202 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -657 | -657 |
| Restated Total Comprehensive Income and Expenditure | 5,480 | 0 | -10,682 | 0 | 0 | 0 | 0 | -5,202 | -657 | -5,859 |
| Restated Adjustments between accounting basis and funding basis under regulations (note 11) | -6,552 | 0 | 9,271 | 0 | 467 | -110 | 105 | 3,181 | -3,181 | 0 |
| Restated Net Increase (-) / Decrease before Transfers to Earmarked Reserves | -1,072 | 0 | -1,411 | 0 | 467 | -110 | 105 | -2,021 | -3,838 | -5,859 |
| Transfers to / from (-) Earmarked Reserves (note 12) | 741 | -741 | 4,719 | -4,719 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restated Increase (-) / Decrease in year | -331 | -741 | 3,308 | -4,719 | 467 | -110 | 105 | -2,021 | -3,838 | -5,859 |
| Balance at 31st March 2014 carried forward | -2,060 | -3,675 | -2,863 | -14,277 | -3,836 | -2,886 | -1,423 | -31,020 | -39,099 | -70,119 |

Movement in Reserves Statement 2014/15

| | General Fund (GF) Balance | Earmarked GF Reserves | Housing Revenue Account (HRA) | Earmarked HRA Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Usable Reserves | Total Unusable Reserves | Total Authority Reserves |
|---|------------------------------|--------------------------|-------------------------------------|---------------------------|--------------------------------|--------------------------|-----------------------------|--------------------------|-------------------------------|--------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Opening balance at 1st April 2014 | -2,060 | -3,675 | -2,863 | -14,277 | -3,836 | -2,886 | -1,423 | -31,020 | -39,099 | -70,119 |
| Surplus (-) or deficit on provision of services (accounting basis) | 3,250 | 0 | -11,813 | 0 | 0 | 0 | 0 | -8,563 | 0 | -8,563 |
| Other Comprehensive Income and Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,013 | 6,013 |
| Total Comprehensive Income and Expenditure | 3,250 | 0 | -11,813 | 0 | 0 | 0 | 0 | -8,563 | 6,013 | -2,550 |
| Adjustments between accounting basis and funding basis under regulations (note 11) | -2,884 | 0 | 12,059 | 0 | -1,463 | -2,223 | 849 | 6,338 | -6,338 | 0 |
| Net Increase(-) /Decrease before Transfers to Earmarked Reserves | 366 | 0 | 246 | 0 | -1,463 | -2,223 | 849 | -2,225 | -325 | -2,550 |
| Transfers to / from (-) Earmarked Reserves (note 12) | -378 | 382 | -108 | 1,901 | 0 | 0 | 0 | 1,797 | -1,797 | 0 |
| Increase (-) / Decrease in year | -12 | 382 | 138 | 1,901 | -1,463 | -2,223 | 849 | -428 | -2,122 | -2,550 |
| Balance at 31st March 2015 | -2,072 | -3,293 | -2,725 | -12,376 | -5,299 | -5,109 | -574 | -31,448 | -41,221 | -72,669 |

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with Generally Accepted Accounting Practices (GAAP), rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

| 1 st April 2014 Restated | | | | 31 st March 2015 | | |
|-------------------------------------|----------------|---------------|---|-----------------------------|----------------|---------------|
| Exp £'000 | Inc £'000 | Net £'000 | | Exp £'000 | Inc £'000 | Net £'000 |
| 9,244 | -8,122 | 1,122 | Central services to the public | 9,124 | -7,919 | 1,205 |
| 5,167 | -767 | 4,400 | Cultural and related services | 3,989 | -751 | 3,238 |
| 7,426 | -1,502 | 5,924 | Environmental and regulatory services | 7,986 | -2,307 | 5,679 |
| 1,982 | -1,831 | 151 | Highways and transport services | 1,508 | -1,270 | 238 |
| 4,483 | -17,735 | -13,252 | Local authorities housing (HRA) | 5,015 | -18,211 | -13,196 |
| 27,015 | -25,379 | 1,636 | Other housing | 26,662 | -25,159 | 1,503 |
| 2,869 | -1,748 | 1,121 | Planning services | 2,722 | -1,704 | 1,018 |
| 3,159 | -1,042 | 2,117 | Corporate and democratic core | 3,154 | -1,205 | 1,949 |
| -68 | 0 | -68 | Non-distributed costs | 571 | 0 | 571 |
| 61,277 | -58,126 | 3,151 | Cost of services | 60,731 | -58,526 | 2,205 |
| | | 3,122 | Other operating expenditure (Note 13) | | | 1,039 |
| | | 2,808 | Financing and investment income and expenditure (Note 14) | | | 2,808 |
| | | -14,283 | Taxation and non-specific grant income (Note 15) | | | -14,615 |
| | | -5,202 | Surplus (-) / Deficit on provision of services | | | -8,563 |
| | | -39 | Gains (-) / Losses on hedging instruments | | | -41 |
| | | -641 | Surplus (-) / Deficit on revaluation of property, plant and equipment | | | -2,004 |
| | | 295 | Downward valuation of financial instruments | | | -368 |
| | | -272 | Re-measurements of the net defined benefit liability | | | 8,426 |
| | | -657 | Other comprehensive income (-) and expenditure | | | 6,013 |
| | | -5,859 | Total comprehensive income (-) and expenditure | | | -2,550 |

Following the closure of the 2013/14 accounts, the Non Domestic Rating Income figure per the 2013/14 NNDR3 was revised due to an adjustment for Transitional Protection Payments, as agreed with DCLG and confirmed by CIPFA. This reduced the Taxation and non-specific grant income figure of £14,394,000 on the 2013/14 Comprehensive Income & Expenditure Statement by £111,000. The 2013/14 restated figure of £14,283,000 is shown above and in Note 15. In addition, following a review of the Council's accounting policy in regard to Revenue Expenditure funded from Capital under Statute (REFCUS) it was discovered that an element of expenditure charged to Cost of Services in 2013/14 should have been recognised initially as a non-current asset and subsequently revalued. This reduced the Cost of Services figure by £221,000 with a corresponding entry within Other comprehensive income and expenditure. See note 19 for further details.

| |
|---------------|
| 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 Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories. The first category are usable reserves, i.e. those reserves that may be used 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 cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement (MIRS) "Adjustments between accounting basis and funding basis under regulations".

| Restated 1 April 2014 £'000 | | Notes | 31 March 2015 £'000 |
|--------------------------------------|--|---------|---------------------------|
| 158,554 | Property, Plant & Equipment | 17 | 166,498 |
| 5,325 | Heritage Assets | 22 | 5,346 |
| 593 | Investment Property | 17 | 598 |
| 2,622 | Assets under Construction | 17 | 504 |
| 51 | Intangible Assets | | 179 |
| 6,971 | Long Term Investments | 37 | 5,402 |
| 1,058 | Long Term Advances | 24 | 1,076 |
| 193 | Long Term Debtors | 25 | 222 |
| 175,367 | Long Term Assets | | 179,825 |
| 17,475 | Short term Investments | 37 | 22,268 |
| 125 | Inventories | | 175 |
| 5,980 | Short Term Debtors | 25 | 3,872 |
| 8,222 | Cash and Cash Equivalents | 27 / 37 | 14,573 |
| 340 | Assets Held for Sale < 1 year | 17 | 272 |
| 32,142 | Current Assets | | 41,160 |
| -19,629 | Short Term Borrowings | 37 | -5,367 |
| -4,414 | Short Term Creditors | 26 | -11,751 |
| -264 | Short Term Provisions | 41 | -264 |
| -24,307 | Current Liabilities | | -17,382 |
| -78,562 | Long Term Borrowing | 37 | -85,524 |
| -32,349 | Pension Liability Account | 36 | -42,703 |
| -1,555 | Capital / Revenue Grants Receipts in Advance | 16 | -2,090 |
| -617 | Long Term Provisions | 41 | -617 |
| -113,083 | Long Term Liabilities | | -130,934 |
| 70,119 | Net Assets | | 72,669 |
| 31,020 | Usable reserves | MIRS | 31,448 |
| 39,099 | Unusable reserves | MIRS | 41,221 |
| 70,119 | Total Reserves | | 72,669 |

| | | | |
|--------|--|------|------------|
| Signed | | Date | 11/09/2015 |
|--------|--|------|------------|

A Norburn, CPFA, Executive Director

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 Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. 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.

| 2013/14 £'000 | | Notes | 2014/15 £'000 |
|------------------|--|-------|------------------|
| -2,512 | Operating Activities | 27 | -11,813 |
| 16,379 | Investing Activities | 28 | 5,066 |
| -13,769 | Financing Activities | 29 | 396 |
| 98 | Net increase (-) or decrease in cash and cash equivalents | | -6,351 |
| 8,320 | Cash and cash equivalents at the beginning of the period | 26 | 8,222 |
| 8,222 | Cash and cash equivalents at the end of the reporting period | 26 | 14,573 |

Opening Cash and Cash Equivalents

£8.222m

**Within the above figure includes:
Cash held by Authority
Money Markets**

Outflow - £117.848m

£

Closing Cash and Cash Equivalents

£14.573m

**Within the above figure includes:
Cash held by Authority
Money Markets**

Inflow - £124.199m

Note 1. Basis for Preparation/General

The notes to the financial statements on the following pages are in order of significance, primarily based on aiding an understanding of the key drivers of the financial position of the Council, whilst maintaining the grouping of notes between the income and expenditure statement and the balance sheet where appropriate. The notes relating to specific financial statement lines include the corresponding accounting policy. As a result there is not a separate principal accounting policies note. However Note 2 details general accounting policies where there are not any accompanying notes.

The content and presentation of the accounts for 2014/15 has been reviewed. This has resulted in removing notes that were deemed immaterial and grouping notes of a similar subject matter in one place.

Details of the order of the notes can be found in the index on page 2.

Note 2. General Accounting Policies (where there is no accompanying note)

General

The Council is required to prepare a Statement of Accounts by the Accounts and Audit Regulations 2012 in accordance with proper accounting practices. The Accounts of Rugby Borough Council have been compiled in accordance with the Code of Practice on Local Council Accounting in the UK 2014/15 supported by International Financial Reporting Standards. These accounts are prepared in accordance with the historical cost convention, modified for the valuation of certain categories of non-current assets and financial instruments. They are also prepared on a going concern basis.

Accruals of Income and Expenditure

The Council's revenue and capital accounts are maintained on an accruals basis by including sums due to or from the Council in the year, whether or not monies have actually been received or paid during the year. This concept is not applied to electricity and gas supplies and routine ongoing business expenses. However, the accounts do reflect twelve months' supply in each year and this does not have a material effect on the accounts.

Where material income and expenditure amounts have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected (bad debts).

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting policies are only made when required by proper accounting practices or 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.

Intangible Assets

Intangible assets are defined as assets that do not have physical substance but are identifiable and controlled by their owner. Normal examples are those of software or software licences, which have a value, but over a fairly short life of 3 –10 years and are therefore written down over that useful life.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to Daventry District Council. The decision making and operational arrangements of the crematorium joint committee fulfil the features associated with a jointly controlled operation in that:

- Each venturer incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
- The joint venture agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the venturers.

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 also 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.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costings principles of the CIPFA Service Reporting Code of Practice 2014/15 (**SeRCOP**). The full cost of overheads and support services are shared between users in proportion to the benefits received (internal recharges), with the exception of;

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two costs are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Cost of Services.

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 on the basis of 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.

Presentation of the Financial Statements (IAS 1)

Items which are firstly shown in Other Comprehensive Income and Expenditure but which at a later stage could be included in Surplus or Deficit on Provision of Services will be split out if material. e.g. gains/losses on Available for Sale financial assets. The Council has not split out these items as they are not held for trading purposes and are not regarded as material.

Value Added Tax (VAT)

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

Note 3. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1st April 2015. The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The relevant standards are as follows:

IFRS 13 – Fair Value Measurement

IFRIC 21 – Levies

Annual Improvements to IFRSs (2011 -2013 Cycle) – see below for further details

- **IFRS 1 - Meaning of effective IFRSs;**
- **IFRS 3 - Scope exceptions for joint ventures;**
- **IFRS 13 – Scope of paragraph 52 (portfolio exception); and**
- **IAS 40: Clarifying the inter-relationship of IFRS3 Business Combinations and IAS40 Investments Property when classifying property as investment property or owner-occupied property**

IFRS 13 Fair Value Measurement is a substantial new standard that requires local authorities to measure their assets and liabilities on a fair value measurement basis where required or permitted by the Code of Practice. The main impact from the adoption of IFRS 13 will be upon Council's the valuation of its Surplus Assets, however the standard will be adopted in 2015/16 on a prospective basis and therefore there are no implications arising from the adoption of this standard on the 2014/15 financial statements.

In relation to the other standards mentioned above, if these had been adopted for financial year 2014/15 there would be no material changes and it is not envisaged that the changes will impact upon the statements in future years.

Note 4. Critical Judgements in Applying Accounting Policies

The Council has undertaken an assessment of the potential refunds from the outstanding Business Rates appeals at the 31st March 2015, in order to determine an appropriate provision for this potential loss. The assessment is based on information provided by an agent that analyses data supplied by the Valuation Office, which is subsequently further refined for local intelligence.

The initial provision for appeals was created in 2013/14 and therefore in subsequent years the analysis determines the movement in the provision from year-to-year. The 2014/15 analysis indicated that a reduction in the overall provision should be made, however on grounds of prudence the provision has been left unchanged in the 2014/15 Accounts. This judgement was made on the basis that the Business Rates Retention system is still in its infancy with limited past experience or data available relating to the accuracy of the Business Rates appeals provisions, therefore it has been assessed to be more appropriate to leave the provision unchanged until more substantial data is available in future years to determine whether the indicative reduction in appeal refunds for 2014/15 will be realised.

Note 5. Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31st March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------------|--|---|
| Provision for Business Rate Appeals | 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. | In 2013/14 a £2.2m provision was made for potential future appeal refunds. During 2014/15 cases with a value of £1.24m were settled, but only resulted in a refund of £0.3m with a large proportion of the appeals either being dismissed or withdrawn. Therefore it could be assessed that the initial provision had an accuracy of only 24% (£0.3m/£1.24m). If this historical success rate was applied to the outstanding list of appeals at 31 st March 2015 the overall appeal provision would have been reduced to £1.3m. In addition, if no adjustment is made for historical success rates (assuming 100% success) then the provision would have increased to £5.3m. Therefore, for reasons stated at Note 4 no change has been made to the provision in 2014/15. |

| | | |
|--------------------|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are expected to increase, change in retirement ages, mortality rates and expected returns on pension fund assets. Warwickshire County Council utilise consulting actuaries to provide all Warwickshire authorities with expert advice about the assumptions to be applied. | The effect on the pensions net liability of changes in individual assumptions can be measured. For instance a 1.0% increase in the discount rate would result in a decrease in the pension liability of £24.864m. However, the assumptions interact in complex ways and actuaries model thousands of possible outcomes in order to establish what the world might look like over the long term. |
|--------------------|---|---|

As per our accounting policy, other estimation techniques are used for the purposes of producing the Accounts.

Note 6 – Prior Period Adjustment

In accordance with the Code, prior period errors must be corrected by retrospective restatement in the first financial statements issued following the discovery of the error. The error detailed in this note is not classed as a material error, however in the interests of transparency the adjustments have been shown below.

Following the closure of the 2013/14 accounts, the Non Domestic Rating Income figure per the 2013/14 NNDR3 return was revised due to an adjustment for Transitional Protection Payments, as agreed with DCLG and confirmed by CIPFA. This reduced the Taxation and non-specific grant income figure of £14,394,000 on the 2013/14 Comprehensive Income and Expenditure Statement by £111,000. The 2013/14 restated figure of £14,283,000 is shown in the Comprehensive Income and Expenditure Statement and in Note 15.

In addition, following a review of the Council's accounting policy in regard to Revenue Expenditure funded from Capital under Statute (REFCUS) it was discovered that an element of expenditure charged to Cost of Services in 2013/14 should have been recognised initially as a non-current asset and subsequently revalued. This reduced the Cost of Services figure by £221,000 with a corresponding entry within Other comprehensive income and expenditure. See Note 19 for further details.

Comprehensive Income and Expenditure Statement

The fully restated Comprehensive Income and Expenditure Statement for 2013/14 is provided on page 12. The adjustments that have been made to that Comprehensive Income and Expenditure Statement compared to the version published in the 2013/14 Statement of Accounts are as follows:

| | As Previously Stated 31 March 2013 £'000 | As Restated 1 April 2014 £'000 | Amount of Restatement £'000 |
|---|--|--------------------------------------|-----------------------------------|
| Cultural and Related Services | 4,621 | 4,400 | -221 |
| Cost of Services | 3,372 | 3,151 | -221 |
| Taxation and non-specific grant income | -14,394 | -14,283 | 111 |
| Surplus(-) / Deficit on Provision of Services | 5,092 | -5,202 | -110 |
| Surplus(-) / Deficit on revaluation of property, plant, and equipment | -862 | -641 | 221 |
| Other Comprehensive Income and Expenditure | -878 | -657 | 221 |
| Total Comprehensive Income and Expenditure | -5,970 | -5,859 | 111 |

Movement in Reserves Statement – Usable Reserves 2013/14

The resulting restated Movement in Reserves Statement – Usable Reserves, as of 31 March 2014 is provided on page 10. The restatement of the relevant lines of the Movement in Reserves Statement – Usable Reserves, as of 31 March 2014 is presented in the table below:

Note 6 – Prior Period Adjustment (cont.)

| | As Previously Stated 31 March 2014 £'000 | As Restated 1 April 2014 £'000 | Amount of Restatement £'000 |
|---|---|-----------------------------------|--------------------------------|
| Surplus (-) / deficit on provision of services (accounting basis) | 5,590 | 5,480 | -110 |
| Total Comprehensive Income and Expenditure | 5,590 | 5,480 | -110 |
| Adjustments between accounting basis and funding basis under regulations | -6,662 | -6,552 | 110 |
| Net increase (-) / Decrease before Transfers to Earmarked Reserves | -1,072 | -1,072 | 0 |
| Balance | 2,060 | -2,060 | 0 |

Movement in Reserves Statement – Unusable Reserves 2013/14

The resulting restated Movement in Reserves Statement, as of 31 March 2014 is provided on page 10. The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2014 is presented in the table below:

| | As Previously Stated 31 March 2014 £'000 | As Restated 1 April 2014 £'000 | Amount of Restatement £'000 |
|---|---|-----------------------------------|--------------------------------|
| Other Comprehensive Income and Expenditure | -878 | -657 | 221 |
| Total Comprehensive Income and Expenditure | -878 | -657 | -221 |
| Adjustments between accounting basis and funding basis under regulations | -3,071 | -3,181 | -110 |
| Net increase (-) / Decrease before Transfers to Earmarked Reserves | -3,949 | -3,848 | 111 |
| Balance | -39,210 | -39,099 | 111 |

Balance Sheet

The resulting restated Balance Sheet as of 31 March 2014 is provided on page 10. The restatement of the relevant lines in the Balance Sheet, as of 31 March 2014 is presented in the table below:

| | As Previously Stated 31 March 2014 £'000 | As Restated 1 April 2014 £'000 | Amount of Restatement £'000 |
|-----------------------|---|-----------------------------------|--------------------------------|
| Unusable Reserves | 39,210 | 39,099 | -111 |
| Total Reserves | 70,230 | 70,119 | -111 |

Cash Flow Statement

There has been no need to restate the Cash Flow Statement for 2013/14 as the movements within and between unusable reserves noted above are not cash adjustments.

