NUNEATON & BEDWORTH BOROUGH COUNCIL

Statement of Accounts

2013/14

STATEMENT OF ACCOUNTS

2013/14

Contents

Explanatory Foreword

INTRODUCTION

Nuneaton and Bedworth Borough Council is required to produce annual Statement of Accounts to provide assurance that the Authority has used public money legally and responsibly in delivering services to our residents.

The financial statements that make up this document are prepared under International Financial Reporting Standards (IFRS) to comply with accounting practice. Explanatory notes are also provided to give further information. The Council has removed a small number of notes within these statements with the aim of reducing the complexity of the accounts. Despite this the Statement of Accounts remains a long and technical document. As such the following pages are a summary of the accounts, aiming to give the reader a brief picture of the Council's financial position as at 31st March 2014.

For 2013/14 the accounts consist of:

The Core Financial Statements:

- The Movement in Reserves Statement – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
- The Comprehensive Income and Expenditure Statement – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. 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.
- The Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority.
- The Cash Flow Statement – summarising the inflows and outflows of cash arising from the Council's transactions with third parties for revenue and capital purposes.
- The Notes to the core financial statements.

Other Financial Statements:

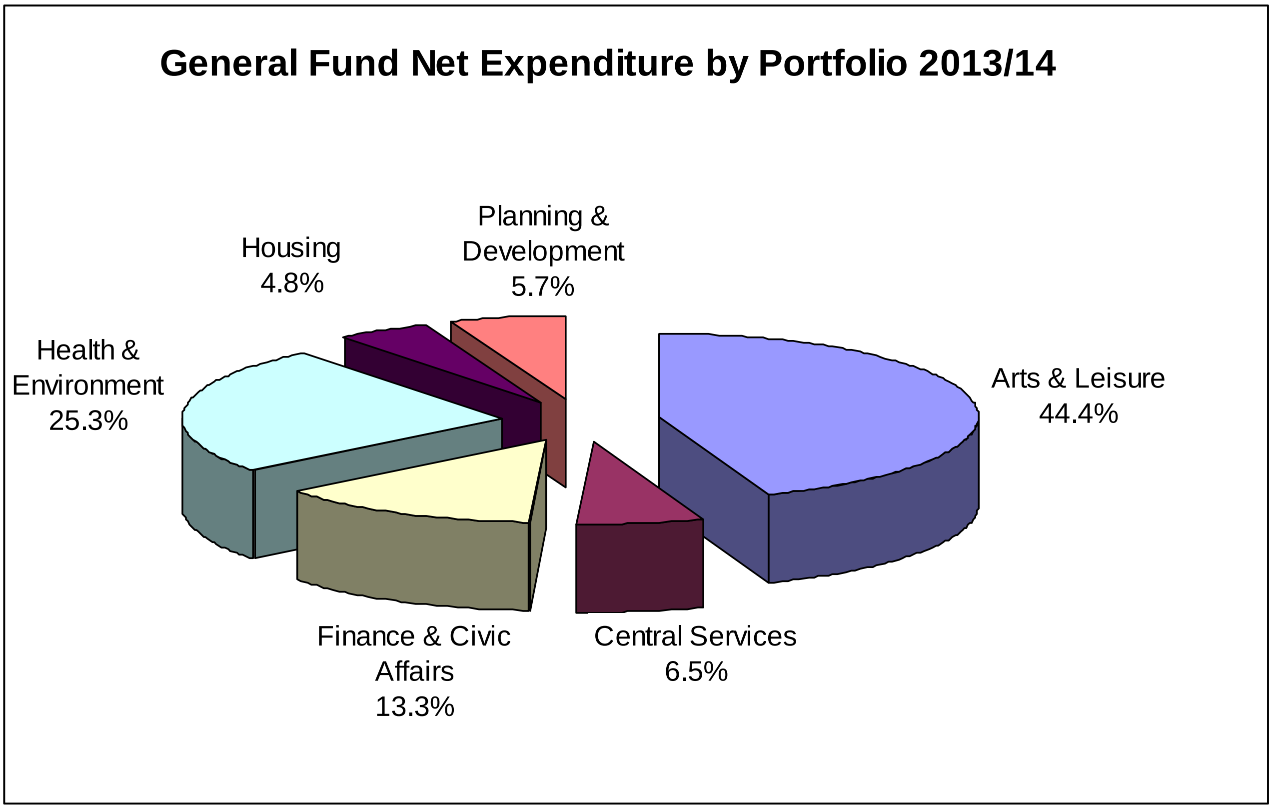
- The Housing Revenue Account (HRA) Income & Expenditure Account and the Movement on the HRA Balance – details income and expenditure on HRA services included in the whole Council Income & Expenditure Account and the latter reconciles the surplus for the year to the movement on the HRA balance.
- The Collection Fund Income and Expenditure Account – this fulfils the Council's statutory requirement as a billing Authority to maintain a separate Collection Fund showing transactions for Council Tax and Non-domestic Rates and how these have been distributed to precepting authorities and the General Fund.

General Fund Financial Summary 2013/14

Table 1:

	ORIGINAL BUDGET 2013/14 £'000	CURRENT BUDGET 2013/14 £'000	ACTUAL 2013/14 £'000	CURRENT VARIANCE 2013/14 £'000
PORTFOLIO ANALYSIS				
Arts & Leisure	6,555	6,513	6,767	254
Central Services	1,048	1,043	988	(55)
Finance and Civic Affairs	1,924	1,954	2,023	69
Health & Environment	4,131	4,089	3,863	(226)
Housing	772	780	728	(52)
Planning & Development	822	817	872	55
Total Portfolio Net Expenditure	**15,252**	**15,196**	**15,241**	**45**
Central provisions	533	677	467	(210)
Interest and Investment Income	(195)	(195)	(267)	(72)
External interest paid (GF only)	444	444	451	7
Depreciation and Impairment	(2,607)	(2,607)	(2,630)	(23)
Council tax freeze grant	(81)	(81)	(80)	1
New homes bonus	(892)	(892)	(919)	(27)
Minimum revenue provision	510	510	506	(4)
PWLB Premiums and Discounts (GF)	21	21	21	0
Financing of Capital Expenditure	1,447	1,448	1,063	(385)
Unequal back pay account	0	0	181	181
Transfers to/from Reserves	686	597	1,408	811
Total Other Items	(134)	(78)	201	279
Total Council Net Expenditure	**15,118**	**15,118**	**15,442**	**324**
Less:				
Council Tax	(6,854)	(6,854)	(6,855)	(1)
Revenue Support Grant	(4,848)	(4,848)	(4,876)	(28)
Business Rates Retention	(3,544)	(3,544)	(4,013)	(469)
(Surplus)/Deficit from Collection Fund	5	5	5	0
Contribution (to)/ from General Working Balances	**(123)**	**(123)**	**(297)**	**(174)**

The figures above do not include any year end adjustments to depreciation and charges for revaluation or impairment losses or Pension costs relating to IAS19, as these are not chargeable to balances.



The key General Fund variances for the year are shown in the table 2 below:

Table 2:

Main Variances	**£'000**
Reduced salary costs against budgets across general fund services	(285)
Increased income across various services including planning and car parks	(162)
Ongoing review of budgets and potential savings during the year has resulted in reduced expenditure across services	(144)
Pension & redundancy costs incurred as part of the planning for the future programme	206
Payments in relation to unequal pay awards	181
Net change in transfers to/from reserves and capital financing, largely due to business rates retention	426
Additional interest on investments due to increased reserves and balances	(72)
Other Net Variations	174
Total Variance (Surplus) / Deficit	**324**

The additional amount contributed to reserves will be used to fund future liabilities and risk, particularly the increased volatility from localisation of business rates. There has also been additional income raised in year from Revenue Support Grant and business rates, although the latter is due to timing differences and accounting treatment. When this is included the overall variance is a surplus of £174k.

HOUSING REVENUE ACCOUNT 2013/14

The outturn for the Housing Revenue Account (HRA) was a deficit of £1,205k for 2013/14 which was a balanced budget position.

Table 3:

	Original Estimate £000's	**Actual £000's**	**Variance £000's**
Expenditure	29,695	24,471	(5,224)
Income	(25,440)	(25,493)	(53)
Net Cost of Services	**4,255**	**(1,022)**	**(5,277)**
Less adjustments & appropriations	(3,050)	2,227	5,277
(Surplus)/Deficit	**1,205**	**1,205**	**(0)**

The variances for the HRA for the year are detailed in the table below.