Note 7. Officers Remuneration

Accounting Policy

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.

Remuneration of Senior Officers and other employees whose salary is more than £50,000 per year, in accordance with option B as per the Local Authority Accounting Practice (LAAP) Bulletin 85 issued by CIPFA in April 2010.

| Post Holder | | Salary | Fees Expense Allowances | Benefits in Kind | Remuneration excluding pension contributions | Pension Contributions | Remuneration including pension contributions | Notes |
|-------------------------------------|---------|--------|-------------------------------|---------------------|---|--------------------------|---|-------|
| | | £ | £ | £ | £ | £ | £ | |
| Executive Director | 2014/15 | 78,120 | 250 | 1,690 | 80,060 | 10,550 | 90,610 | |
| | 2013/14 | 84,850 | 390 | 3,290 | 88,530 | 15,100 | 103,630 | |
| Executive Director | 2014/15 | 41,950 | 50 | 0 | 41,990 | 5,660 | 47,660 | 1 |
| | 2014/15 | 64,490 | 340 | 0 | 64,830 | 8,710 | 73,540 | 1 |
| | 2013/14 | 84,850 | 140 | 0 | 84,990 | 15,100 | 100,090 | |
| Head of Customer and Info. Services | 2014/15 | 60,740 | 0 | 0 | 60,740 | 8,200 | 68,940 | |
| | 2013/14 | 60,440 | 190 | 5,510 | 66,140 | 10,760 | 76,900 | |
| Head of Resources | 2014/15 | 10,450 | 10 | 0 | 10,460 | 1,410 | 11,870 | 2 |
| | 2014/15 | 30,150 | 0 | 0 | 30,150 | 5,050 | 35,200 | 2 |
| | 2013/14 | 62,670 | 120 | 2,760 | 65,550 | 11,150 | 76,700 | |
| Head of Environmental Services | 2014/15 | 60,740 | 0 | 2,600 | 63,340 | 8,200 | 71,540 | |
| | 2013/14 | 60,440 | 370 | 2,210 | 63,020 | 10,760 | 73,780 | |
| Head of Planning and Recreation | 2014/15 | 35,590 | 250 | 0 | 35,840 | 4,800 | 40,640 | 3 |
| | 2014/15 | 14,750 | 0 | 0 | 14,750 | 1,990 | 16,740 | 3 |
| | 2013/14 | 60,440 | 480 | 1,500 | 62,420 | 10,760 | 73,180 | |
| Head of Business Transformation | 2014/15 | 60,740 | 150 | 0 | 60,890 | 8,200 | 69,090 | |
| | 2013/14 | 60,440 | 520 | 0 | 60,960 | 10,760 | 71,720 | |
| Head of Housing & Property | 2014/15 | 60,740 | 440 | 0 | 61,180 | 8,200 | 69,380 | |
| | 2013/14 | 60,440 | 160 | 0 | 60,600 | 10,760 | 71,360 | |

Note 1: The Executive Director left the Council on the 28/09/2014; the Head of Resources was appointed to the Executive Director position on the 09/06/2014 and shadowed the previous Executive Director until their leave date.

Note 2: The Head of Resources was appointed as the new Executive Director and left this position on the 08/06/2014. A new Head of Resources was appointed on the 01/08/2014.

Note 3: The Head of Planning and Recreation left the Council on the 02/11/2014; a new Head of Planning and Recreation was appointed on the 05/01/2015.

Termination Benefits

Termination benefits are amounts payable as a result 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 is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Rugby Borough Council terminated the contracts of 7 employees in 2014/15, incurring liabilities of £69,020 (£10,080 in 2013/14). 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 below;

| Exit package cost band (including special payments) | No. of compulsory redundancies | | No. of agreed other departures | | Total no. of exit packages by cost band | | Total cost of exit packages in each cost band | |
|---|--------------------------------|----------|--------------------------------|----------|---|----------|---|----------------|
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| £0 - £20,000 | 0 | 1 | 2 | 5 | 2 | 6 | £10,080 | £30,600 |
| £20,001-£30,000 | 0 | 0 | 0 | 0 | 0 | 0 | £0 | £0 |
| £30,001-£40,000 | 0 | 1 | 0 | 0 | 0 | 1 | £0 | £38,420 |
| Total | 0 | 2 | 2 | 5 | 2 | 7 | £10,080 | £69,020 |

Note 8. Accumulated Absences Account

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

| 2013/14 £'000 | | | 2014/15 £'000 | |
|------------------|------------|--|------------------|------------|
| | 152 | Balance at 1st April | | 163 |
| -152 | | Settlement or cancellation of accrual made at end of preceding year | -163 | |
| 163 | | Amounts accrued at the end of the current year | 140 | |
| | 11 | Amount by which officer remuneration charged to the CIES on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements | | -23 |
| | 163 | Balance at 31st March | | 140 |

Note 9. Members Allowances

The total costs of Members’ allowances paid in the year were as follows:

| 2013/14 £ | | 2014/15 £ |
|----------------|-------------------------------|----------------|
| 326,730 | Allowances | 336,186 |
| 16,200 | Employers’ National Insurance | 10,670 |
| 1,800 | Expenses | 6,814 |
| 344,730 | Total | 353,670 |

Note 10. Deposits in Icelandic Banks

During 2008 the Icelandic banking system collapsed. At the time of the crisis, the Council had £3m invested with Icelandic institutions in receivership as detailed below:

| Bank | Investment Start Date | Planned Maturity Date | Original Investment £’000 | Outstanding Amount [#] £’000 |
|-----------------------|-----------------------|-----------------------|------------------------------|--|
| Glitnir Bank | 27/11/2006 | 27/11/2008 | 2,000 | 450 |
| Landsbanki Islands HF | 13/08/2007 | 13/07/2009 | 1,000 | 0 |

[#] including amounts held in escrow

Glitnir

Following a decision by the Icelandic Supreme Court to grant UK Local Authorities priority status, the Winding Up Board made a full distribution to creditors in a basket of currencies in March 2012.

An element of the distribution (£446,530) was made in Icelandic Kroner (£450,460 as at 31st March 2015) which has been placed in an escrow account in Iceland and is earning interest at 3.7%. This element of the distribution has been retained in Iceland due to currency controls and as a result is subject to exchange rate risk, over which the Council has no control.

Landsbanki

During 2013/14 the Council, in conjunction with other local authority creditors arranged for the sale of its outstanding claim with the Landsbanki Winding Up Board (WUB).

The Landsbanki administration process is now complete.

**Note 11. Adjustments between accounting basis and funding basis under regulations
2013/14 Restated**

| | Restated Usable Reserves | | | | | Movement In Unusable Reserves £'000 |
|---|-----------------------------------|--------------|--------------------------------------|-----------------------------------|--------------------------------------|---|
| | General Fund Balances £'000 | HRA £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | |
| Amounts involving the Capital Adjustment Account | | | | | | |
| Charges for Depreciation and impairment of non-current assets | -1,622 | -1,746 | | | | 3,368 |
| Restated Revaluation losses on Property Plant and Equipment | -651 | 5,085 | | | | -4,434 |
| Movements in the fair value of Investment Properties | 8 | | | | | -8 |
| Amortisation of intangible assets | -75 | -13 | | | | 88 |
| Capital grants and contributions applied | 1,056 | 139 | | | | -1,195 |
| Restated Revenue Expenditure Funded from Capital Under Statute | -2,059 | -758 | | | | 2,817 |
| 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 | -1,180 | -2,360 | | | | 3,540 |
| Insertion of items not debited or credited to the CIES | | | | | | |
| Statutory provision for the financing of capital investment | 785 | 4,100 | | | | -4,885 |
| Capital expenditure charged against the General Fund and HRA balances | 5 | 1,031 | | | | -1,036 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Interest credited to Section 106's | 7 | | | | -7 | |
| Capital grants and contributions unapplied credited to the CIES | 30 | | | | -30 | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 142 | -142 |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal/unattached receipts to the CIES | 345 | 1,283 | -1,628 | | | |
| Use of the Capital Receipts Reserve to finance bad debt relating to capital contributions | -147 | | 147 | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 1,550 | | | -1,550 |
| Contribution from the Capital Receipts Reserve towards administrative cost of non-current asset disposal | -2 | | 2 | | | |
| Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool | -399 | | 399 | | | |
| Transfer from the Deferred Capital Receipts Reserve upon receipt of cash | | | -3 | | | 3 |
| Adjustments primarily involving the Major Repairs Reserve | | | | | | |
| Interest credited to MRR | 26 | | | -26 | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 2,748 | | -2,748 | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | 2,664 | | -2,664 |
| Adjustments primarily involving the Financial Instruments Adjustment Account | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | | | | | | |
| Adjustments primarily involving the Pension Reserve | | | | | | |
| Reversal of items relating to retirement benefits | -3,351 | -428 | | | | 3,779 |
| Employers pension contributions and direct payments to pensioners payable in the year | 1,658 | 192 | | | | -1,850 |
| Restated Adjustments primarily involving the Collection Fund Adjustments Account | | | | | | |
| Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements | -977 | | | | | 977 |
| Adjustment primarily involving Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -9 | -2 | | | | 11 |
| Restated Total Adjustments | -6,552 | 9,271 | 467 | -110 | 105 | -3,181 |

Note 11. Adjustments between accounting basis and funding basis under regulations 2014/15

| | Usable Reserves | | | | | Movement In Unusable Reserves |
|---|--------------------------|---------------|-----------------------------|--------------------------|-----------------------------|----------------------------------|
| | General Fund Balances | HRA | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Amounts involving the Capital Adjustment Account | | | | | | |
| Charges for Depreciation and impairment of non-current assets | -1,820 | -1,848 | | | | 3,668 |
| Revaluation losses on Property Plant and Equipment | -867 | 4,756 | | | | -3,889 |
| Movements in the fair value of Investment Properties | 5 | | | | | -5 |
| Amortisation of intangible assets | -73 | -22 | | | | 95 |
| Capital grants and contributions applied | 493 | 180 | | | | -673 |
| Revenue Funded from Capital Under Statute | -372 | | | | | 372 |
| 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 | -73 | -1,876 | | | | 1,949 |
| Insertion of items not debited or credited to the CIES | | | | | | |
| Statutory and voluntary provision for the financing of capital investment | 756 | 5,300 | | | | -6,056 |
| Capital expenditure charged against the General Fund and HRA balances | 176 | | | | | -176 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Interest credited to Section 106's | 2 | | | | -2 | 0 |
| Capital grants and contributions unapplied credited to the CIES | 47 | | | | -47 | 0 |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | | | | 898 | -898 |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal/unattached receipts to the CIES | 17 | 1,995 | -2,012 | | | |
| Use of the Capital Receipts Reserve to finance bad debt relating to capital contributions | 0 | | 0 | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | | 127 | | | -127 |
| Contribution from the Capital Receipts Reserve towards administrative cost of non-current asset disposal | | | 0 | | | 0 |
| Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool | -423 | | 423 | | | |
| Transfer from the Deferred Capital Receipts Reserve upon receipt of cash | | | -1 | | | 1 |
| Adjustments primarily involving the Major Repairs Reserve | | | | | | |
| Interest credited to MRR | 39 | | | -39 | | |
| Reversal of Major Repairs Allowance credited to the HRA | | 3,802 | | -3,802 | | |
| Use of the Major Repairs Reserve to finance new capital expenditure | | | | 1,618 | | -1,618 |
| Adjustments primarily involving the Financial Instruments Adjustment Account | | | | | | |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | | | | | | |
| Adjustments primarily involving the Pension Reserve | | | | | | |
| Reversal of items relating to retirement benefits | -3,590 | -454 | | | | 4,044 |
| Employers pension contributions and direct payments to pensioners payable in the year | 1,895 | 223 | | | | -2,118 |
| Adjustments primarily involving the Collection Fund Adjustments Account | | | | | | |
| Amount by which council tax and business rates income credited to the CIES is different from income calculated in the year in accordance with statutory requirements | 883 | | | | | -883 |
| Adjustment primarily involving Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 21 | 3 | | | | -24 |
| Total Adjustments | -2,884 | 12,059 | -1,463 | -2,223 | 849 | -6,338 |

Note 12. Transfers to / from (-) Earmarked Reserves

| | Balance at 31st March 2013 £'000 | Transfers Out 2013/14 £'000 | Transfers In (-) 2013/14 £'000 | Balance at 31st March 2014 £'000 | Transfers Out 2014/15 £'000 | Transfers In (-) 2014/15 £'000 | Balance at 31st March 2015 £'000 |
|---|--|--|---|--|--|---|--|
| Section 106 (Developer Contributions) | -1,470 | 56 | -122 | -1,536 | 56 | -72 | -1,552 |
| New Homes Bonus Reserve | -435 | 1,427 | -1,301 | -309 | 100 | 0 | -209 |
| Revenue Grants & Contributions from 3 rd Parties | -158 | 178 | -233 | -213 | 204 | -182 | -191 |
| New Hardships Reserve | -162 | 162 | 0 | 0 | 0 | 0 | 0 |
| Recycling Plant Reserve | -138 | 138 | 0 | 0 | 0 | 0 | 0 |
| Works Services Unit Operational Reserve | -114 | 34 | 0 | -80 | 45 | 0 | -35 |
| Library & Art Gallery / Museum Reserve | -129 | 129 | 0 | 0 | 0 | 0 | 0 |
| Business Rates Equalisation Reserve | 0 | 0 | -994 | -994 | 675 | 0 | -319 |
| Budget Stability Reserve | 0 | 0 | -290 | -290 | 55 | -400 | -635 |
| Other smaller reserves e.g. plant & equipment reserves | -328 | 162 | -87 | -253 | 30 | -129 | -352 |
| Total General Fund Balances | -2,934 | 2,286 | -3,027 | -3,675 | 1,165 | -783 | -3,293 |
| Housing Repairs Account | -1,446 | 2,872 | -2,874 | -1,448 | 3,410 | -2,803 | -841 |
| HRA Capital Balances | -8,112 | 0 | -4,717 | -12,829 | 1,793 | -498 | -11,534 |
| Total HRA Fund Balances | -9,558 | 2,872 | -7,591 | -14,277 | 5,203 | -3,301 | -12,375 |

Earmarked Reserves

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.

New Homes Bonus Reserve

The New Homes Bonus reserve was initially set up in the first year of receipt of New Homes Bonus funding in 2011/12 and has been used to finance one off schemes and initiatives. The Council receives grant funding each year based on additional new and affordable homes in the Borough. Since the first year however and following the on-going reduction in core government funding, subsequent allocations have been used as part of the Council's mainstream income.

Revenue Grants & Contributions from 3rd Parties

These are grant payments and contributions from 3rd parties where either the grant conditions have been met or no conditions exist. The monies are held in this reserve until required to fund expenditure in future years.

Works Services Unit Operational Reserve

The primary purpose of this reserve is to mitigate any budget volatility from the Works Services Unit's trading activities from one year to the next, with annual trading surplus and deficits being transferred to and from the reserve respectively. The secondary purpose is to utilise any accumulated balances for the funding of one off investment in the Works Services Unit, for example improved facilities or service expansion.

Business Rates Equalisation Reserve

This reserve was established in 2013/14 in order to allow mitigation of fluctuations in the business rates base and resultant income.

Budget Stability Reserve

This is also a new reserve created in 2013/14 to allow short term contributions towards balancing the budget. 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 underspends arise.

Other Smaller Reserves e.g. Plant & Equipment Reserves

Plant and equipment reserves are typically set aside to either fund specific capital expenditure or for the maintenance of existing assets.

Housing Repairs Account and HRA Capital Balances

Annually transfers are made from these reserves towards the cost of in year Council House repairs and maintenance or capital projects. In addition transfers are made to these reserves from income generated within the Housing Revenue Account towards the cost of future repairs and maintenance or capital schemes.

Note 13. Other Operating Expenditure

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| 662 | Parish council precepts | 678 |
| 399 | Payments to the Government Housing Capital Receipts Pool | 423 |
| -3 | Other income – unattached receipts | -43 |
| 147 | Use of capital receipts* | 67 |
| 1,917 | Gains (-) / Losses on the disposal of non-current assets | -86 |
| 3,122 | Total | 1,039 |

*During 2014/15 £67,180 of income due from developer contributions was written off that was previously recognised and used for financing capital expenditure. In lieu of this it has been necessary to retrospectively finance this expenditure from capital receipts.