Table 4:

Main Variances	**£'000**
Reduced rental income, due to an increase in Right to Buys and void properties.	27
Increased bad debts provision in respect of higher rent arrears	106
Reduced general management costs including reduced salary and on-costs due to vacancies and more efficient processes.	(164)
Reduced capital spend due to the delay in starting new build project until 2014/15	(5,045)
Additional contributions to reserves due to slippage on new build & capital projects in 2013/14 have been made to finance capital expenditure and other service improvements in future years.	5,020
Reduced repairs and maintenance costs which have been set aside to finance service improvements in the future.	(267)
Payments in relation to unequal pay awards	257
Additional employee costs from Pay Restructuring	95
Other minor variations	(29)
Total Variance (Surplus)/ Deficit	**0**

CAPITAL

The Council spent £9.587m on capital schemes in 2013/14 of which around 72% related to Council dwellings, primarily by way of major renovations and improvements.

Table 5:

	Approved Budget £000's	Actual £000's
General Fund (including GF Housing)	3,083	2,716
Housing Revenue Account	7,445	6,871
Total	**10,528**	**9,587**

The capital programme is funded from a combination of capital receipts, grants and contributions, revenue contributions and borrowing.

COLLECTION FUND

The Collection Fund comprises all income from Council Tax and Non-Domestic (Business) Rates. It also provides for precepts to be paid over to the County Council, the Police and Crime Commissioner and to this Council.

GOVERNMENT SUPPORT

Revenue Support Grant is paid directly into the Council's general income & expenditure account. The amount of business rates retained locally is transferred from the Collection Fund.

EXTERNAL BORROWING

The Council's Treasury Management Policy Statement, supplemented by the annual Treasury Management Statement (including Investment Strategy) for the financial year, detail how the Council is to manage its treasury management activities throughout the year. The activity is fully reported to Council.
In summary as at 31st March 2014 the Council had total external debt of £85.718m. The analysis of this can be seen in note 39, page 94.

RETIREMENT BENEFITS

The balance sheet shows Pension Scheme liability of £47.406m representing the underlying commitment that the Council has in the long-run to pay retirement benefits. However, statutory arrangements for funding the deficit over a number of years mean that the financial position of the Council remains healthy.

PROVISIONS

There are a number of Provisions included in these accounts. These include a provision for the potential costs of business rates appeals included in the Collection Fund for 2013/14. This totals £1.558m, of which 40% (£623k) relates to Nuneaton and Bedworth. The Business Rates Retention scheme that came into effect from 1st April 2013 means that local authorities are now liable for a proportion of these costs.

A provision for potential costs from Planning Appeals of £200,000 has been included within the year.

The employee provisions at year end include £401k for the potential cost of equal pay claims plus £126k set aside for planning for the future termination costs agreed within the year. The provision arising from single status pay restructuring was concluded during the financial year. Further details of the provisions are shown in note 18, page 59.

ICELANDIC INVESTMENTS

In October 2008 a number of Icelandic banks collapsed and £3m deposits placed by this Council were held in the insolvent estate pending resolution by the courts and the winding up committees. This Council's deposits were held in Landsbanki (LBI) and UK Local Authorities were granted preferential creditor status and it was predicted that we would receive 100% of the deposits repaid over a number of years, estimated up to 2019.

As at the end of December 2013 approximately £1.6m had been repaid and a reassessment of the risks of repayment was undertaken working with a large number of other local authorities, the jointly appointed lawyers and the Local Government Association (LGA). The result of this reassessment was that it was in the best interests of the Council to sell the remaining claims against the insolvent estate of LBI.

The position as at the end of March 2014 is that Nuneaton and Bedworth has now sold its claims against LBI through a competitive auction process. The price at which the claims were sold was based on a reserve price set by this Council for our claims on the basis of legal advice received from our lawyers, financial advice procured by the LGA and from our own analysis of the financial position. The proceeds of the sale were paid in pounds sterling and those funds were received in full before the end of the financial year. This means that Nuneaton and Bedworth Borough Council have now recovered 93.2% of the amounts originally deposited with LBI in 2008 and are no longer a creditor of LBI.

SUMMARY OF MAIN FINANCIAL STATEMENTS

The most important statements within these accounts are:

- Comprehensive Income and Expenditure Account (CIES)
- Movement in Reserves Statement
- Balance Sheet
- Cash Flow Statement

The Comprehensive Income and Expenditure Account (CIES) shows the full cost of running the Council's services for the year – for both the General Fund and Housing Revenue Account. It therefore combines the information provided in Tables 1 and 3 above. The CIES is in a statutory format, whereas Tables 1 and 3 above are presented in the Portfolios that we manage use to our budgets on a day to day basis.