Note 14. Financing and Investment Income and Expenditure

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| 1,985 | Interest payable and similar charges | 2,109 |
| 1,392 | Net interest on the net defined benefit liability | 1,401 |
| -488 | Interest receivable and similar income | -466 |
| -62 | Total net surplus (-) / deficit from Direct Service Organisation | -261 |
| -49 | Income and expenditure in relation to investment properties and changes in their fair value | -47 |
| 39 | Loss on forward contract | 40 |
| 0 | Exchange rate loss on financial assets | 0 |
| -9 | Gain(-) / Impairment of financial assets | 32 |
| 2,808 | Total | 2,808 |

Note 15. Taxation and Non Specific Grant Income

| Restated 2013/14 £'000 | | 2014/15 £'000 |
|------------------------------|----------------------------------|------------------|
| -6,217 | Council tax income | -6,233 |
| -14,971 | Retained business rates | -15,952 |
| 13,144 | Business rates tariff payment | 13,400 |
| -5,486 | Non-ringfenced government grants | -5,403 |
| -753 | Capital grants and contributions | -427 |
| -14,283 | Total | -14,615 |

Following the closure of the 2013/14 accounts, the Non Domestic Rating Income figure per the 2013/14 NNDR3 was revised due to an adjustment for Transitional Protection Payments, as agreed with DCLG and confirmed by CIPFA. This reduced the 2013/14 Retained Business Rates figure of £15,082,000 by £111,000. The 2013/14 restated figure of £14,971,000 is shown above.

Accounting Policy

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

Rugby Borough Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

| | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant | 3,170 | 2,473 |
| New Homes Bonus | 1,301 | 1,805 |
| Housing Benefits Administration grant | 600 | 424 |
| Small Business Rates Relief Extension | 337 | 347 |
| Council Tax Freeze grant | 61 | 62 |
| Localised Council Tax Support Admin Subsidy | 0 | 104 |
| Retail Relief Grant | 0 | 163 |
| Business Rates Inflation Cap Grant | 0 | 34 |
| Other grants (less than £25,000) | 17 | -9 |
| Non-ringfenced government grants | 5,486 | 5,403 |
| Section 106 capital funding | 557 | 33 |
| Local Public Service Agreement (LPSA) funding | 139 | 114 |
| Low Carbon funding | 35 | 0 |
| Contribution from the Woodland Trust | 11 | 8 |
| Contribution from Sita | 0 | 25 |
| Homes & Communities Agency | 0 | 226 |
| Other grants | 11 | 21 |
| Capital grants and contributions | 753 | 427 |
| Total Grants Credited to Taxation and Non Specific Grant Income | 6,239 | 5,830 |

Note 16 – Grant Income (cont.)

| | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Credited to Services | | |
| Rent allowances subsidy | 14,396 | 14,000 |
| Rent rebates subsidy | 9,693 | 9,665 |
| Section 106 revenue funding | 224 | 129 |
| Discretionary rate allowance subsidy | 101 | 117 |
| Welfare and council tax reform | 74 | 57 |
| Childhood obesity project | 33 | 34 |
| Safer and stronger communities grant | 31 | 51 |
| Individual Electoral Registration | 0 | 43 |
| Other revenue grants (under £25,000) | 63 | 107 |
| Revenue Grants | 24,615 | 24,203 |
| | | |
| Section 106 capital funding | 253 | 3 |
| Disabled facilities grant | 215 | 222 |
| Orbit Housing | 0 | 66 |
| Other capital grants | 5 | 0 |
| Capital Grants | 473 | 291 |
| | | |
| Total Grants Credited to Services | 25,088 | 24,494 |

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.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|------------------|
| Section 106 funding | 694 | 698 |
| Amounts held in perpetuity / specific reasons | 146 | 145 |
| Funding related to European Link project | 39 | 16 |
| Preventing Homelessness Grant | 0 | 69 |
| Other grants | 57 | 53 |
| Revenue Receipts Held in Advance | 936 | 981 |
| | | |
| Homes & Communities Agency | 0 | 615 |
| Section 106 funding | 396 | 372 |
| LPSA2 funding | 212 | 98 |
| Orbit Housing | 0 | 10 |
| Other grants | 11 | 14 |
| Capital Receipts Held in Advance | 619 | 1,109 |
| | | |
| Total Receipts Held in Advance | 1,555 | 2,090 |

Accounting Policy

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

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.
- All other assets are carried at fair 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, depreciated historical cost is used as 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 with the exception of 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 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

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

No impairments were recognised in the year following a review of asset compliance with our componentisation policy (see page 34).

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

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.

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 Authority; and
- The cost of the item can be measured reliably.

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 Authority 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 and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & 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.

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 in excess of £10,000 are categorised as capital receipts, whereas amounts below 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.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, 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.

Valuations

Council dwellings have been included on the basis of their valuation by an external professional valuer, Mr A George (MRICS) of George & Company Chartered Surveyors, as at 1st April 2011. All valuations (formal and desktop) are carried out on a 5 year rolling programme basis in accordance with the Guidance on Stock Valuation for Resource Accounting (the Valuation Guidance).

In addition, as per last year, a desktop review was carried out in 2014/15 using house price indexation for the West Midlands to assess any general market changes in value. The result was an increase in value of approximately £4.9m. This approach was reviewed by Mr A George (MRICS) of George & Company Chartered Surveyors, whose own data suggests a similar result to the increase in values at a local level. Further to the potential issue with the varying shifts in value between flats and houses highlighted in previous years, Mr George notes that over the year the values between the different housing styles have again remained at a comparative level.

Other land and buildings owned by both the General Fund and the Housing Revenue Account (HRA) have also been valued on the basis of a five year rolling programme by the Council's contracted external valuer, Mr P Mawson (FRICS) of Godfrey-Payton, Chartered Surveyors.

In March 2015 Mr Mawson valued a number of properties for 2014/15 totalling £3.3m giving a land and buildings split, an estimated useful life and assuming a residual value for depreciation purposes. A further programme of valuations will continue in 2015/16 to maintain the five-year rolling programme.

Where the revaluations resulted in a lower value for assets than previously held, they were assessed for impairment. This results in a charge being made to the Comprehensive Income and Expenditure Statement where there are insufficient balances in the Revaluation Reserve. However

it should be noted that this does not impact on council tax as this charge is reversed out through the Movement in Reserves Statement.

In addition to land and buildings noted above, Mr Mawson was also asked to review and confirm that the carrying value of all other land and buildings at the 31st March 2015 did not differ materially from the fair value of those assets at the end of the reporting period.

Each year guidance is sought from the Valuer in order to identify the appropriate bases for valuation; these are disclosed within the accounting policies in addition to the bases for depreciation calculations.

Movement of Property, Plant & Equipment, Investment Property, Assets Held for Sale and Assets Under Construction 2013/14

| | Property, Plant & Equipment | | | | | | Investment Non- Operational assets | Assets under construction | Assets held for sale | Total |
|--|-----------------------------|-----------------------------|-------------------------------------|---------------------------|---------------------|---------------------------------------|---|------------------------------|-------------------------|----------------|
| | Council dwellings | Other land and buildings | Vehicles, plant and equipment | Infra-structure assets | Community assets | Surplus Non- Operational assets | | | | |
| Cost or valuation: | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1st April 2013 | 117,741 | 19,569 | 8,882 | 3,678 | 655 | 3,300 | 585 | 7,148 | 197 | 161,755 |
| Additions | 2,576 | 4,266 | 1,304 | 89 | 24 | 290 | 0 | 2,617 | 0 | 11,166 |
| Derecognition – disposals | -1,305 | -1,883 | -596 | -44 | 0 | -75 | 0 | 0 | -197 | -4,100 |
| Derecognition - other | -982 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -982 |
| Reclassification | -345 | 5,803 | 151 | 794 | 0 | 0 | 0 | -7,055 | 342 | -310* |
| Revaluation increases / decreases (-) recognised in the revaluation reserve | 75 | 777 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 862 |
| Revaluation increases / decreases (-) recognised in the surplus / deficit on the provision of services | 3,390 | 29 | 0 | 0 | 0 | 100 | 8 | 0 | 0 | 3,527 |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -88 | 0 | -88 |
| At 31st March 2014 | 121,150 | 28,561 | 9,741 | 4,517 | 679 | 3,625 | 593 | 2,622 | 342 | 171,830 |
| Depreciation and impairments | | | | | | | | | | |
| At 1 st April 2013 | -1,716 | -1,579 | -5,668 | -594 | -20 | -42 | 0 | 0 | -1 | -9,620 |
| Charge for 2013/14 | -1,728 | -528 | -880 | -206 | 0 | -18 | 0 | 0 | -2 | -3,362 |
| Derecognition – disposals | 46 | 989 | 503 | 3 | 0 | 0 | 0 | 0 | 1 | 1,542 |
| Reclassification | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4* |
| Depreciation written out to the surplus / deficit on the provision of services | 1,695 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,695 |
| Impairment losses / reversals (-) recognised in the surplus / deficit on the provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in depreciation and impairment | 0 | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20 |
| At 31st March 2014 | -1,699 | -1,098 | -6,045 | -797 | -20 | -60 | 0 | 0 | -2 | -9,721 |
| Balance Sheet at 31st March 2014 | 119,451 | 27,463 | 3,696 | 3,720 | 659 | 3,565 | 593 | 2,622 | 340 | 162,109 |

Movement of Property, Plant & Equipment, Investment Property, Assets Held for Sale and Assets Under Construction 2014/15

| | Property, Plant & Equipment | | | | | | Investment Non- Operational assets | Assets under construction | Assets held for sale | Total |
|--|-----------------------------|--------------------------------|-------------------------------------|-------------------------------|---------------------|--|---|---------------------------------|-------------------------|----------------|
| | Council dwellings | Other land and buildings | Vehicles, plant and equipment | Infra- structure assets | Community assets | Surplus Non- Operational assets | | | | |
| Cost or valuation: | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1st April 2014 | 121,150 | 28,561 | 9,741 | 4,517 | 679 | 3,625 | 593 | 2,622 | 342 | 171,830 |
| Additions | 3,250 | 364 | 882 | 498 | 0 | 0 | 0 | 499 | 0 | 5,493 |
| Derecognition – disposals | -918 | 0 | -657 | 0 | 0 | -10 | 0 | 0 | -317 | -1,902 |
| Derecognition - other | -670 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -670 |
| Reclassification | 233 | 1574 | 634 | 0 | 119 | -197 | 0 | -2617 | 247 | -7 |
| Revaluation increases / decreases (-) recognised in the revaluation reserve | 82 | 1885 | 0 | 0 | 0 | 11 | 0 | 0 | 0 | 1,978 |
| Revaluation increases / decreases (-) recognised in the surplus / deficit on the provision of services | 3,075 | -996 | 0 | -15 | 0 | -146 | 5 | 0 | 0 | 1,923 |
| Other movements in cost or valuation | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| At 31st March 2015 | 126,203 | 31,388 | 10,600 | 5,000 | 798 | 3,283 | 598 | 504 | 272 | 178,646 |
| Depreciation and impairments | | | | | | | | | | |
| At 1 st April 2014 | -1,699 | -1,098 | -6,045 | -797 | -20 | -60 | 0 | 0 | -2 | -9,721 |
| Charge for 2014/15 | -1,827 | -571 | -993 | -243 | 0 | -16 | 0 | 0 | 0 | -3,650 |
| Derecognition – disposals | 26 | 0 | 594 | 0 | 0 | 0 | 0 | 0 | 2 | 622 |
| Reclassification | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Depreciation written out to the surplus / deficit on the provision of services | 1,681 | 278 | 0 | 0 | 0 | 12 | 0 | 0 | 0 | 1,971 |
| Impairment losses / reversals (-) recognised in the surplus / deficit on the provision of services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in depreciation and impairment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31st March 2015 | -1,815 | -1,391 | -6,444 | -1,040 | -20 | -64 | 0 | 0 | 0 | -10,774 |
| Balance Sheet at 31st March 2015 | 124,388 | 29,997 | 4,156 | 3,960 | 778 | 3,219 | 598 | 504 | 272 | 167,872 |

* See Note 22 – Heritage Assets for reconciling items on asset reclassification

| | Council dwellings | Other land and buildings | Surplus Non-Operational assets | Investment Non-Operational assets | Assets held for sale | Total non-current assets carried at current value | Assets carried at other value | Total Valuation (All Assets) |
|----------------------------|-------------------|--------------------------|--------------------------------|-----------------------------------|----------------------|---|-------------------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Valued at historical cost | 0 | 11 | 0 | 0 | 0 | 11 | 9,060 | 9,071 |
| Valued at current cost in: | | | | | | | | |
| 2014/15 | 124,388 | 6,126 | 620 | 55 | 272 | 131,460 | 89 | 131,550 |
| 2013/14 | 0 | 10,533 | 1,250 | 320 | 0 | 12,103 | 249 | 12,352 |
| 2012/13 | 0 | 5,105 | 107 | 223 | 0 | 5,435 | 0 | 5,435 |
| 2011/12 | 0 | 7,787 | 828 | 0 | 0 | 8,615 | 0 | 8,615 |
| 2010/11 | 0 | 435 | 414 | 0 | 0 | 849 | 0 | 849 |
| Total | 124,388 | 29,997 | 3,219 | 598 | 272 | 158,473 | 9,398 | 167,872 |

The above statement shows the progress of the Council's rolling programme for the revaluation of current assets. The Council's housing stock was revalued as at 1st April 2011 by George & Co. Surveyors, although a desktop exercise has been undertaken in 2014/15 by George & Co. Surveyors to restate the asset values in light of market conditions

Accounting Policy

Government Grants and Contributions

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund or HRA Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Revenue Expenditure funded from Capital under Statute

Expenditure incurred during the year that may be funded from capital under statutory provisions but does not result in the creation of non-current assets is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. In the main this relates to expenditure on Disabled Facilities Grants and other Home Improvement Loans. Where the cost of this expenditure is met from existing capital resources a transfer in the Movement in Reserves Statement from the General Fund or HRA Balance to the Capital Adjustment Account reverses out the amounts charged so that there is no impact on the level of council tax.

The total amount of capital expenditure incurred in the year is shown in the next table, 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

Minimum Revenue Provision (MRP)

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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 or as determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP or loans fund principal), by way of an adjusting transaction within the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two. This ensures that depreciation, revaluation and impairment losses and amortisations have no overall effect on council tax or housing rent levels.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require local authorities to approve an MRP policy at the beginning of each financial year on setting aside a sum of money from revenue for the repayment of principal on outstanding debt. For 2013/14 the Council approved a policy such that, for capital expenditure incurred before 1st April 2008, the MRP is based on 4% of the authority's Capital Financing Requirement for the General Fund. For General Fund capital expenditure incurred after 1st April 2008, the MRP is based upon the estimated life of those assets where the financing was provided by borrowing.

There is no equivalent requirement for the Housing Revenue Account but voluntary contributions may be made for debt repayment.

| | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Opening Capital Financing Requirement (CFR) | 91,737 | 95,252 |
| Capital Investment: | | |
| Property, Plant, and Equipment | 8,550 | 4,994 |
| Heritage Assets | 7 | 14 |
| Assets Under Construction | 2,617 | 499 |
| Intangible Assets | 63 | 219 |
| Revenue Expenditure Funded from Capital under Statute | 3,750 | 372 |
| Long Term Debtors | 0 | 20 |
| | | |
| Sources of Financing: | | |
| Capital Receipts | -1,550 | -127 |
| Government Grants & Other Contributions | -1,337 | -1,571 |
| Sums Set Aside from Revenue | -1,036 | -1,062 |
| Earmarked Reserves | -2,664 | -1,622 |
| Minimum Revenue Provision / Voluntary Revenue Provision | -4,885 | -6,962 |
| Closing Capital Financing Requirement (CFR) | 95,252 | 90,025 |
| | | |
| Explanation of movements in year: | | |
| Increase in underlying need to borrow (unsupported by government financial assistance) | 3,515 | -5,227 |
| Increase / decrease (-) in Capital Financing Requirement | 3,515 | -5,227 |

Capital commitments

Capital commitments as at 31st March 2015 amounted to **£1.653m**. This amounts to the contractual arrangements to deliver plots at Woodside Park and doors and windows replacement. Capital commitments as at 31st March 2014 amounted to £2.332m.

Note 19. Revaluation Reserve

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

| Restated 2013/14 Total £'000 | | General Fund £'000 | HRA £'000 | 2014/15 Total £'000 |
|---|---|-------------------------------|----------------------|--------------------------------|
| -8,977 | Balance as at 1st April | -8,688 | -784 | -9,472 |
| -671 | Restated Upward revaluation of assets | -2,370 | -83 | -2,453 |
| 30 | Downward revaluation of assets & impairment losses not charged to the surplus / deficit on the provision of services | 449 | 0 | 449 |
| -9,618 | Surplus on revaluation of non-current assets not posted to the surplus or deficit on the provision of services | -10,609 | -867 | -11,476 |
| 40 | Difference between fair value depreciation and historical cost depreciation | 32 | 9 | 41 |
| 106 | Accumulated gains on assets sold or scrapped | 8 | 0 | 8 |
| -9,472 | Balance as at 31st March | -10,569 | -858 | -11,427 |

Following a review of the Council's accounting policy on Revenue Expenditure Funded from Capital Under Statute (REFCUS) it was discovered that an element of expenditure charged to Cost of services in the Comprehensive Income and Expenditure Statement should have been recognised initially as a non-current asset and subsequently revalued. Consequently, although the asset in question (the Queen's Diamond Jubilee Leisure Centre), has the correct carrying value through the valuation process, the balances represented in the Revaluation Reserve and Capital Adjustment Account required restating by £221,000 in 2013/14 to reflect the correct accounting treating at recognition.

Note 20. Capital Adjustment Account

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

| Restated 2013/14 £'000 | | 2014/15 | |
|------------------------------|--|---------|----------------|
| | | £'000 | £'000 |
| -57,515 | Balance as at 1st April | | -63,762 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| 1,622 | General Fund charges for depreciation of non-current assets | 1,820 | |
| 1,746 | HRA charges for depreciation of non-current assets | 1,848 | |
| -4,473 | Revaluation and impairment loss: Property, Plant and Equipment | -3,888 | |
| 88 | Amortisation of intangible assets reversal | 94 | |
| 3,838 | Revenue Expenditure Funded from Capital Under Statute written down | 372 | |
| 2,558 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement | 1,949 | |
| 5,379 | | | 2,195 |
| -146 | Adjusting amounts written out of the Revaluation Reserve | | -49 |
| -52,282 | Net written out amount of the cost of non-current assets consumed in the year | | -61,616 |
| | Capital financing applied in the year: | | |
| -1,550 | Use of the Capital Receipts Reserve to finance new capital expenditure | -127 | |
| -1,036 | Capital expenditure charged against the General Fund & HRA balances | -1,062 | |
| -2,664 | Use of the Major Repairs Reserve to finance new capital expenditure | -1,618 | |
| -1,337 | Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | -1,571 | |
| 0 | Contributions from Earmarked Reserves | -4 | |
| -11,472 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | -6,962 | -11,344 |
| -8 | Revaluation gains on Investment Properties | | -5 |
| -63,762 | Balance at 31st March | | -72,965 |

Note 21. Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. These arise from mortgages on sales of Council Houses which are included under Long Term Debtors – Loans Outstanding. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| -44 | Balance at 1st April | -41 |
| 3 | Transfer to the Capital Receipts Reserve upon receipt of cash | 1 |
| -41 | Balance at 31st March | -40 |

Note 22. Heritage Assets

Accounting Policy

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 (see Accounting Policies).