Table 6:

Comprehensive Income & Expenditure Statement - 2013/14	**Gross Spend £000**	**Gross Income £000**	**Net Spend £000**
Central services to the public	2,465	(1,179)	1,286
Cultural & Related Services	8,048	(1,171)	6,877
Environmental & Regulatory Services	6,334	(1,867)	4,467
Planning Services	3,876	(1,240)	2,636
Highways & transport services	1,826	(2,241)	(415)
Local authority housing (HRA)	18,478	(25,468)	(6,990)
Other housing services	40,216	(38,323)	1,893
Corporate & democratic core	1,573	(179)	1,394
Non distributed costs	164	-	164
Cost of services	**82,980**	**(71,668)**	**11,312**
Other operating expenditure	449	(752)	(303)
Financing & investment income & expenditure	5,222	(1,490)	3,732
Taxation & non-specific grant income & expenditure	9,556	(26,671)	(17,115)
(Surplus) or Deficit on Provision of Services			**(2,374)**
(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets & Heritage Assets			(1,641)
Actuarial (gains)/ losses on pension assets/ liabilities			(2,211)
Other Comprehensive Income & Expenditure			**(3,852)**
Total Comprehensive Income & Expenditure			**(6,226)**

The CIES presents the Council's income and expenditure in accordance with accounting standards and therefore includes items such as depreciation, pension charges (IAS19), capital grants received and capital receipts that are not chargeable to General Fund or Housing Revenue Account balances. Regulations allow for these items to be reversed and either reallocated to other reserves or be replaced with another charge (e.g. depreciation charges replaced with a minimum revenue provision). The Movement in Reserves Statement (MIRS) includes these adjustments.

Table 7:

Movement in Reserves Statement - 2013/14	General Fund £000	Housing Revenue Account £000	Other Funds & Reserves £000	Total Reserves £000
Balance as at 31 March 13	(1,143)	(3,830)	(75,645)	(80,618)
(Surplus)/ Deficit on provision of services	2,119	(4,493)	-	(2,374)
Other Comprehensive Income & Expenditure	-	-	(3,852)	(3,852)
Total Comprehensive Income & Expenditure	**2,119**	**(4,493)**	**(3,852)**	**(6,226)**
Adjustments between accounting basis and funding basis under regulations	(3,481)	3,728	(247)	-
Transfers to/ from earmarked reserves	1,065	1,970	(3,035)	-
Total (Increase)/ Decrease in year	**(297)**	**1,205**	**(7,134)**	**(6,226)**
Balance as at 31 March 14	**(1,440)**	**(2,625)**	**(82,779)**	**(86,844)**

The (increase)/decrease in General Fund Balance and Housing Revenue Account lines equal the actual final outturn position as shown in Tables 1 and 3 on pages 3 and 5.

Balance Sheet

This represents the Council's financial position at the end of each financial year. It brings together money owed by and to the Council, assets owned and balances and reserves. A summary of the Balance Sheet is shown below.

Table 8:

Balance Sheet - 31 Mar 2014	£000
Property, Plant, Equipment and other long term assets	204,137
Short Term Debtors	7,273
Cash, Investments and other short term assets	19,892
Total Assets	**231,302**
Creditors	(6,520)
Borrowing	(86,346)
Pension Liability	(47,406)
Other Liabilities	(4,186)
Total Liabilities	**(144,458)**
Net Assets	**86,844**
Usable Reserves (available to fund spend)	(22,914)
Unusable Reserves (not available to fund spend)	(63,930)
Total Reserves	**(86,844)**

Total reserves figure of £86.844m as shown in the table above agrees to the total MIRS figure from table 7.

Cash Flow

The cash flow statement shows the movement of money in and out and the Council's bank account during the year.

Table 9:

Cash Flow Statement - 2013/14	
	£000
Net cash flows from Operating Activities	(10,723)
Net cash flows from Investing Activities	9,703
Net cash flows from Financing Activities	1,888
Net (increase)/ decrease in cash & cash equivalents	**868**
Cash & cash equivalents 1st April	11,515
Cash & cash equivalents 31st March	10,647

FINANCIAL OUTLOOK

General Fund

The approved net expenditure for 2014/15 totalled £15,920m, with a council tax requirement of £7.132m, after Revenue Support Grant and Business Rates and new Homes Bonus. The budget allowed for £52k to be added to General Fund reserves. 2014/15 was the fourth year of the Comprehensive Spending Review 2010 and the cumulative reduction in government funding since then is now approximately 33%. Forecasting and monitoring of business rates income represents a significant risk to the Council's financial planning.