Reconciliation of the carrying value of Heritage assets held by the Authority:

| | Art & Social History Collections £'000 | Monuments & Statues £'000 | Historic Sites / Buildings £'000 | Civic Regalia £'000 | Total Assets £'000 |
|--------------------------|---|--|---|------------------------------------|-----------------------------------|
| Cost or valuation | | | | | |
| 1 April 2013 | 4,094 | 671 | 157 | 95 | 5,017 |
| Additions | 0 | 0 | 7 | 0 | 7 |
| Reclassifications | 0 | 0 | 307 | 0 | 307 |
| Depreciation | 0 | 0 | -6 | 0 | -6 |
| 31 March 2014 | 4,094 | 671 | 465 | 95 | 5,325 |
| Cost or valuation | | | | | |
| 1 April 2014 | 4,094 | 671 | 465 | 95 | 5,325 |
| Additions | 4 | 0 | 10 | 0 | 14 |
| Revaluations | 25 | 0 | 0 | 0 | 25 |
| Depreciation | 0 | 0 | -18 | 0 | -18 |
| 31 March 2015 | 4,123 | 671 | 457 | 95 | 5,346 |

Additions and Disposals of Heritage Assets

Additions in the year of £14,000 relate to work on the Great Central Way bridges and purchases for the Rugby Art Collection.

Art Collections

The Authority's collections of art work are reported in the Balance Sheet at insurance valuation which is based on market values. The Rugby Art Collection was revalued by Sothebys in 2012/13. 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

The Rugby Art Collection

The Rugby Collection of 20th century and contemporary British art was established in 1946, and now holds more than 170 important paintings, drawings, prints and film works. The collection includes work by Eduardo Paolozzi, Stanley Spencer, Walter Sickert, Barbara Hepworth, Bridget Riley and L.S. Lowry. It is not on permanent display, but parts of it are shown every year in the Rugby Collection show, usually around March – June. At other times, visitors and researchers can view individual works in store by appointment. From time to time, pieces from the collection are loaned to other regional, national or international institutions.

The Social History Collection

Rugby Museum's Social History Collection has been built up since 2000, almost entirely from artefacts donated by local people. It reflects Rugby's rich engineering heritage, as well as the social and domestic lives of the people of the borough. It contains around 6,000 items, mostly of low value. Part of the collection is on display in the Rugby Museum, the remainder is in store.

The Redding Collection

The Redding Collection of glass plate negatives came to Rugby Museum following the closure of a local photographic business. It contains around 20,000 glass plate negatives, mostly from the 1950s and 1960s, many of them portraits and a significant number representing the immigrant communities in the borough. The collection is not on display as it is vulnerable; the content will be made accessible to the public following a digitisation programme.

Monuments & Statues

- Echo sculpture (Caldecott Park)
- Water feature (Caldecott Park)
- Stone carved benches
- Frank Whittle Arch
- William Webb Ellis statue
- Rupert Brooke statue

Historic Sites / Buildings

- Great Central Walk
- Newbold Quarry
- Regent Place / Jubilee Gardens (site of Rugby Motte & Bailey Castle)

Civic Regalia

- Mayoral Badges of Office
- Mayoral & Councillor Robes
- Borough Mace / Various Silverware and Ceramic Items

Accounting Policy

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.

The Council as a Lessee

Finance leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied in writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The authority has acquired the following asset under finance leases:

Land at Brownsover, Rugby

The Council has acquired this land 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 31st March 2015. At inception, no upfront premium was payable and the minimum lease payment of "one peppercorn" has not been charged.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as a cost to the services benefiting from the use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

The Council held the following operating leases in 2014/15:

Photocopiers

The Council has 36 rental agreements for photocopying equipment over a 4 year period.

Land adjoining the former GEC Site, Hillmorton Road, Rugby – Public recreation ground, sport pavilion and car park

The 50 year lease is restricted to rent of "one peppercorn" per annum which has not been charged since inception in 1997 and is not included as future minimum lease payments due in the following table.

Part top floor of the Clock Towers Car Park, Rugby

On 27th January 1981 the Council paid a sum of £179,630 to the landlord of the Clock Towers Car Park to lease 85 spaces on the top floor of the Car Park over 125 years. On 28th January 1981 the Council sublet the 85 spaces back to the Clock Towers for 125 years at a rent of 85/594 (parking spaces) of the annual surplus as shown in the sub tenant's audited accounts. The sublease payments receivable are shown in the table below.

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

| | 31st March 2014 £'000 | 31st March 2015 £'000 |
|--|---|---|
| Not later than one year | 16 | 17 |
| Later than 1 year and not later than 5 years | 17 | 17 |
| Later than 5 years | 0 | 0 |
| | 33 | 34 |

The expenditure and income charged to the net cost of services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:-

| | 2013/14 £'000 | 2014/15 £'000 |
|------------------------------|--------------------------|--------------------------|
| Minimum Lease Payments | 21 | 19 |
| Contingent rents | 0 | 0 |
| Sublease payments receivable | 0 | 0 |
| | 21 | 19 |

The Council as Lessor

Finance leases

The Council as lessor did not hold any finance leases in 2014/15.

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:-

| | 31st March 2014 £'000 | 31st March 2015 £'000 |
|--|---|---|
| Not later than one year | 71 | 74 |
| Later than 1 year and not later than 5 years | 166 | 141 |
| Later than 5 years | 585 | 567 |
| | 822 | 782 |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2014/15 no contingent rents were receivable by the Council.

Note 24. Long Term Advances – Loans Outstanding

| | Balance at 31st March 2014 £'000 | Advances £'000 | Amounts Repaid £'000 | Balance at 31st March 2015 £'000 |
|---|--|---------------------------|-------------------------------------|--|
| Local Authority Mortgage Scheme | 1,011 | 0 | 0 | 1,011 |
| Loans for the Purchase and Improvement of Private Dwellings | 41 | 0 | -1 | 40 |
| Repossession Fund | 6 | 0 | -1 | 5 |
| Local Capital Finance Company | 0 | 20 | 0 | 20 |
| | 1,058 | 20 | -2 | 1,076 |

Note 25. Debtors (amounts due to the Council)

| Restated Net 1st April 2014 £'000 | | Debt £'000 | Bad Debt Provision £'000 | Net 31st March 2015 £'000 |
|---|--|-----------------------|---|---|
| | Amounts due within one year | | | |
| 1,181 | Government Departments | 346 | 0 | 346 |
| 1,241 | Other Local Authorities (inc. Police) | 667 | 0 | 667 |
| 18 | Homelessness | 39 | -12 | 27 |
| 432 | Rent-payers | 490 | -187 | 303 |
| 225 | Council tax payers | 269 | -25 | 244 |
| 331 | Non Domestic Rate payers | 187 | -95 | 92 |
| 85 | Car Parking | 7 | -1 | 6 |
| 877 | Housing Benefit Overpayments | 1,214 | -276 | 938 |
| 1,590 | Other Entities and Individuals | 1,299 | -50 | 1,249 |
| 5,980 | | 4,518 | -646 | 3,872 |
| | Amounts due in more than one year | | | |
| 113 | Employee Vehicle Loans | 144 | 0 | 144 |
| 80 | Work in Default | 78 | 0 | 78 |
| 193 | | 222 | 0 | 222 |
| 6,173 | Total | 4,740 | -646 | 4,094 |

Government Department debtors for 2013/14 have been restated with a £111,000 downwards revision to reflect the adjustment for Transitional Protection Payments for Non-Domestic Rates, as agreed with DCLG and confirmed by CIPFA.

Note 26. Creditors (amounts owed to others by the Council)

| As at 31st March 2014 £'000 | | As at 31st March 2015 £'000 |
|---|---------------------------------------|---|
| 258 | HM Revenue and Customs (HMRC) | 260 |
| 497 | Government Departments | 2,055 |
| 948 | Other Local Authorities (inc. Police) | 1,164 |
| 124 | Rent payers | 130 |
| 78 | Council tax payers | 85 |
| 229 | Non Domestic Rate payers | 0 |
| 2,280 | Other entities and individuals | 8,057* |
| 4,414 | Total | 11,751 |

* The movement in Other entities and individuals is mainly due to a direct debit banking failure on 30th March 2014 relating to a payment to the Public Works Loans Board (£5.847m). The transaction was subsequently completed on 7th April 2014 when the Council was notified of the error.

Note 27. Cash and Cash Equivalents

Accounting Policy

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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|--|--------------------------|
| 99 | Cash held / overdrawn (-) by the authority | 421 |
| 0 | Bank current accounts | 2,053 |
| 8,123 | Money Market Funds | 12,099 |
| 8,222 | Total | 14,573 |

Note 28. Cash Flow Statement – Operating Activities

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| -17,058 | Taxation | -23,210 |
| -29,620 | Grants | -30,961 |
| -7,856 | Housing Rents | -8,055 |
| -4,713 | Sales of Goods and Rendering Services | -6,101 |
| -630 | Interest received | -865 |
| -59,877 | Cash inflows generated from operating activities | -69,192 |
| 11,313 | Cash paid to and on behalf of employees | 12,560 |
| 14,835 | Housing Benefit paid out | 14,378 |
| 13,144 | Business Rates Tariff Payment | 13,400 |
| 670 | Precepts paid | 687 |
| 342 | Payments to the Capital Receipts Pool | 472 |
| 12,308 | Cash paid to suppliers of goods and services (inc. net VAT outflow) | 11,848 |
| 1,968 | Interest paid | 1,543 |
| 2,785 | Other payments for operating activities | 2,491 |
| 57,365 | Cash outflows generated from operating activities | 57,379 |
| -2,512 | Net cash flows from operating activities | -11,813 |

Note 29. Cash Flow Statement – Investing Activities

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| 14,378 | Purchase of property, plant and equipment, investment property and intangible assets | 5,289 |
| 21,610 | Purchase of short-term and long-term investments | 37,180 |
| 0 | Other payments for investing activities | 0 |
| -1,627 | Proceeds from the sale of property, plant, and equipment, investment property and intangible assets | -2,011 |
| -16,459 | Proceeds from short-term and long-term investments | -34,220 |
| -1,523 | Other receipts from investing activities | -1,172 |
| 16,379 | Net cash flows from investing activities | 5,066 |

Note 30. Cash Flow Statement – Financing Activities

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| -32,750 | Cash receipts of short and long-term borrowing | -16,000 |
| -6,716 | Other receipts from financing activities | -1,519 |
| 25,750 | Repayments of short and long-term borrowing | 18,000 |
| -53 | Other payments for financing activities | -85 |
| -13,769 | Net cash flows from financing activities | 396 |

Note 31. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Portfolios. These reports are prepared on a different basis from the accounting policies used in the financial statements.

| Service Information (full disclosure) for the year ended 31 March 2015 | Economy, Development & Culture | Resources & Corporate Governance | Sustainable Environment | Sustainable Inclusive Communities | Rugby World Cup | Housing Revenue Account | Total |
|--|--------------------------------|----------------------------------|-------------------------|-----------------------------------|-----------------|-------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fees, charges & other service income | -3,468 | -19,441 | -2,418 | -1,202 | 0 | -18,145 | -44,674 |
| Government grants | -72 | -72 | -112 | -23,845 | -3 | 0 | -24,104 |
| Total income | -3,540 | -19,513 | -2,530 | -25,047 | -3 | -18,145 | -68,778 |
| Employee expenses | 2,198 | 10,215 | 1,301 | 1,031 | 0 | 1,816 | 16,561 |
| Other operating expenses | 2,620 | 6,626 | 5,888 | 25,048 | 65 | 15,012 | 55,259 |
| Support service recharges | 1,534 | 5,470 | 1,791 | 816 | 0 | 1,454 | 11,065 |
| Total operating expenses | 6,352 | 22,311 | 8,980 | 26,895 | 65 | 18,282 | 82,885 |
| Net expenditure | 2,812 | 2,798 | 6,450 | 1,848 | 62 | 137 | 14,107 |

For comparative information

| Service Information (full disclosure) for the year ended 31 March 2014 | Economy, Development & Culture | Resources & Corporate Governance | Sustainable Environment | Sustainable Inclusive Communities | Housing Revenue Account | Total |
|--|--------------------------------|----------------------------------|-------------------------|-----------------------------------|-------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fees, charges & other service income | -3,786 | -18,385 | -1,728 | -959 | -17,735 | -42,593 |
| Government grants | -73 | -31 | -33 | -24,213 | 0 | -24,350 |
| Total Income | -3,859 | -18,416 | -1,761 | -25,172 | -17,735 | -66,943 |
| Employee expenses | 2,301 | 9,245 | 1,137 | 1,037 | 1,736 | 15,456 |
| Other operating expenses | 2,895 | 6,949 | 5,220 | 25,181 | 18,134 | 58,379 |
| Support service recharges | 1,477 | 4,847 | 1,693 | 875 | 1,173 | 10,065 |
| Total operating expenses | 6,673 | 21,041 | 8,050 | 27,093 | 21,043 | 83,900 |
| Net expenditure | 2,814 | 2,625 | 6,289 | 1,921 | 3,308 | 16,957 |

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements

| | 2013/14 £'000 | 2014/15 £'000 |
|--|--------------------------|--------------------------|
| Net expenditure in the Portfolio analysis | 16,957 | 14,107 |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Portfolio analysis | -13,585 | -11,760 |
| Cost of services in the Comprehensive Income and Expenditure Statement | 3,372 | 2,347 |

Reconciliation to Subjective Analysis

The reconciliation shows how the figures in the analysis of the Portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement

| 2014/15 | Portfolio Analysis | Amounts not reported to management | Net cost of service | Corporate Amounts | Total |
|--|-----------------------|--|------------------------|----------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fees, charges & other service income | -44,674 | 10,471 | -34,203 | -261 | -34,464 |
| Interest and investment income | 0 | 42 | 42 | -513 | -471 |
| Income from council tax | 0 | 0 | 0 | -6,233 | -6,233 |
| Non-Domestic rates | 0 | 0 | 0 | -2,552 | -2,552 |
| Government grants and contributions | -24,104 | -370 | -24,474 | -5,830 | -30,304 |
| Total Income | -68,778 | 10,143 | -58,635 | -15,389 | -74,024 |
| Employee expenses | 16,561 | 118 | 16,679 | 0 | 16,679 |
| Other service expenses | 55,259 | -18,542 | 36,717 | 0 | 36,717 |
| Support service recharges | 11,065 | 0 | 11,065 | 0 | 11,065 |
| Depreciation, amortisation and impairment | 0 | -3,621 | -3,621 | 0 | -3,621 |
| Interest payments | 0 | 0 | 0 | 3,582 | 3582 |
| Precepts & levies | 0 | 0 | 0 | 678 | 678 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 423 | 423 |
| Gain (-) or loss on disposal of non-current assets | 0 | 0 | 0 | -62 | -62 |
| Total Expenditure | 82,885 | -22,045 | 60,840 | 4,261 | 65,461 |
| Surplus(-) / deficit on the provision of services | 14,107 | -11,902 | 2,205 | -10,768 | -8,563 |

Note 31 – Amounts Reported for Resource Allocation Decisions (cont.) and Note 32 – Trading Operations

| Restated 2013/14 | Portfolio Analysis | Amounts not reported to management | Net cost of service | Corporate Amounts | Total |
|--|-------------------------------|---|--------------------------------|------------------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fees, charges & other service income | -42,593 | 9,270 | -33,323 | -65 | -33,388 |
| Interest and investment income | 0 | 42 | 42 | -537 | -495 |
| Income from council tax | 0 | 0 | 0 | -6,217 | -6,217 |
| Non-Domestic Rates (NDR) | 0 | 0 | 0 | -1,826 | -1,826 |
| Government grants and contributions | -24,350 | -495 | -24,845 | -6,239 | -31,084 |
| Total Income | -66,943 | 8,817 | -58,126 | -14,884 | -73,010 |
| Employee expenses | 15,456 | 183 | 15,639 | 0 | 15,639 |
| Other service expenses | 58,379 | -20,761 | 37,618 | 0 | 37,618 |
| Support service recharges | 10,065 | 0 | 10,065 | 0 | 10,065 |
| Depreciation, amortisation and impairment | 0 | -1,824 | -1,824 | 0 | -1,824 |
| Interest payments | 0 | 0 | 0 | 3,407 | 3,407 |
| Precepts & levies | 0 | 0 | 0 | 662 | 662 |
| Payments to Housing Capital Receipts Pool | 0 | 0 | 0 | 399 | 399 |
| Gain (-) or loss on disposal of non-current assets | 0 | 0 | 0 | 2,064 | 2,064 |
| Total Expenditure | 83,900 | -22,402 | 61,498 | 6,532 | 68,030 |
| Surplus(-) / deficit on the provision of services | 16,957 | -13,585 | 3,372 | -8,352 | -4,980 |

Note 32. Trading Operations

Rugby Borough Council operates a Works Services Unit trading operation where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations.

| | 2012/13 £'000 | 2013/14 £'000 | 2014/15 £'000 |
|--------------------|--------------------------|--------------------------|--------------------------|
| Expenditure | 7,421 | 9,207 | 10,210 |
| Income | -7,590 | -9,269 | -10,471 |
| Surplus (-) | -169 | -62 | -261 |

The cumulative surplus over the last three financial years is **-£492,000**. The Works Services Unit trading operation is incorporated into the Comprehensive Income and Expenditure Statement, including some integral parts of the Council's services to the public (e.g. Refuse Collection and Street Cleansing). The expenditure of these operations is allocated or recharged to the relevant service headings within Cost of Services and only the residual £261,000 net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see Note 13).

Note 33. Audit Fees

In 2014/15 Rugby Borough Council incurred the following fees relating to external audit and inspection:

| | 2013/14 £'000 | 2014/15 £'000 |
|---|--------------------------|--------------------------|
| Fees payable to the appointed auditor regarding external audit services | 72 | 72 |
| Fees payable to the appointed auditor for the certification of grant claims and returns | 13 | 9 |
| Total | 85 | 81 |

Note 34. 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 note 16. Amounts outstanding at the end of the financial year are included in note 25 and 26.

Warwickshire County Council (WCC) and the Office of Police and Crime Commissioner for Warwickshire

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. WCC is the administering authority for the Pension Fund and employer’s contributions paid by this council total £2,118,000 for 2014/15. In addition, the Council paid £251,400 relating to income for on-street car parking collected on behalf of WCC and received £306,430 for reimbursement of running costs relating to the decriminalisation of car parking.

Parish Precepts

For 2014/15 the precepts issued to parish councils totalled £677,650.

Council Members and Chief Officers

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

- The Register of Members’ Interests – 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 our Anti-Fraud & Corruption Strategy.

During 2014/15, 7 Borough Councillors were also Warwickshire County Councillors (*Cllr Peter Butlin; Cllr Heather Timms; Cllr Richard Dodd; Cllr Jerry Roodhouse; Cllr Kaur; Cllr O'Rourke and Cllr H Roberts*).

In addition to their normal involvement on various Council Committees, most members and some Senior Officers and staff also act as the Council's representative on a wide range of Outside and Voluntary Bodies – some such representation follows from their Committee membership(s). A list of representatives relevant to 2014/15 was approved at the Annual Meeting of the Council on 5th June 2014.

The Council provided financial assistance to certain voluntary and outside bodies during 2014/15; these are mainly Local Government Associations or local groups that the Council supports with grant aid and advice. Examples include the Local Government Association, West Midlands Local Government Association, Rugby First, Rugby Citizens Advice Bureau, Rugby Age Concern, Rugby Bid Company and many others. The majority of individual transactions may be material for the recipient organisations but are relatively immaterial in financial terms for this organisation, with the exception of:

Rugby First Ltd - BID Division

As Economy Development and Culture Portfolio Holder, Cllr Mrs Timms and as Sustainable Environment Portfolio Holder, Cllr Williams (part year) and Cllr Mrs Bragg (part year) are on the Board of Rugby First Limited. An amount of £936,420 was paid to the BID Company in 2014/15 of which £645,570 related to the collection of BID Levy income for 2014/15.

A total of £231,230 grants were awarded in 2014/15, of which £145,970 was paid to voluntary organisations in which 8 members had an interest. All payments were made with proper consideration of declarations of interest. The relevant Members did not take part in any discussion or decision relating to the payments.

A full list of all Borough Councillors and their various interests of this type can be made available upon request at the Town Hall, Rugby.

Other Public Bodies:

Rugby and Daventry Crematorium Joint Committee

The Rugby and Daventry Crematorium Joint Committee was set up in 2011 to represent Rugby Borough Council and Daventry District Council to oversee the process of implementation of the joint run project 'The Rainsbrook Cemetery and Crematorium' and will continue to exist for the duration of the crematorium facility. The crematorium will be operated by Rugby Borough Council on behalf of the Joint Committee that represents both authorities. The cemetery is owned and operated by Rugby Borough Council. Both the cemetery and crematorium started operating from 2nd April 2014. Rugby Borough Council funded £88,630 in capital charges and generated a revenue surplus of £108,130 during 2014/15.

Queen's Diamond Jubilee Centre

The Queen's Diamond Jubilee Centre opened in August 2013 and is operated on behalf of Rugby Borough Council by Greenwich Leisure Ltd (GLL). In 2014/15 the Council recognised a £175,850 share of the operating surplus from GLL from the operation of the centre, which was partially offset by a management fee of £17,490 that was paid to GLL.

Note 35. Pension Costs

Accounting Policy

Pension Benefits

The cost of providing pensions for employees is charged to the accounts in accordance with International Accounting Standard 19 'Employee Benefits'. This policy reflects the requirement to account for retirement benefits when the fund is committed to give them, even if the payment may be many years in the future.

Statutory provisions require the General Fund balance 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. All actuarial gains and losses arising from the re-measurement of the net benefit liability are recognised in Other Comprehensive Income and Expenditure.

Participation in pension schemes

Rugby Borough Council participates in two post employment schemes:

The Local Government Pension Scheme (LGPS)

The scheme is administered locally by Warwickshire County Council and is a funded defined benefit career average salary scheme, meaning that Rugby Borough Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2014/15 the Council paid an employer's contribution total of **£1.980m** which represented 18.06% of employees' pensionable pay of £10.966m into the Pension Fund. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations and the current rate was determined by the latest valuation undertaken up to 31st March 2013.

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 4.3% (broadly equivalent to the yield available on a basket of AA rated bonds with duration similar to that of a 'typical' LGPS employer).

The assets listed below of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities - bid price
- Property - market value
- Pooled funds - Net Asset Value as at 31st December 2014
- Private equity and hedge funds - professional estimate

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due. In 2014/15 the cost of the added years benefit awarded in the past amounted to **£0.138m**, representing 1.3% of pensionable pay.

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 cash payable in the year, 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 following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund and HRA balances via the Movement in Reserves Statement during the year.

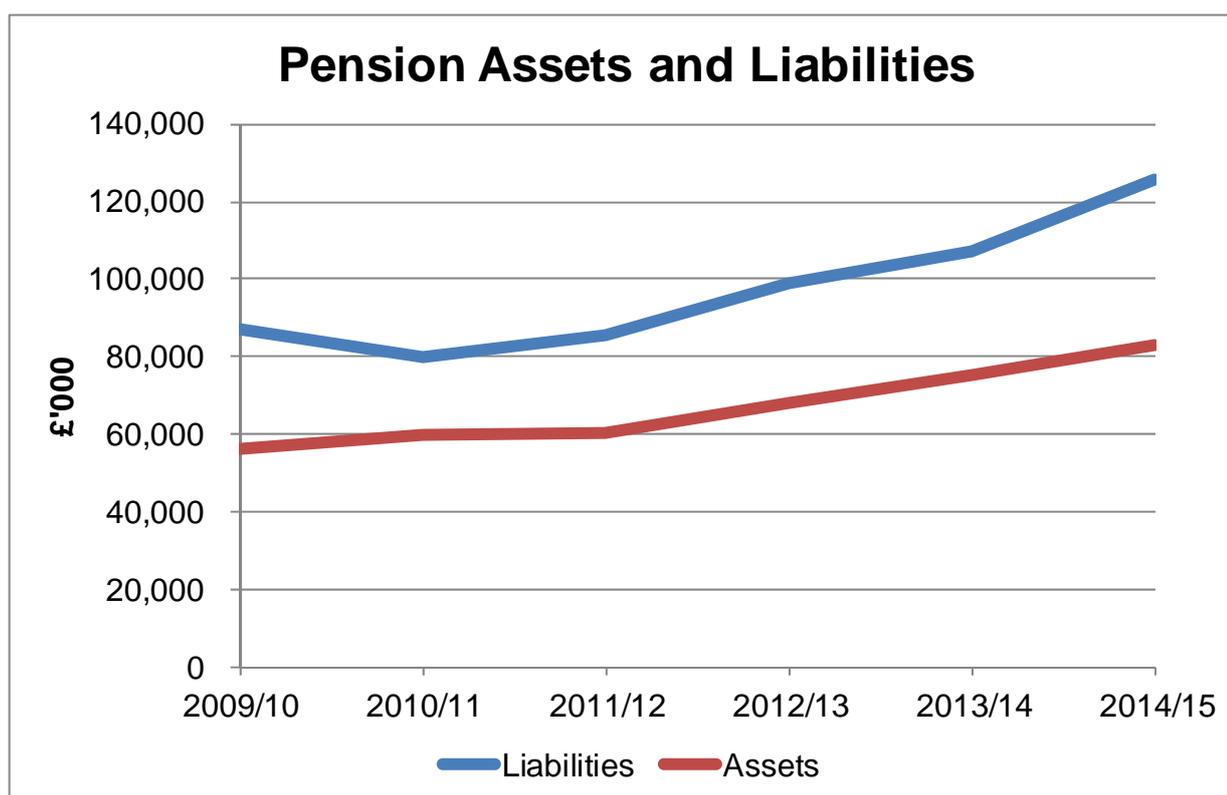
| | Local Government Pension Scheme | | Discretionary Benefit Arrangements | |
|---|---------------------------------|------------------|------------------------------------|------------------|
| | 2013/14 £'000 | 2014/15 £'000 | 2013/14 £'000 | 2014/15 £'000 |
| Comprehensive Income and Expenditure Statement | | | | |
| <i>Cost of Services:</i> | | | | |
| • Current Service Costs | 2,382 | 2,643 | | |
| • Past Service Costs | 5 | | | |
| <i>Financing and Investment Income and Expenditure:</i> | | | | |
| • Net Interest Expense | 1,310 | 1,323 | 82 | 78 |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 3,697 | 3,966 | 82 | 78 |
| <i>Re-measurement of the net defined benefit liability comprising:</i> | | | | |
| • Return on Plan Assets (excluding the amount included in the net interest expense) | -5,239 | -6,470 | | |
| • Actuarial gains and losses arising on changes in demographic assumptions | -489 | | 37 | |
| • Actuarial gains and losses arising on changes in financial assumptions | 2,695 | 15,720 | 18 | 53 |
| • Other experience | 2,722 | -968 | -16 | 92 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 3,386 | 12,248 | 121 | 223 |

| | Local Government Pension Scheme | | Discretionary Benefit Arrangements | |
|--|---------------------------------|------------------|------------------------------------|------------------|
| | 2013/14 £'000 | 2014/15 £'000 | 2013/14 £'000 | 2014/15 £'000 |
| <ul style="list-style-type: none"> Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code | -3,697 | -3,966 | -82 | -78 |
| Actual amount charged against the General Fund and HRA Balances for Pensions in the year: | | | | |
| <ul style="list-style-type: none"> Employer's contributions payable to the scheme Retirement benefits payable to pensioners | 1,715 | 1,980 | 138 | 138 |

Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | Local Government Pension Scheme | | Discretionary Benefit Arrangements | |
|--|---------------------------------|------------------|------------------------------------|------------------|
| | 2013/14 £'000 | 2014/15 £'000 | 2013/14 £'000 | 2014/15 £'000 |
| Present Value of the Defined Benefit Obligation | -105,481 | -123,834 | -1,883 | -1,968 |
| Fair Value of Plan Assets | 75,014 | 83,099 | | |
| Net Liability Arising from the Defined Benefit Obligation | -30,466 | -40,735 | -1,883 | -1,968 |



The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of **£42.703m** has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made by the Council in the year to 31st March 2016 is **£2.091m**.

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

| | 2013/14 £'000 | 2014/15 £'000 |
|--|------------------|------------------|
| Opening Balance at 1st April 2014 | 68,198 | 75,014 |
| Interest Income on Plan Assets | 3,034 | 3,190 |
| Return on Plan Assets, excluding the amount included in the net interest expense | 5,239 | 6,470 |
| Contributions from Employer | 1,850 | 2,118 |
| Contributions from Scheme Participants | 621 | 712 |
| Benefits Paid | -3,928 | -4,405 |
| Closing Balance at 31st March 2015 | 75,014 | 83,099 |

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

| | Local Government Pension Scheme | | Discretionary Benefit Arrangements | |
|--|---------------------------------|------------------|------------------------------------|------------------|
| | 2013/14 £'000 | 2014/15 £'000 | 2013/14 £'000 | 2014/15 £'000 |
| Opening Balance at 1st April 2014 | 96,994 | 105,481 | 1,897 | 1,883 |
| Current Service Cost | 2,382 | 2,643 | 0 | 0 |
| Interest cost | 4,344 | 4,513 | 82 | 78 |
| Contributions by Scheme Participants | 621 | 712 | 0 | 0 |
| Re-measurement Gain/(Loss): | | | | |
| • Actuarial gains/losses arising from changes in demographic assumptions | -489 | 0 | 37 | 0 |
| • Actuarial gains/losses arising from changes in financial assumptions | 2,695 | 15,720 | 18 | 53 |
| • Other experience | 2,722 | -968 | -16 | 92 |
| Benefits Paid | -3,793 | -4,267 | -135 | -138 |
| Past Service Costs | 5 | 0 | 0 | 0 |
| Closing Balance at 31st March 2015 | 105,481 | 123,834 | 1,883 | 1,968 |

Basis for Estimating Assets and Liabilities

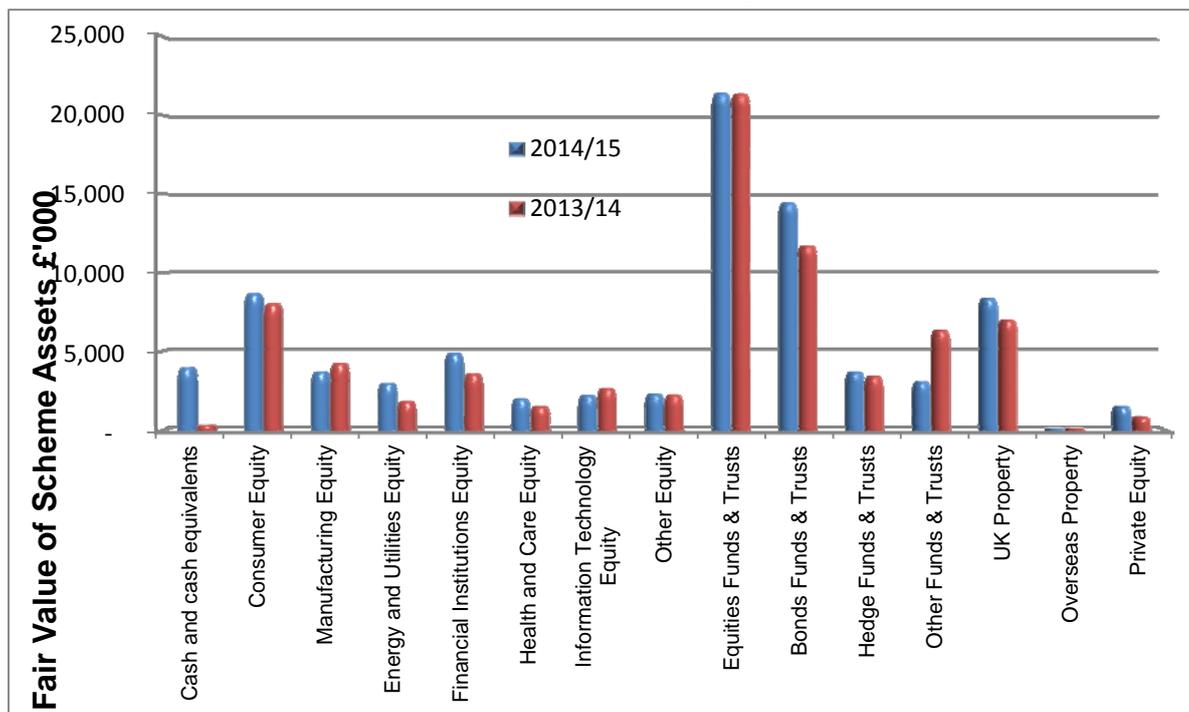
Liabilities have been assessed on an actuarial basis using the projected unit credit method valuation, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP Ltd, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31st March 2013.

| | 2013/14 £'000 | 2014/15 £'000 |
|---|------------------|------------------|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners (years): | | |
| • Men | 22.4 | 22.4 |
| • Women | 24.3 | 24.4 |
| Longevity at 65 for future pensioners (years): | | |
| • Men | 24.4 | 24.3 |
| • Women | 26.6 | 26.6 |
| Rate of Inflation (CPI) | 2.80% | 2.40% |
| Rate of increase in salaries | 4.60% | 4.30% |
| Rate of increase in pensions | 2.80% | 2.40% |
| Rate of discounting of scheme liabilities | 4.30% | 3.20% |
| Take-up option to convert annual pension into retirement lump sum | 50% | 50% |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses shown in the next table have 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, assume 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 sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme Assets Comprised:



IAS19 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 below.

| Impact on the Defined Benefit Obligation in the Scheme | | |
|---|--|---|
| | Approximate Monetary Amount £'000 | Approximate % increase to Employer Liability |
| Longevity (increase one year) | 3,774 | 3% |
| Rate of increase in salaries (increase by 1%) | 7,634 | 6% |
| Rate of increase in pensions (increase by 1%) | 16,686 | 14% |
| Rate for discounting scheme liabilities (decrease by 1%) | 24,864 | 20% |

Impact on the Authority's Cash Flows

The contributions paid by Rugby Borough Council are set by the Fund Actuary at each triennial actuarial valuation (the most recent being at 31st March 2013). The objectives of the scheme are to keep employers' contributions at as constant a rate as possible; the contributions payable over the period to 31st March 2017 are set out in the Rates and Adjustments Certificate. Warwickshire County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. The next triennial valuation is due to be completed on 31st March 2016. Employer contributions for the period to 31st March 2016 are estimated to be approximately £2.091m.

Note 36. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits become payable.

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|--|--------------------------|
| 30,693 | Balance at 1st April | 32,350 |
| -272 | Re-measurement of the net defined liability | 8,426 |
| 3,779 | Reversal of items relating to retirement benefits credited to the Surplus of Provision of Services in the CIES | 4,044 |
| -1,850 | Employer's pension contributions and direct payments to pensioners payable in the year | -2,118 |
| 32,350 | Balance at 31st March | 42,703 |

Accounting Policy

Financial Liabilities (e.g. Borrowing)

Financial liabilities are initially measured at fair value and carried on the Balance Sheet at that value plus any interest due. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for that particular financial instrument. For most borrowings that the Council has this means that the amount presented in the Balance Sheet is the outstanding principal repayable, and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Financial Assets (e.g. Investments)

Financial Assets are classified into two types:

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

Loans and Receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Soft Loans

Soft loans are loans made to third parties at preferential rates of interest below market rates. The Code requires the fair value of soft loans to be estimated at the present value of future cash receipts attributable to the loans discounted using the prevailing market rate for a similar financial instrument. This results in a different measure of fair value than what is derived from the actual cash lent and the cash flows that will take place under contract.