To meet the ongoing challenges that these reductions will bring, the Council has continued with its programme of lean reviews and also undertook a fundamental review of all budgets as part of the budget setting process for 2014/15. The Council has also retendered its contract for leisure services with effect from 1st May 2014.

During 2013/14 the Council established a wholly owned subsidiary – Nuneaton and Bedworth Community Enterprises Ltd (NABCEL). The company will operate commercially to generate a profit that can be paid back to the Council. The first business activity is the purchase of properties to rent at full market rent.

Housing Revenue Account

The HRA balance as at 31st March 2014 is £2.6m. The 2014/15 budget estimates a surplus of £1.55m. The budget links with the HRA 30-year Business Plan, including a scheme to build our additional council housing. The HRA Business Plan was updated as part of the budget setting process for 2014/15 and still demonstrates that the HRA is sustainable in the long-term and had sufficient funds to carry out required investment works in its stock and to build new housing.

Capital Programme

The capital programme for 2014/15 for the General Fund includes £1m funding for Nuneaton and Bedworth Community Enterprise Ltd (NABCEL), a scheme to invest in purchasing empty properties to lease.

The HRA capital programme has increased significantly for 2014/15 in order to carry out vital investment in its stock and funding a New Build programme. The council will be piloting a new build programme of approximately 52 properties within the HRA of £6.6m. The increased programme has been funded from existing earmarked contributions from revenue.

COURTESIES

I should like to place on record my thanks to those colleagues throughout the Council who were involved in the production of this year's final accounts.

Simone Donaghy

Director – Finance and Procurement.

Statement of Responsibilities

Nuneaton and Bedworth Borough Council's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director – Finance and Procurement.

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

- approve the Statement of Accounts.

The Responsibilities of the Director – Finance and Procurement

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

In preparing this Statement of Accounts, the Director – Finance and Procurement has:

- selected suitable accounting policies and then applied them consistently

- made judgements and estimates that were reasonable and prudent

- complied with the Local Authority Code.

The Director – Finance and Procurement has also:

- kept proper accounting records which were up to date

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE OF DIRECTOR – FINANCE AND PROCUREMENT

The Statement of Accounts set out on pages 14 to 104 have been prepared in accordance with the Code. They present a true and fair view of the financial position of the Authority at 31 March 2014 and of its expenditure and income for the year ended 31 March 2014.

Simone Donaghy
Director – Finance and Procurement
Date 24 September 2014

COUNCIL APPROVAL OF THE ACCOUNTS

The Council formally approved this Statement of Accounts at the Council meeting held on 24 September 2014.

Councillor Brian Hawkes
Mayor
Date 24 September 2014

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Director – Finance & Procurement.

Movement in Reserves Statement

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

The (Surplus) or Deficit on the Provision of Services 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. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movement in Reserves Statement 2013/14

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 31 March 13	**(1,143)**	**(12,082)**	**(3,830)**	**(1,413)**	**-**	**(1,748)**	**(20,216)**	**(60,402)**	**(80,618)**
Movement in reserves during 2013/14									
(Surplus) or deficit on the provision of services	2,119	-	(4,493)	-	-	-	**(2,374)**	-	**(2,374)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	**-**	(3,852)	**(3,852)**
Total Comprehensive Income & Expenditure	**2,119**	**-**	**(4,493)**	**-**	**-**	**-**	**(2,374)**	**(3,852)**	**(6,226)**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(3,481)	-	3,728	(747)	-	176	**(324)**	324	**-**
Net (Increase)/ Decrease before transfers to Earmarked Reserves	**(1,362)**	**-**	**(765)**	**(747)**	**-**	**176**	**(2,698)**	**(3,528)**	**(6,226)**
Transfers to/from Earmarked Reserves (Note 8) *	1,065	(3,035)	1,970	-	-	-	**-**	-	**-**
(Increase)/ Decrease in 2013/14	**(297)**	**(3,035)**	**1,205**	**(747)**	**-**	**176**	**(2,698)**	**(3,528)**	**(6,226)**
Balance as at 31 March 14	**(1,440)**	**(15,117)**	**(2,625)**	**(2,160)**	**-**	**(1,572)**	**(22,914)**	**(63,930)**	**(86,844)**

* Note 8 only refers to the movement in earmarked reserves.

Movement in Reserves Statement 2012/13

	General Fund Balance £000	Earmarked Reserves £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance as at 31 March 12	(1,041)	(7,375)	(4,763)	(1,085)	-	(841)	**(15,105)**	(67,652)	**(82,757)**
Movement in reserves during 2012/13									
(Surplus) or deficit on the provision of services	2,268	-	(5,512)	-	-	-	**(3,244)**	-	**(3,244)**
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	**-**	5,383	**5,383**
Total Comprehensive Income & Expenditure	**2,268**	**-**	**(5,512)**	**-**	**-**	**-**	**(3,244)**	**5,383**	**2,139**
Adjustments between accounting basis & funding basis under regulations (Note 7)	(4,007)	-	3,375	(328)	-	(907)	**(1,867)**	1,867	**-**
Net (Increase)/ Decrease before transfers to Earmarked Reserves	**(1,739)**	**-**	**(2,137)**	**(328)**	**-**	**(907)**	**(5,111)**	**7,250**	**2,139**
Transfers to/from Earmarked Reserves (Note 8) *	1,637	(4,707)	3,070	-	-	-	**-**	-	**-**
(Increase)/ Decrease in 2012/13	**(102)**	**(4,707)**	**933**	**(328)**	**-**	**(907)**	**(5,111)**	**7,250**	**2,139**
Balance as at 31 March 13	**(1,143)**	**(12,082)**	**(3,830)**	**(1,413)**	**-**	**(1,748)**	**(20,216)**	**(60,402)**	**(80,618)**

* Note 8 only refers to the movement in earmarked reserves.

Comprehensive Income & Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Comprehensive Income & Expenditure Account

2012/13					2013/14		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**			**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
13,084	(11,510)	1,574	Central services to the public		2,465	(1,179)	1,286
8,256	(1,074)	7,182	Cultural & Related Services		8,048	(1,171)	6,877
6,572	(1,740)	4,832	Environmental & Regulatory Services		6,334	(1,867)	4,467
3,626	(1,358)	2,268	Planning Services		3,876	(1,240)	2,636
2,064	(2,177)	(113)	Highways & transport services		1,826	(2,241)	(415)
17,533	(23,992)	(6,459)	Local authority housing (HRA)		18,478	(25,468)	(6,990)
39,229	(38,164)	1,065	Other housing services		40,216	(38,323)	1,893
1,559	(105)	1,454	Corporate & democratic core		1,573	(179)	1,394
323	-	323	Non distributed costs		164		164
92,246	**(80,120)**	**12,126**	**Cost of services**		**82,980**	**(71,668)**	**11,312**
493	-	493	Other operating expenditure	Note 9	449	(752)	(303)
5,010	(1,522)	3,488	Financing & investment income & expenditure	Note 10	5,222	(1,490)	3,732
-	(19,351)	(19,351)	Taxation & non-specific grant income & expenditure	Note 11	9,556	(26,671)	(17,115)
		(3,244)	**(Surplus) or Deficit on Provision of Services**				**(2,374)**
		(364)	(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets & Heritage Assets				(1,641)
		5,747	Actuarial (gains)/ losses on pension assets/ liabilities				(2,211)
		5,383	**Other Comprehensive Income & Expenditure**				**(3,852)**
		2,139	**Total Comprehensive Income & Expenditure**				**(6,226)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Balance Sheet

31 March 13 £000		Notes	31 March 14 £000
181,358	Property, Plant & Equipment	12	182,440
1,277	Heritage Assets		1,155
18,620	Investment Property	13	18,526
368	Intangible Assets		294
1,278	Long Term Investments	14	-
1,993	Long Term Debtors	14	1,722
204,894	**Long Term Assets**		**204,137**
5,064	Short Term Investments	14	9,036
209	Inventories		209
7,954	Short Term Debtors	15	7,273
11,515	Cash & Cash Equivalents	16	10,647
24,742	**Current Assets**		**27,165**
(3,157)	Short Term Borrowing	14	(641)
(9,319)	Short Term Creditors	17	(6,520)
(1,064)	Provisions	18	(1,479)
(13,540)	**Current Liabilities**		**(8,640)**
(85,718)	Long Term Borrowing	14	(85,705)
(47,059)	Pensions Liability	37	(47,406)
(2,701)	Capital Grants Receipts in Advance	30	(2,707)
(135,478)	**Long Term Liabilities**		**(135,818)**
80,618	**Net Assets**		**86,844**
(20,216)	Usable Reserves	19	(22,914)
(60,402)	Unusable Reserves	20	(63,930)
(80,618)	**Total Reserves**		**(86,844)**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the Authority.