Hedge Accounting

In accordance with the Code, the Council will apply Hedge Accounting on a transaction by transaction basis.

The Council will carry out hedging activities, from time to time, to limit its exposure to different financial risks, such as interest rate risk. These activities commonly consist of entering into a forward dated contract with a counterparty to eliminate or limit risk. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the balance sheet date. The method of recognising the resulting gain or loss is dependent on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

A hedging relationship that qualifies for hedge accounting will be recognised when the following conditions are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Council's risk management objective and strategy for undertaking the hedge. The documentation will include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- For a cash flow hedge, a forecast transaction that is the subject of the hedge must be highly probable;
- The effectiveness of the hedge can be reliably measured; and
- The hedge is assessed on an on-going basis and determined actually to have been effective throughout its life.

Cash Flow Hedges

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in the Comprehensive Income and Expenditure Statement and any ineffective portion is recognised immediately in Other Comprehensive Income and Expenditure. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in the Comprehensive Income and Expenditure Statement are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in the Comprehensive Income and Expenditure Statement are recognised in Financing and Investment Income and Expenditure.

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

| | Long Term | | Current (Short Term) | |
|---|---|---|---|---|
| | 31 st March 2014 £'000 | 31 st March 2015 £'000 | 31 st March 2014 £'000 | 31 st March 2015 £'000 |
| Investments: | | | | |
| Loans & receivables | 1,011 | 0 | 10,481 | 9,494 |
| Available-for-sale financial assets | 5,960 | 5,402 | 6,994 | 12,774 |
| Total investments | 6,971 | 5,402 | 17,475 | 22,268 |
| Debtors: | | | | |
| Loans & receivables | 113 | 144 | 1,364 | 1,186 |
| Total debtors | 113 | 144 | 1,364 | 1,186 |
| Cash and cash equivalents: | | | | |
| Loans & receivables | - | - | 8,222 | 14,573 |
| Total cash and cash equivalents | 0 | 0 | 8,222 | 14,573 |
| Borrowings: | | | | |
| Financial liabilities at amortised cost | -78,562 | -85,524 | -19,629 | -5,367 |
| Total borrowings | -78,562 | -85,524 | -19,629 | -5,367 |
| Creditors: | | | | |
| Financial liabilities at amortised cost – trade creditors | 0 | 0 | -2,280 | -7,492 |
| Total creditors | 0 | 0 | -2,280 | -7,492 |

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:

| 2014/15 | | | | |
|---|---|------------------------------|-----------------------------|----------------|
| | Financial Liabilities Amortised Cost £'000 | Loans & Receivables £'000 | Available for Sale £'000 | Total £'000 |
| Interest expense | 2,109 | 0 | 0 | 2,109 |
| Impairment gains (-) / losses | 40 | 32 | 0 | 72 |
| Interest payable & similar charges | 2,149 | 32 | 0 | 2,181 |
| Interest income | 0 | -298 | -168 | -466 |
| Interest and investment income | 0 | -298 | -168 | -466 |
| Net Gain (-) / Loss for the year | 2,149 | -266 | -168 | 1,715 |

| 2013/14 | | | | |
|---|---|------------------------------|-----------------------------|----------------|
| | Financial Liabilities Amortised Cost £'000 | Loans & Receivables £'000 | Available for Sale £'000 | Total £'000 |
| Interest expense | 1,985 | 0 | 0 | 1,985 |
| Impairment gains (-) / losses | 39 | -9 | 0 | 30 |
| Interest payable & similar charges | 2,024 | -9 | 0 | 2,015 |
| Interest income | 0 | -345 | -143 | -488 |
| Interest and investment income | 0 | -345 | -143 | -488 |
| Net Gain (-) / Loss for the year | 2,024 | -354 | -143 | 1,527 |

Hedging

On 5th August 2011, the Council entered into a forward dated contract with BAe Systems Pension Fund to borrow £10 million on 30th December 2011 to fund the Queen's Diamond Jubilee Leisure Centre project. The forward contract was settled on 30th December 2011 by delivery of the underlying loan and its fair value of £436,635 was transferred to the hedging reserve and recognised as a loss in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement. This sum will be released to the income and expenditure account over ten years to 30 December 2021 to match the interest payable on the loan. The sum released in the 2014/15 financial year was £40,353 (2013/14: £39,039). The hedging relationship remains highly effective. No financial assets or liabilities were designated as hedging instruments at 31st March 2015 (2014: £nil).

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Early repayment rates for loans from the Public Works Loan Board (PWLB) as at 31st March
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables (debtors) is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

| As at 31 st March 2014 | | | As at 31 st March 2015 | |
|-----------------------------------|---------------------|------------------------------------|-----------------------------------|---------------------|
| Carrying Amount £'000 | Fair Value £'000 | | Carrying Amount £'000 | Fair Value £'000 |
| 62,898 | 65,278 | PWLB Debt | 57,598 | 63,527 |
| 35,293 | 34,967 | Non-PWLB Debt | 33,293 | 34,322 |
| 98,191 | 100,245 | Total Borrowings | 90,891 | 97,849 |
| 17,475 | 17,468 | Money Market Loans < 1 year | 22,268 | 22,262 |
| 6,971 | 6,960 | Money Market Loans > 1 year | 5,402 | 5,402 |
| 24,446 | 24,428 | Total Loans and Receivables | 27,670 | 27,664 |

Borrowings: The fair value is more than the carrying amount because the authority's loans are fixed at a higher rate than was available at the 31st March 2015. This increases the fair value of the borrowings held, which have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates as at each balance sheet date and include accrued interest. The fair values for non-PWLB debt (other than "Lender's Option Borrower's Option" (LOBO) loans) have also been calculated using the same procedures and interest rates and this provides a sound approximation for the fair value for these instruments.

Loans and Receivables: The fair values for loans and receivables have been determined by reference to the PWLB redemption rules which provide a good approximation for the fair value of a financial instrument, and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date.

Note 38. Hedge Reserve

The Council has established a cash flow hedging relationship between a forward contract element and the interest cash flows payable on a loan (see note 37)

Upon settlement of the forward contract its fair value was transferred to the Hedge Reserve and recognised as a loss in Other Comprehensive Income and Expenditure within the Comprehensive Income and Expenditure Statement. This sum will be released to the income and expenditure account over ten years to 30th December 2021 to match the interest payable on the loan.

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|---|--------------------------|
| 390 | Balance at 1st April | 351 |
| -39 | Release to income and expenditure account to match interest payable on loan | -41 |
| 351 | Balance at 31st March | 310 |

The Council's activities expose it to a variety of financial risks. The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimize 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; and

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.

Key Risks

Credit risk

- Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which 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.

The following analysis summarises the Council's maximum exposure to credit risk by comparing global corporate finance average default rates (1990 – 2013) against the Council's deposits to produce an estimated maximum exposure to default.

| As at 31 st March 2014 | | Deposits with banks and financial institutions | As at 31 st March 2015 | |
|--|---|--|--|---|
| Carrying Amount on Balance Sheet £'000 | Estimated maximum exposure to default £'000 | | Carrying Amount on Balance Sheet £'000 | Estimated maximum exposure to default £'000 |
| 2,179 | 0 | AAA rated counterparties/products | 5,231 | 0 |
| 3,519 | 1 | AA rated counterparties/products | 9,738 | 2 |
| 7,300 | 6 | A rated counterparties/products | 9,025 | 7 |
| 11,445 | 25 | BBB rated counterparties/products | 3,674 | 8 |
| 2 | 0 | Gilts | 1 | 0 |
| 1,455 | 44 | Trade Debtors | 1,330 | 40 |
| 25,900 | 76 | Total | 28,999 | 57 |

Note 39 - Nature and Extent of Risk Arising from Financial Instruments (cont.)

At 31st March 2015 sundry debts outstanding, arising from a contractual obligation, stood at £1.330m. Of this balance, **£0.156m** is past its due date for payment (30 days) and can be analysed by age as follows:

| | 31st March 2014 £'000 | 31st March 2015 £'000 |
|------------------------|---|---|
| Less than three months | 170 | 70 |
| Three to six months | 181 | 11 |
| Six months to one year | 12 | 14 |
| More than one year | 106 | 61 |
| Total | 469 | 156 |

During the reporting period the Council held no collateral as security.

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 authority 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 is as follows:

| | 31st March 2014 £'000 | 31st March 2015 £'000 |
|-----------------------------|---|---|
| Less than one year | 17,473 | 22,268 |
| Between one and two years | 2,833 | 1,001 |
| Between two and three years | 0 | 2,201 |
| More than three years | 4,138 | 2,200 |
| Total | 24,444 | 27,670 |

All trade and other payables (creditors) are due to be paid in less than one year and are not shown in the table above.

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 central treasury 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; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

| | Approved maximum limits | Approved minimum limits | Actual 31 st March 2015 | Actual 31 st March 2014 | Actual |
|-------------------------|-------------------------|-------------------------|------------------------------------|------------------------------------|--------|
| | % | % | £'000 | £'000 | % |
| Less than one year* | 15 | 0 | 3,082 | 12,338 | 3 |
| 12 months to 2 years | 25 | 0 | 6,901 | 3,046 | 8 |
| Between 2 and 5 years | 45 | 0 | 36,874 | 25,717 | 41 |
| Between 5 and 10 years | 55 | 0 | 35,104 | 43,144 | 39 |
| Between 10 and 20 years | 75 | 0 | 5,484 | 5,483 | 6 |
| Between 20 and 30 years | 75 | 0 | 515 | 515 | 1 |
| Between 30 and 40 years | 75 | 0 | 512 | 512 | 1 |
| More than 40 years | 75 | 0 | 434 | 434 | 1 |
| Total* | | | 88,906 | 91,189 | |

* excludes short term borrowing less than 365 days.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. For instance, a rise in 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.

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

The Council has a number of strategies for managing interest rate risk. 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 treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. 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 – Other than those sums held in Icelandic kroner (ISK) previously mentioned in Note 10, the Council has no financial assets or liabilities denominated in foreign currencies. In co-operation with other local authorities and legal advisors, the Council is examining options to facilitate the release of funds held in Iceland at the earliest opportunity. Fluctuations in foreign exchange values are, in part, mitigated by interest earned on these sums whilst held in escrow.

Note 40. Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost,
- Disposed of and the gains are realised.

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|---|--------------------------|
| 0 | Balance at 1st April | 295 |
| 0 | Upward revaluation of investments | -311 |
| 295 | Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | 71 |
| 0 | Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income | -128 |
| 295 | Balance at 31st March | -73 |

Note 41. Provisions

Accounting Policy

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.

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. The new arrangements for the business rates came into effect on 1st April 2013. 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.

In 2013/14 a provision was made in the Collection Fund for potential refunds from business rates appeals of £2.201m, of which Rugby Borough Council's **40%** share of the total provision was **£0.881m**. Following the establishment of this provision, for 2014/15 the Council undertook an assessment of the potential refunds from the outstanding Business Rates appeals at the 31st March 2015.

The 2014/15 analysis indicated that a reduction in the overall provision should be made, however on grounds of prudence the provision has been left unchanged in the 2014/15 Accounts. This judgement was made on the basis that the Business Rates Retention system is still in its infancy with limited past experience or data available relating to the accuracy of the Business Rates appeals provisions, therefore it has been assessed to be more appropriate to leave the provision unchanged until more substantial data is available in future years to determine whether the indicative reduction in appeal refunds for 2014/15 will be realised.

| 2013/14 Total Provision £'000 | | 2014/15 Current Provision £'000 | 2014/15 Long-term Provision £'000 | 2014/15 Total Provision £'000 |
|--|---|--|--|--|
| 0 | Balance at 1st April | 264 | 617 | 881 |
| 881 | Additional Provision made in year | 0 | 0 | 0 |
| 881 | Balance at 31st March | 264 | 617 | 881 |

Note 42. Contingent Liabilities

Accounting Policy

Any contingent liabilities or assets are not recognised as elements in the accounting statements as there is an uncertainty as to their timing and value, but are disclosed in a note, to show their nature and their possible financial effect on the accounts.

In November 2014 the Employment Appeal Tribunal (EAT) ruled that holiday pay should include non-guaranteed overtime (i.e. overtime, which is not guaranteed by the Council, but which an employee is obliged to work if it is offered). However, in May 2015 an appeal was lodged against this decision requesting the EAT to revisit the case. Therefore, because of the on-going dispute and uncertain outcome, a provision has not been made in the 2014/15 accounts to reflect potential costs arising from this ruling.

In June 2015 the Council reached an agreement with regard to the settlement of claims, against a number of local authorities, for the application of Local Land Register charges. However, this settlement has not been recognised in the 2014/15 accounts as a provision because it is probable that the settlement costs will be met at least in part by Government ‘New Burdens’ funding.

Note 43. Trust Funds

The Council administers certain trust funds relating to legacies left by individuals over a number of years and these funds are not included on the balance sheet.

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|-------------------------------|------------------|
| 4 | G.C. Benn Bequest | 4 |
| 403 | Benn’s Estate Capital Account | 450 |
| 2 | Peter Simpson Bequest | 3 |
| 409 | | 457 |

Note 44. Post Balance Sheet Event

Accounting Policy

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified;

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

There have been no material post balance sheet events that would require disclosure or adjustment to these financial statements.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

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, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

| 2013/14 | | 2014/15 |
|----------------|---|----------------|
| £'000 | | £'000 |
| | Income | |
| -15,789 | Dwelling Rents | -16,203 |
| -202 | Non-dwelling rents | -276 |
| -1,497 | Charges for services | -1,406 |
| -247 | Contributions towards expenditure | -327 |
| -17,735 | Total Income | -18,212 |
| | Expenditure | |
| 2,872 | Repairs and maintenance | 3,409 |
| 4,838 | Supervision and management | 4,361 |
| 2 | Rents, rates, taxes and other charges | 1 |
| -3,326 | Depreciation and impairment of non-current assets | -2,886 |
| 17 | Debt management costs | 7 |
| 80 | Movement in allowance for bad debts | 123 |
| 4,483 | Total Expenditure | 5,015 |
| -13,252 | Net Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement | -13,197 |
| 233 | HRA Share of Corporate and Democratic Core costs | 233 |
| -13,019 | Net Expenditure of HRA Services | -12,964 |
| 1,077 | Gain (-) / Loss on sale of HRA non-current assets | -118 |
| 1,327 | Interest payable and similar charges | 1,326 |
| -88 | Interest and investment income | -101 |
| 160 | Pension interest and expected return on pension assets | 157 |
| -139 | Capital grants and contributions receivable | -113 |
| -10,682 | Surplus (-) / Deficit for the year on HRA services | -11,813 |

Movement on the HRA Statement

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| -6,171 | HRA revenue balance brought forward | -2,863 |
| -10,682 | Surplus (-) / Deficit for the year on the HRA Income and Expenditure Account | -11,813 |
| 9,271 | Adjustments between accounting basis and funding basis under statute | 12,059 |
| -1,411 | Net increase or decrease (-) before transfers to or from reserves | 246 |
| 4,719 | Transfers to (-) or from earmarked reserves | -108 |
| 3,308 | Increase (-) / decrease in the HRA Revenue Balance | 138 |
| -2,863 | HRA revenue balance carried forward | -2,725 |

Note to the Movement on the HRA Statement

| | Adjustments between accounting basis and funding basis under statute | |
|--------------|--|---------------|
| -1,746 | Charges for depreciation and impairment of non-current assets | -1,848 |
| 4,375 | Revaluation losses(-) / gains on Property Plant and Equipment | 4,756 |
| -13 | Amortisation of intangible assets | -22 |
| -1,378 | Amounts of non-current assets written off on disposal or sale | -1,876 |
| 1,285 | Sale proceeds credited as part of the gain/loss on disposal | 1,995 |
| -2 | Transfer to Accumulated Absences account | 3 |
| 139 | Capital grants and contributions applied | 180 |
| 191 | Net charges made for retirement benefits (IAS 19) | -454 |
| 2,748 | Reversal of Major Repairs Allowance credited to the HRA | 3,802 |
| 4,100 | Statutory provision for the financing of capital investment | 5,300 |
| -428 | Employers Contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | 223 |
| 9,271 | | 12,059 |

| | Transfers to or from (-) earmarked reserves | |
|--------------|--|-------------|
| 2 | Transfer to or from (-) Housing Repairs Account | -606 |
| 4,717 | Transfer to HRA Capital balances | 498 |
| 4,719 | | -108 |

Note 1. HRA Assets

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

| 2013/14 | | 2014/15 |
|--------------|--|--------------|
| 2,227 | Houses/Bungalows (including part-ownerships) | 2,218 |
| 1,627 | Flats | 1,630 |
| 3,854 | | 3,848 |

The change in the stock was as follows:

| 2013/14 | | 2014/15 |
|--------------|---------------------------------------|--------------|
| 3,914 | Stock at 1 st April | 3,854 |
| -22 | Less sales (including part-ownership) | -34 |
| -38 | Less removal from stock | 0 |
| 0 | Add: new build properties | 23 |
| 0 | Add: purchase of properties | 5 |
| 3,854 | Stock at 31 st March | 3,848 |

The balance sheet includes Housing Revenue Account assets as follows:

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| | Balance Sheet values as at 31 st March | |
| 119,451 | Operational Assets: Dwellings | 124,388 |
| 171 | Operational Assets: Other Land & Buildings | 171 |
| 41 | Operational Assets: Equipment | 61 |
| 423 | Operational Assets: Infrastructure | 705 |
| 364 | Non-Operational Assets | 296 |
| 120,450 | | 125,621 |

Note 2. Vacant Possession

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|---|------------------|
| 349,602 | Vacant Possession Value of Dwellings at April 2013 prices | 364,055 |
| -119,451 | Balance Sheet Value of Dwellings | -124,388 |
| 230,151 | Economic cost to Government | 239,667 |

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 in order 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 34%.

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. The Reserve earns interest on all balances which must also be used for this purpose.