2012/13 £000			2013/14 £000
(3,244)	Net (surplus) or deficit on the provision of services		(2,374)
(11,755)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	Note 21	(10,981)
4,503	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 21	2,632
(10,496)	Net cash flows from Operating Activities	Note 21	(10,723)
6,049	Investing Activities	Note 22	9,703
(478)	Financing Activities	Note 23	1,888
(4,925)	Net (increase) or decrease in cash & cash equivalents		868
6,590	Cash & cash equivalents at the beginning of the reporting period		11,515
11,515	**Cash & cash equivalents at the end of the reporting period**	Note 16	**10,647**

Notes to the Accounts

Notes to the Accounts

1) ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the CIPFA Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

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

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of benefits earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits – The Local Government Pension Scheme

Warwickshire County Council, the Administering Authority to the Warwickshire County Council Pension Fund instructed Hyman Robertson LLP, an independent firm of actuaries, to undertake pension expense calculations on behalf of Nuneaton & Bedworth Borough Council as at 31st March 2014.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Warwickshire Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate as determined by the actuary (based on the indicative rate of return on high quality corporate bonds).
- The assets of the Warwickshire Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property managed funds – current bid price
- The change in the net pensions liability is analysed into the following components:
    - Service cost comprising:
        - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
        - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
        - Net interest on the net defined benefit liability, ie net interest expense for the authority – the change during the period in the net defined liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
    - Remeasurements comprising:
        - The return on plan assets – excluding amounts included in the net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
        - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure Statement.
    - Contributions paid to the Warwickshire pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

- Further details of the estimation techniques and values attributed to the Pensions Liability can be found in note 37 on page 83 of these financial statements

Discretionary Benefits

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

FINANCIAL INSTRUMENTS

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are classified into two types:

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

- ***Loans and Receivables***

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

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

The accounting requirements for impairing investments (such as investments placed with Icelandic Banks) have been made in line with CIPFA guidance with the reversal of previous impairment losses charged included in the surplus or deficit on the Comprehensive Income and Expenditure Statement in line with advice and information from the administrators.

FOREIGN CURRENCY TRANSACTIONS

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted to sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statements.

GOVERNMENT GRANTS AND CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, or where grants are received without conditions, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value. Fair value is the amount that would be paid for the asset in its existing use calculated by projecting its annual rentals into perpetuity. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority 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 its incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority 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 Authority 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.

LEASES

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

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

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

The Authority as 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the 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).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset’s estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

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

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase (e.g. finance lease) is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – 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.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie Assets Under Construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. The depreciable value is deemed to be the total asset valuation less the value of the land.
- vehicles, plant, furniture and equipment – vehicles are depreciated on a straight line basis to a residual resale value over a period of 5 to 7 years, computer hardware is depreciated over a period of 5 years on a straight-line basis to a nil residual value and other equipment is depreciated on a straight-line basis to a residual value over periods up to 10 years.

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

Component Accounting

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

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

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

Contingent Assets

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

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

RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund or Housing Revenue Account in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund or Housing Revenue Account in the Movement in Reserves Statement so that there is no net charge against council tax or housing rent for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies. Details can be found in note 20 to the Financial Statements on page 61.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

VAT

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

2) ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 has introduced several changes in accounting policies which will be required from 1st April 2014. If these had been adopted for the financial year there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements** – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does now have a subsidiary (Nuneaton and Bedworth Community Enterprises Ltd – NABCEL) but has not produced consolidated accounts for this financial year on the basis that the company did not commence trading until after 1st April 2014.
- **IFRS 11 Joint Arrangements** – This standard addresses the account for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operations. In addition proportionate consolidation can no longer be used for jointly controlled entities. The council has no material joint venture arrangements.
- **IFRS 12 Disclosures of Involvement with Other Entities** – This is a consolidation disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The adoption of this IFRS does not materially affect this Council.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, there is therefore no impact as a result of these changes.