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|---|--------------------------|
| -2,776 | Balance at 1 st April | -2,886 |
| | | |
| -1,746 | Depreciation on non-current assets | -1,848 |
| -1,002 | Appropriations to/from HRA Revenue | -1,954 |
| -26 | Interest received | -39 |
| -5,550 | Sub-total | -6,727 |
| | | |
| 2,664 | Capital financing | 1,618 |
| -2,886 | Balance at 31st March | -5,109 |

Note 4. Housing Repairs Account

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|---|--------------------------|
| -1,446 | Balance at 1 st April | -1,448 |
| -2,874 | Contributions during the year | -2,803 |
| 2,872 | Repairs and maintenance charged | 3,409 |
| -1,448 | Balance at 31st March | -842 |

Note 5(i). HRA Capital Expenditure and Financing

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|---------------------------|--------------------------|
| 3,704 | Council dwellings | 3,563 |
| 0 | Other assets | 0 |
| 19 | Housing Management System | 31 |
| 111 | Other expenditure | 9 |
| 3,834 | Sub-total | 3,603 |
| | Financed by: | |
| 1,031 | Direct Revenue Finance | 981 |
| 139 | Government Grant | 180 |
| 0 | S.106 Funding | 824 |
| 2,664 | Major Repairs Reserve | 1,618 |
| 3,834 | | 3,603 |

Note 5(ii). HRA Capital Receipts

| 2013/14 £'000 | | 2014/15 £'000 |
|--------------------------|--|--------------------------|
| 1,283 | Sales of Council Houses under Right to Buy (RTB) | 1,994 |
| 0 | RTB Discounts repaid | 0 |
| 2 | Council House Mortgage Principal Repayments | 1 |
| 1,285 | | 1,995 |

Note 6. Depreciation of Property Plant and Equipment

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|------------------------------------|------------------|
| | Operational Assets | |
| 1,731 | - Dwellings, other land, buildings | 1,826 |
| 3 | - Equipment | 6 |
| 12 | - Non-operational assets | 16 |
| 1,746 | | 1,848 |

A full valuation of the stock has to be undertaken every 5 years. The latest one was carried out as at 1st April 2011. The results have been incorporated into the values shown in the balance sheet.

Note 7. Contribution to/from Pensions Reserve

The HRA share of IAS 19 pension adjustments is based on the number of employees charged to the HRA. Also see note 34 Pension Costs and Note 35 Pensions Reserve.

Note 8. Tenant Arrears

During 2014/15 rent arrears as a proportion of gross rental income have changed from 2.48% of the amount due to 2.76%. The figures, excluding service charges and debts of up to three weeks are as follows:

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| 243 | Arrears of current tenants (not including current weeks) | 386 |
| 149 | Arrears of former tenants | 114 |
| 392 | Total tenants arrears at 31st March | 500 |

Bad Debts

The total provision for bad debts was £186,520 (as at 31st March 2015). Amounts actually written off during the year totalled £119,091. 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:

| 2013/14 £'000 | | 2014/15 £'000 |
|------------------|--|------------------|
| -206 | Balance at 1st April | -183 |
| 104 | Write off | 119 |
| -81 | Provision made in the year | -123 |
| -183 | Balance as at 31st March | -187 |

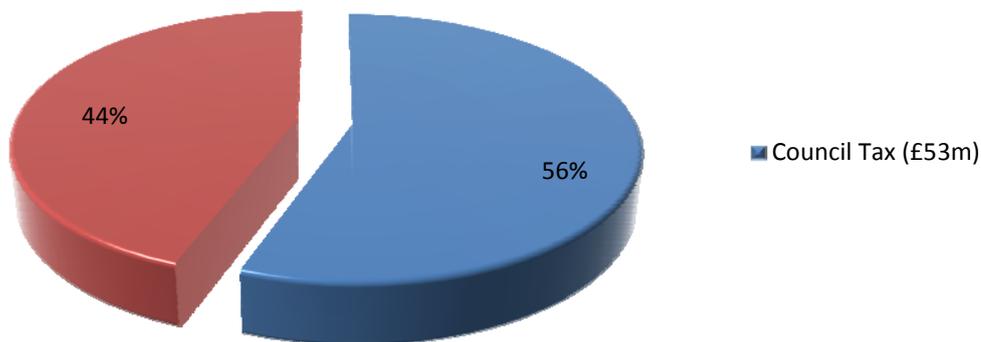
Accounting Policy

As a billing authority the Council acts as an agent collecting council tax and business rates (national non-domestic rates) on behalf of the major preceptors, Central Government and itself.

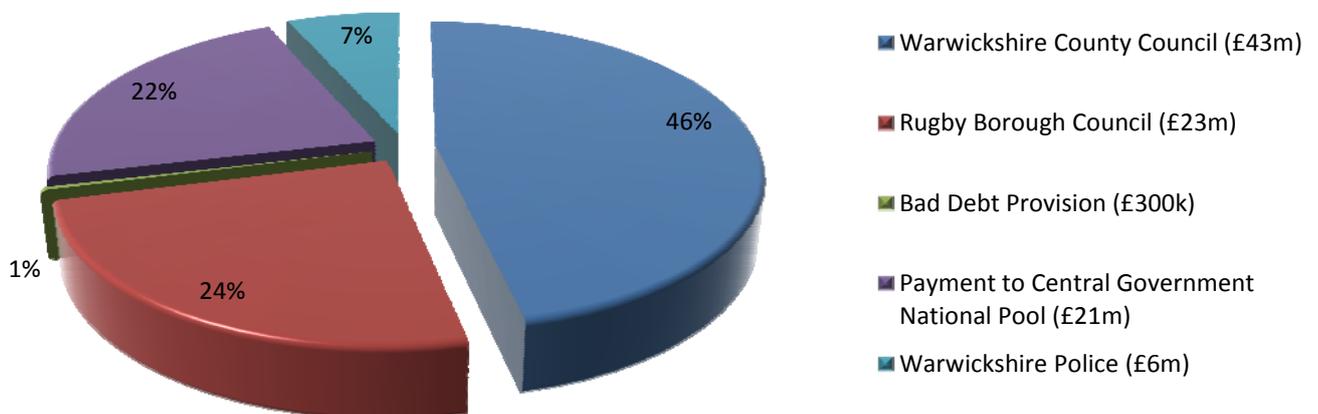
Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted. Transactions and balances in respect of council tax and business rates therefore need to be allocated between the billing authority, major preceptors and Central Government, in accordance with the proportionate shares set out in legislation.

The Council’s share of council tax income and retained business rate income alongside the related business rates tariff payment and levy payment will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. The difference between the business rate and council tax income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement.

2014/15 Collection Fund Income £95m



2013/14 Collection Fund Expenditure £93.3m

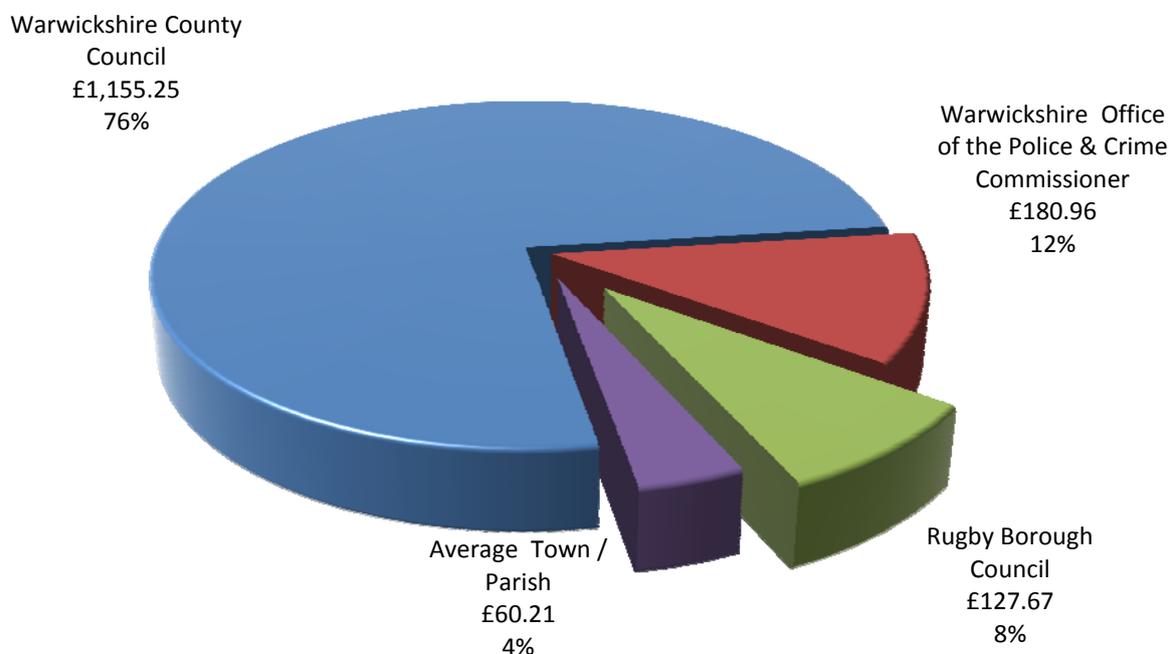


Collection Fund Statement

| 2013/14 Restated £'000 | | 2014/15 Business Rates £'000 | 2014/15 Council Tax £'000 | 2014/15 Total £'000 |
|------------------------------|---|---------------------------------------|------------------------------------|---------------------------|
| | INCOME | | | |
| -50,606 | Council Tax Receivable | 0 | -52,801 | -52,801 |
| -40,330 | Business Rates Receivable | -42,101 | 0 | -42,101 |
| 0 | Transitional Protection Payments Receivable | 0 | 0 | 0 |
| -90,936 | | -42,101 | -52,801 | -94,902 |
| | Apportionment of Previous Year Deficit | | | |
| 0 | Central Government | -844 | 0 | -844 |
| -196 | Warwickshire County Council | -169 | 0 | -169 |
| -32 | Rugby Borough Council | -675 | 0 | -675 |
| -31 | Office of the Police and Crime Commissioner for Warwickshire | 0 | 0 | 0 |
| -259 | | -1,688 | 0 | -1,688 |
| | | | | |
| -91,195 | Total Income | -43,789 | -52,801 | -96,590 |
| | | | | |
| | EXPENDITURE | | | |
| 213 | Transitional Protection Payments | 153 | 0 | 153 |
| | | | | |
| | Apportionment of Previous Year Surplus | | | |
| 0 | Central Government | 0 | 0 | 0 |
| 0 | Warwickshire County Council | 0 | 617 | 617 |
| 0 | Rugby Borough Council | 0 | 100 | 100 |
| 0 | Office of the Police and Crime Commissioner for Warwickshire | 0 | 97 | 97 |
| 0 | | 0 | 814 | 814 |
| | Precepts, Demands and Shares | | | |
| 20,222 | Central Government | 20,592 | 0 | 20,592 |
| 41,679 | Warwickshire County Council | 4,118 | 39,248 | 43,366 |
| 22,298 | Rugby Borough Council | 16,474 | 6,266 | 22,740 |
| 5,895 | Office of the Police and Crime Commissioner for Warwickshire | 0 | 6,148 | 6,148 |
| 90,094 | | 41,184 | 51,662 | 92,846 |
| | Charges to Collection Fund | | | |
| 230 | Less: write offs of uncollectable amounts | 112 | 133 | 245 |
| 43 | Less: Increase / Decrease (-) in Bad Debt Provision | 59 | -17 | 42 |
| 2,201 | Less: Increase / Decrease (-) in Provision for Appeals | 0 | 0 | 0 |
| 135 | Less: Cost of Collection | 135 | 0 | 135 |
| 2,609 | | 305 | 116 | 421 |
| | | | | |
| 92,916 | Total Expenditure | 41,643 | 52,592 | 94,235 |
| | | | | |
| | Movement on Fund | | | |
| 1,721 | Surplus (-) / Deficit arising during the year | -2,146 | -209 | -2,355 |
| 335 | Surplus (-) / Deficit arising at 1 st April | 2,763 | -707 | 2,056 |
| 2,056 | Surplus (-) / Deficit arising at 31st March | 617 | -916 | -299 |

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, Office of the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the band D council tax figure of **£1,550.86** for 2014/15.



The tax base is calculated by estimating the number of chargeable dwellings in each valuation band, taking into account 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 below.

| Band | No. of Chargeable Dwellings | Ratio | Band D Equivalent |
|------|-----------------------------|--|-------------------|
| A- | 11.14 | 5/9 | 6.18 |
| A | 5,143.23 | 6/9 | 3,425.39 |
| B | 8,255.28 | 7/9 | 6,414.35 |
| C | 8,827.77 | 8/9 | 7,839.06 |
| D | 5,162.76 | 9/9 | 5,162.76 |
| E | 3,901.87 | 11/9 | 4,768.09 |
| F | 2,456.18 | 13/9 | 3,546.72 |
| G | 1,411.99 | 15/9 | 2,352.33 |
| H | 65.81 | 18/9 | 131.62 |
| | | | 33,646.50 |
| | | Less allowance for non-collection | (471.05) |
| | | Contributions in lieu (MOD properties) | 136.60 |
| | | COUNCIL TAX BASE 2014/15 | 33,312.05 |

(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 **£1,550.86** provided an original estimate of income, including council tax benefit, of **£51,662,425** for 2014/15. The actual income for 2014/15 was **£52,801,964**, thus exceeding expectations by 2.2%

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 **£104,697,075** at 31st March 2015 (£102,376,428 in 2013/14). The non-domestic rating multiplier for 2014/15 was **48.2p** (47.1p in 2013/14) and the small business non-domestic rating multiplier was **47.1p** (46.2p in 2013/14).

Note 3. Collection Fund Balance Apportionment

The Collection Fund balance as at 31st March 2015 will be split between the authorities and recovered in 2016/17 in the following proportions:

| Restated 2013/14 £'000 | | Council Tax 2014/15 £'000 | Business Rates 2014/15 £'000 |
|---------------------------------------|--|--|---|
| 1,382 | Central Government | 0 | 308 |
| -260 | Warwickshire County Council | -696 | 62 |
| -84 | Police and Crime Commissioner for Warwickshire | -109 | 0 |
| 1,018 | Rugby Borough Council | -111 | 247 |
| 2,056 | | -916 | 617 |

The Balance Sheet as at 31st March 2015 will include a net creditor for each of the precepting authorities' share of the Collection Fund deficit.

The Council's share of the overall surplus on the Collection Fund of £135,936 is recognised in the Consolidated Income and Expenditure Statement in 2014/15, but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

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.

| Restated 2013/14 £'000 | | Council Tax 2014/15 £'000 | Business Rates 2014/15 £'000 | Total 2014/15 £'000 |
|---------------------------------------|---|--|---|------------------------------------|
| 41 | Balance at 1st April | -87 | 1,105 | 1,018 |
| 977 | 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. | -24 | -858 | -882 |
| 1,018 | Balance at 31st March | -111 | 247 | 136 |

2013/14 Restatement

Following the closure of the 2013/14 accounts, the Non Domestic Rating Income figure per the 2013/14 NNDR3 was revised due to an adjustment for Transitional Protection Payments, as agreed with DCLG and confirmed by CIPFA.

This increased the 2013/14 Collection Fund (Business Rates) deficit from £2,485,000 to £2,763,000.

The 2013/14 Collection Fund Statement has been restated and the overall Collection Fund Balance at 31st March 2014 increases from £1,778,000 to £2,056,000, as shown in Note 3.

The Council's share of the increase in the overall 2013/14 Collection Fund Balance is £111,000 as recognised in the Consolidated Income and Expenditure Statement and Note 14. This is then reversed out the Collection Fund Adjustment Account in the Movement in Reserves Statement.

The 2013/14 Collection Fund Adjustment Account figure of £907,000 increased by £111,000 to the restated figure of £1,018,000 as shown in Note 3.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUGBY BOROUGH COUNCIL

We have audited the financial statements of Rugby Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Movement on the HRA Statement, the Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Rugby Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Rugby Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Rugby Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Rugby Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

30 September 2015

Annual Governance Statement - 2014/15**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. Rugby Borough Council has a duty under the Local Government Act 1999 to make arrangements to ensure that continuous improvement in the way its functions are exercised is made.
- 1.2 The Council must put in place proper governance arrangements and carry out its functions effectively, including suitable risk management arrangements.
- 1.3 Rugby Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.rugby.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4[3] of the Accounts and Audit Regulations 2011, which requires all relevant bodies to prepare an annual governance statement.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, the culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community.
- 2.2 It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 2.4 The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Rugby Borough Council's policies, aims and objectives. The process should also allow the Council to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.5 The governance framework has been in place at the Council for the year ending 31 March 2015 and up to the date of approval of the Statement of Accounts.

3. The Governance Framework

3.1 Who is responsible for Ensuring Good Governance?

Rugby Borough Council has a duty under the Local Government Act 1999 to ensure that effective governance arrangements are in place and has established an Audit & Ethics Committee to oversee these arrangements. The Executive Directors have overall responsibility for ensuring that effective controls and processes are implemented across the authority and these are regularly reviewed and updated. Regular reports are submitted to the Audit & Ethics Committee highlighting any identified enhancements.

The Heads of Resources and Business Transformation are responsible for ensuring that effective financial controls are in place, for the maintenance of an effective internal audit function and for reviewing the overall effectiveness of the governance framework. The overview and co-ordination of this process is undertaken by the Corporate Assurance Manager.



3.2 What this Statement tells you

This Statement provides a summarised account of how our management arrangements are set up to meet the principles of good governance set out in our Constitution and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any improvements made and any weaknesses or gaps in our arrangements that need to be addressed. Its main aim therefore is to provide the reader with confidence that the authority is managed effectively and efficiently; that we deliver the services required in accordance with current legislation, our corporate priorities and in a way that optimises value for money.

How we meet our Commitment to Good Governance as set out in our Constitution

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|--|---|---|---|
| <p>Principle 1: Focusing on the purpose of the Authority and on outcomes for the Community and creating and implementing a vision for the local area.</p> | <ul style="list-style-type: none"> • We set out our priorities in the Corporate Strategy • We publish our plans and our past performance in Cabinet meetings • We publish all external assessments of our performance • We develop the Medium Term Financial Strategy which provides the Council with a sound financial plan that enables it to meet its objectives • We plan to maintain services in the face of unforeseen disruption • We work in partnership with other services and authorities where it is beneficial to do so. | <ul style="list-style-type: none"> • Corporate Strategy • Cabinet Committee papers • External Peer Review • Equality and Diversity Review • Medium Term Financial Strategy • Emergency Planning • Business Continuity • Shared procurement service • Shared Building Control Service | <p style="text-align: center;"></p> <p>The Annual Audit Letter for 2013/14 provided assurance over financial control and overall governance of our operations at the end of 2013/14.</p> <p>Annual reporting of performance for 2014/15 set out in our Corporate Change and Improvement Plan indicates that the majority of objectives were delivered.</p> <p>Rugby in Bloom brings together the Borough Council, local businesses, shops, schools, individuals and volunteers. This initiative all with the aims of striving to protect and enhance the natural environment now and in the future. We annually enter the regional Heart of England in Bloom campaign and have attained a Gold award in each of the last 7 years.</p> <p>The Community Edible Gardening Project was launched on April 6th 2014 as part of the Warwickshire Big Day Out. This aims to provide a gardening space to enable the local community to sustainably grow food for them-selves or for</p> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|---------------|------------------------------|---|--|
| | | | <p>the local food bank. This also provides an opportunity to demonstrate social responsibility through sustainable living. The first year has been a great success which culminated with a harvest celebration which included local cookery demonstrations to showcase what could be done with the food grown. The beds have been doubled in size for the 2015 growing season.</p> <p>The Council is part of the Dementia Action Alliance. This helps us to promote independent living and healthy lifestyles whilst helping the council to tailor its services according to the needs of the community.</p> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|--|---|---|--|
| <p>Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.</p> | <ul style="list-style-type: none"> • Our Constitution sets out the roles and responsibilities of Members and Officers and regulates the conduct of the Authority's business • We operate with clear terms of reference for the Authority and all committees • We provide all staff with role profiles • We operate with clear delegated responsibilities from Members to the Executive Directors, and downwards to all officers • All staff groups work to national conditions of service and remuneration amended by locally agreed variations • We consult with the community on our plans and proposals • We regularly report on performance against stated objectives to Members | <ul style="list-style-type: none"> • Constitution • Codes of Conduct for Employees and Members • Terms of reference of the Council, Cabinet, overview and scrutiny committees & regulatory committees • Clear role profiles • Scheme of Delegation to Officers • National and Local Conditions of Service • Member Working Groups and Scrutiny Reviews include: <ul style="list-style-type: none"> - Household Waste Services - Universal Credit and Welfare Reform - Fees and Charges - Hackney Carriage Stands - Promoting Independent Living - Rugby Business Improvement District - Alcohol and Health - Fixed Term Tenancies | <p style="text-align: right;"><input checked="" type="checkbox"/></p> <p>The Constitution is continually monitored and updated when required under the management of the Monitoring Officer.</p> <p>Financial and other delegations are clearly defined and documented</p> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|---|---|--|--|
| <p>Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p> | <ul style="list-style-type: none"> • We are clear on our purpose, aims and values • We operate Codes of Conduct for Members and Officers and maintain arrangements for reporting and investigating any allegations of misconduct. • We maintain records of the personal interests of Members and staff • We recognise and embrace differences through our Equality and Diversity Policy • We operate a zero tolerance approach to any fraud or corruption perpetrated against the authority and maintain robust arrangements for dealing with any issues that are discovered • We enable staff to report inappropriate behaviour or conduct • We have a Complaint, Comments and Compliments Scheme managed corporately by the Communications, Consultation and Information Manager • We have a Counter Fraud and Corruption Strategy which is reviewed annually | <ul style="list-style-type: none"> • Corporate Priorities • Codes of Conduct for Members and Officers • Register of Interests • Equality and Diversity Policy • Fraud and Corruption Strategy • Anti-Money Laundering Policy • Annual Probity Training cascaded to all staff • Whistleblowing Policy | <p style="text-align: center;"></p> <p>The National Fraud Initiative data matching exercise has revealed some benefit fraud activities against the Council. These have all been investigated in accordance with procedures.</p> <p>There have been no complaints about Members' conduct that have been reported to Audit & Ethics Committee.</p> <p style="text-align: center;"></p> <p>Fraud & Corruption Strategy needs an annual refresh.</p> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|--|---|--|--|
| <p>Principle 4: Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p> | <ul style="list-style-type: none"> • All Committee agendas, meeting papers, and minutes are available on our website • Decisions for differing monetary scales are delegated according to the Constitution • Key financial and procurement data is published on our web site • We publish information about the earnings, interests and activities of our Members and Executive Directors • We actively manage the key risks which could threaten the delivery of services and the achievement of our objectives • We consult widely on our plans and proposals and use feedback to inform our decisions • We publish our Freedom of Information procedures • We operate clear and accessible arrangements for buying supplies and services • We have an Overview and Scrutiny Management Board which reviews and/or scrutinises decisions made or actions taken in connection with the discharge of | <ul style="list-style-type: none"> • All available on the Council's Internet site www.rugby.gov.uk • Financial and Procurement data on Internet site www.rugby.gov.uk • Members' allowances • Senior Officers' Pay • Strategic Risk Registers • Operational Risk Registers • Mitigating actions • Risk Management Strategy • Member Working Groups and Scrutiny Reviews include: <ul style="list-style-type: none"> - Household Waste Services - Universal Credit and Welfare Reform - Fees and Charges - Hackney Carriage Stands - Promoting Independent Living - Rugby Business Improvement District - Alcohol and Health - Fixed Term Tenancies • Freedom of Information Policy • Procurement Strategy and procedures | <p style="text-align: center;"></p> <p>The Annual Audit Letter for 2013/14 provided assurance over financial control and overall governance arrangements in operation at the end of 2013/14</p> <p>The Corporate Assurance Manager's Annual Report for 2014/15 provides reasonable assurance that controls, in the main, were found to be operating satisfactorily.</p> <p style="text-align: center;"></p> <p>Internal audit have identified weaknesses in some audits for the 2014/15 Audit Plan which are being addressed through Action Plans. Staff training and awareness was and will continue to be provided to ensure compliance with policies. This will continue to be monitored.</p> <p>Strategic Risk Management Framework is currently being updated</p> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|------------------------------------|--|---|--|
| | the Council's functions and holds the executive to account | <ul style="list-style-type: none"> • Declaration of Interests • Register of Gifts and Hospitality | |
| Principle 5: Developing the | <ul style="list-style-type: none"> • We provide staff with job profiles | <ul style="list-style-type: none"> • Job profiles | <input checked="" type="checkbox"/> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|---|---|--|---|
| capacity and capability of members and officers to be effective | setting out their duties clearly <ul style="list-style-type: none"> • We operate a review and development scheme • We operate a protocol to govern the relationship between Members and Officers that ensures access to appropriate information • We treat everyone fairly and equally • We provide new Members with induction training on appointment • We evaluate the training needs of Members and provide a full training programme to ensure that they have the knowledge and information to make effective decisions. | <ul style="list-style-type: none"> • Review and Development Scheme • Training programme: The Way we Manage for all managers and team leaders to attend • Staff Induction process • Protocol of Member/Officer relations • Equality & Diversity Policy • Equality and Diversity Peer Review • Members' Induction Pack • Member Job profiles • Member Appraisal Scheme • Members PDP's | <div style="text-align: center;"></div> <p>There have been 6 new Members appointed for 2014/15. There will be some need for governance training for these Members.</p> |
| Principle 6: Engaging with | <ul style="list-style-type: none"> • We consult widely on proposed | <ul style="list-style-type: none"> • Member Working Groups and | <input checked="" type="checkbox"/> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|---|---|---|--|
| <p>local people and other stakeholders to ensure robust public accountability</p> | <p>plans and targets</p> <ul style="list-style-type: none"> • We publish information on our performance • We make all Committee agendas, meeting papers and minutes available on our website • We comply with legislation under the Freedom of Information Act • We maintain effective consultation arrangements with staff and their representative bodies • We publish major decisions in the Forward Plan which is also publicly available allowing interested parties to lodge their views prior to the decision being made • The Forward Plan sets out what consultation will be undertaken before a decision is taken and with whom • We have a Communications Strategy which sets out how we will communicate with our residents, businesses, visitors and staff. | <p>Scrutiny Reviews include:</p> <ul style="list-style-type: none"> - Household Waste Services - Universal Credit and Welfare Reform - Fees and Charges - Hackney Carriage Stands - Promoting Independent Living - Rugby Business Improvement District - Alcohol and Health - Fixed Term Tenancies <ul style="list-style-type: none"> • Cabinet Reports • Engagement through the publication of the Council's Financial Statements • All available on the Council's Internet site www.rugby.gov.uk • Freedom of Information Policy • Forward Plan January - April 2015 FINAL.pdf • Examples of consultation include: civil parking enforcement, scrutiny review of recycling centres, taxi licencing policy, Pettiver Crescent development etc. | <p>In 2014 Rugby Borough Council worked with the recently formed Newbold on Avon Community Partnership to secure a £25,000 grant from SITA Trust's QEII Fields Fund to build a play area. The partnership carried out a consultation in Newbold which revealed a desire for new play facilities - and a 'wish list' of play equipment. After securing the grant, a number of designs for the new play area were drawn up, and residents and pupils at Newbold Riverside Primary School voted for a favourite design. The completed play area includes a nest swing, cradle swings, a multi-play frame with slide, roundabout, rocking board and a trim trail. In addition to the £25,000 grant, the council invested an additional £7,000 in the play area. The new play area at Avon Mill Recreation Ground shows the difference the council and communities can make when working together. The play area is a real asset for Newbold, and further evidence of the Council's commitment to investing in quality play facilities for our residents.</p> |

| Key Principle | How we meet these Principles | Examples where you can see governance in action | Assurance Received and Issues identified |
|---------------|------------------------------|--|--|
| | | <ul style="list-style-type: none"> • Communications strategy 2014 FINAL.pdf | |

4. How Did we Do?

4.1 The Authority is required by Section 4 (3) of the Accounts and Audit Regulations to undertake an annual review of the systems of internal control it has in place to ensure the proper governance of its affairs.

4.2 The 2014/15 review is based on the information available and has been informed by the following:

- The views of the Corporate Assurance Manager contained in the 2014/15 Annual Report which is based on the audits completed over that 12 month period.
- A review of performance against budgets and objectives as reported to Cabinet
- The results of the audit of Corporate Governance arrangements
- The Risk Management Process and an internal review of risk management arrangements
- A review of any changes and improvements made to the governance framework during the last financial year

4.3 On the basis of the internal review of operation of the governance framework, the level of assurance for 2014/15 has been assessed as **SUBSTANTIAL**. This indicates that in general, strong systems are in place but there are some processes where one or more of the following issues were identified:

- Improvements identified have yet to be fully implemented
- Minor breaches of controls have been identified

The Assurance Process – How we Provide and Use Assurance Information

| IDENTIFY What do we want assurance on? | ASSESS How is that assurance provided? | REVIEW How is that assurance reviewed and validated? | INFORM What do we do with the information received? |
|---|--|---|--|
| <ul style="list-style-type: none"> • That we comply with our Constitution and key policies • That we deliver the services and objectives that meet our customer needs • That we take account of the views of our stakeholders • That we use and account for our money properly • That the risks we face are effectively managed • That we comply with legislation, regulation and statutory guidance • That we get the best out of our staff and Members | <ul style="list-style-type: none"> • The External Auditor's reports • The Internal Auditor's reports • Peer reviews of our processes • Feedback received from service users and partners • Compliance with the CIPFA statement in "The Role of the Chief Financial Officer in Local Government" • Performance and Risk monitoring and reporting • Review and Development Scheme | <ul style="list-style-type: none"> • Regular performance reports to Members via: <ul style="list-style-type: none"> - Audit & Ethics Committee - Overview and Scrutiny Management Board - Corporate Performance Committee - Customer and Partnerships Committee • Leadership and Operations Team Reports and Monitoring including that of strategic risks • Collate and monitor performance information via Covalent • Regular reports and information to Government Departments • External and Internal Audit validation | <ul style="list-style-type: none"> • Communicate our results to the public • Consider the findings, learn from the information received and respond accordingly • Update our plans to deliver improvements • Review our key controls and make improvements where required • Provide training and support where needed • Monitor the achievement of our objectives and the impact of changes we make including the direction of travel • Develop a specific action plan to deliver any governance improvements required. |

| IDENTIFY What do we want assurance on? | ASSESS How is that assurance provided? | REVIEW How is that assurance reviewed and validated? | INFORM What do we do with the information received? |
|--|--|---|---|
| <p>That we demonstrate the highest values and standards of ethical behaviour</p> | <ul style="list-style-type: none"> • Audit and Ethics Committee (A&E Committee) • The Role of the Monitoring Officer • The role of the S151 Officer • The Business Transformation programme • Overview and Scrutiny Management Board (OSMB) | <ul style="list-style-type: none"> • The A&E Committee gives: <ul style="list-style-type: none"> - independent assurance of the adequacy of the risk management framework - the associated control environment - independent scrutiny of financial and non-financial performance - oversees the financial reporting process • Reporting of Ombudsman statistics to A&E Committee • The Monitoring Officer and S151 Officer is responsible for ensuring compliance with established procedures, policies, laws and regulations • Annual review of Officers' Declarations of Interests • End to end reviews of services to deliver improved customer value and widen channels for a range of services | |

5. Some of our Future Arrangements

5.1 Although the following list is not exhaustive the Council has identified that during 2015/16 we will:

- Promote the birthplace of the game of Rugby during the Rugby World Cup 2015.
- Work with Rugby First on a new mandate and a new shared vision for the Town Centre.
- Continue to ensure that our services are fit for purpose and able to meet increased demand following the anticipated expansion of the Borough in line with current and proposed developments.
- Engage with our customers via a new website and being mobile ready.
- Continue to work on developing our IT systems to meet customer demand and address issues identified as part of the systems thinking review of IT.

Adam Norburn
Executive Director

Date:

Councillor M Stokes
Leader of Rugby Borough Council

Date:

APPROVAL OF ACCOUNTS

In accordance with the Accounts and Audit Regulations 2012, I certify that the Statement of Accounts was approved by the Audit and Ethics Committee on 15th September 2015.

Signed:

Paul Dudfield
Chair of Audit and Ethics Committee

Date: 15th September 2015

In accordance with the Accounts and Audit Regulations 2012 these accounts have been approved by Council on the 22rd September 2015.

Signed:

Michael Stokes
Leader of Rugby Borough Council

Date: 30th September 2015

Glossary of Terms

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

ACTUARIAL GAINS AND LOSSES (PENSIONS)

The changes in present value of the defined benefit obligation resulting from:

- Experience adjustments (the effects of differences between the previous actuarial assumptions and what actually occurred), and;
- The effects of changes in actuarial assumptions.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.

CASH & 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.

COMMUNITY ASSETS

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONSISTENCY

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

CONTINGENCY

A condition that exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same activities. There is therefore no logical basis for apportioning these costs to services.

CURRENT SERVICE COSTS (PENSIONS)

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period.

DEFINED BENEFIT SCHEME (PENSIONS)

A defined benefit scheme is a scheme in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns. The benefits are related to members' career earnings and the length of pensionable service.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful life of a non-current asset, whether arising from use, passing of time, or obsolescence through technological or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996; the Local Government (Discretionary Payments and Injury Benefits) Regulations (Scotland) 1998; or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

EVENTS AFTER THE BALANCE SHEET DATE

Those events, whether favourable or unfavourable, that occur between the balance sheet date and the date on which the Statement of Accounts is authorised for issue.

EXCEPTIONAL ITEMS

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

EXTRAORDINARY ITEMS

Material items which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

FAIR VALUE

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCE LEASE

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the start of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

GOING CONCERN

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and the balance sheet assume no intention to curtail significantly the scale of operations.

GOVERNMENT GRANTS

Assistance by the Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

HERITAGE ASSETS

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

IMPAIRMENT

A reduction in the value of a non-current asset below its carrying amount on the balance sheet.

INFRASTRUCTURE ASSETS

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INVENTORY

The amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises, inventories comprise the following categories:-

- Goods or assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

INVESTED RIGHTS

In relation to a defined benefit scheme, these are:

- For active members, benefits to which they would be unconditionally entitled to on leaving the scheme;
- For deferred pensioners, their preserved benefits;
- For pensioners, pensions to which they are entitled.

Vested rights include where appropriate, the related benefits for spouses or other dependants.

INVESTMENTS (NON-PENSIONS FUND)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those relating to the pensions fund, which do not meet the above criteria should be classified as current assets.

INVESTMENT PROPERTIES

Interest in land and/or buildings:-

- in respect of which construction work and development have been completed; and
- which is held for its investment potential, any rental income being negotiated at arm's length.

NET BOOK VALUE

The amount at which non-current assets are included within the balance sheet, i.e. their historical cost or current value less cumulative amounts provided for depreciation.

NET CURRENT REPLACEMENT COST

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

NET INTEREST EXPENSE (PENSIONS)

The change during the period in the net defined benefit liability that arises from the passage of time. The net interest on the net defined benefit liability comprises the net interest income on plan assets and interest cost on the defined benefit obligation.

NON-DISTRIBUTED COSTS

These are overheads for which no one user benefits, and should not be apportioned to services.

NON-OPERATIONAL ASSETS

Non-current assets held by a local authority but not used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATING LEASES

A lease other than a finance lease.

OPERATIONAL ASSETS

Non-current assets that are held and occupied, used or consumed by the local authority in the direct delivery of services for which it has either a statutory or discretionary responsibility.

PAST SERVICE COST (PENSIONS)

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of or improvement to retirement benefits.

PRIOR YEAR ADJUSTMENTS

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROJECTED UNIT METHOD (PENSIONS)

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. the individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

PRUDENCE

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

RETIREMENT BENEFITS (PENSIONS)

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- An employer's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

RETURN ON PLAN ASSETS EXCLUDING THE AMOUNT INCLUDED IN THE NET INTEREST EXPENSE (PENSIONS)

Interest, dividends and other income derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less:

- Any costs of managing the plan;
- Any tax payable by the plan itself, other than tax included in the actuarial assumptions used to measure the present value of the defined benefit obligation.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute (REFCUS) represents expenditure that may be capitalised under statutory provisions, but does not result in the creation of tangible assets.

SCHEME LIABILITIES (PENSIONS)

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

SECTION 106 (DEVELOPER) CONTRIBUTIONS

Planning obligations are legal contracts made under section 106 of the 1990 Town and Country Planning Act. They are generally entered into by agreement between councils and landowners.

USEFUL LIFE

The period over which the local authority will derive benefits from the use of a non-current asset.