IAS 32 Financial Instruments Presentation – The Code references to emended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and no further disclosure is required.

IAS 1 Presentation of the Financial Statements – The changes clarify the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

3) CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- From 1st April 2013 there was a significant change to Local Government Funding due to localisation of business rates. This means that local authorities are now reliant on business rates for a proportion of their income and carry the risk from fluctuations in business rates, the most significant of which is from appeals against rateable value, which can go back to 2005. There is a provision included in the accounts for the estimated value of these appeals but as this is totally outside of the authorities control judgements have had to be made about the likely success of each appeal, based on historical trends.

4) ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are detailed in the following table:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision – Pay Restructuring	The Authority is holding a provision of £0.4m for equal pay claims following the implementation of pay restructuring. It is based on an assessment of the claims received and the financial liability that the Council faces, but this is an estimate.	Equal pay claims have been processed throughout 2013/14 so the majority of known claims are completed and reflected in the accounts for 2013/14. An increase of 10% in equal pay claims above the estimated liability would add approximately £40k to any potential settlement costs. However, this is dependent on the type of claim received and so is difficult to estimate.
Provision – Business Rates Appeals	The authority has made a provision in the Collection Fund of £1.558m (of which 40% is a liability for Nuneaton and Bedworth. It is based on an estimate of the success rate of the total appeals outstanding, including the backdated element.	A 10% increase in successful appeals above the estimated provision would increase the overall liability in the Collection Fund by approximately £150k. However, each appeal is of different value and has a different backdated element and one large appeal being successful could significantly increase the liability.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31st March 2014, the total arrears from sundry debts stood at £1.06m. The outstanding debts are reviewed each year and a provision for bad debts is made, dependent on the age of the debt and if an arrangement is in place. However, this is only an estimate based on previous experience and the amount provided for may not be sufficient, particularly in the current economic climate.	If collection rates were to deteriorate, the provision included in the accounts would need to increase. As different categories of provision are used depending on the type and age of debt, it is not possible to estimate how much the provision may need to increase by. However, the total provision at 31st March 2014 is £297k and so a 25% increase would lead to additional provision of £74k.
Investment Properties	Investment properties are valued on the basis of the capitalisation of the rental income for each asset using a Years Purchase factor as determined by the valuer based on local knowledge and experience. The valuation also assumes that annual rentals will be received into perpetuity	The Years Purchase factor is estimated by the valuer and any variation of this assumption would generate a different valuation of the investment property portfolio. Therefore, should the Years Purchase factor increase by 1 the valuation of the investment property portfolio would decrease by approximately £2.19m. If the Years Purchase factor were to be decreased by 1 the valuation of the portfolio would increase by approximately £2.88m.
Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount on the asset falls. It is estimated that the annual depreciation charge for assets would increase by approximately £358k for every year that useful lives had to be reduced.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	A 0.5% decrease in the Real Discount Rate used would increase the scheme liabilities by approximately £14.79m A 1 year increase in member life expectancy would increase the scheme liabilities by approximately £4.98m A 0.5% increase in the Salary Increase Rate would increase the scheme liabilities by approximately £4.22m A 0.5% increase in the Pension Increase Rate would increase the scheme liabilities by approximately £10.37m

5) MATERIAL ITEMS OF INCOME AND EXPENSE

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

For 2013/14 there are no material items to report.

6) EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Director for Finance and Procurement on 20th June 2014. Events taking place after this date are not reflected in the financial statements or notes.

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

7) ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance
The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules cal also specify the financial year in which liabilities and payments should impact on the General Fund, which is not necessarily in accordance with proper accounting practice. The General Fund therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year, however, the balance is not available to be applied to fund HRA services.

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

Major Repairs Reserve
The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historic capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

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

Capital Grants Unapplied
The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
2013/14	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation & impairment of non-current assets	(2,560)	(5,902)				8,462
Revaluation on Property Plant & Equipment	(114)	427				(313)
Movements in the market value of Investment Properties	(127)					127
Amortisation of intangible assets	(193)					193
Capital grants and contributions applied	637	123				(760)
Revenue expenditure funded from capital under statute	(731)					731
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(616)	(620)				1,236
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Provision for the financing of capital investment	506	2,500				(3,006)
Capital expenditure charged against the General Fund & HRA balances	1,063	649				(1,712)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	50	-			(50)	-
Application of grants to capital financing transferred to the Capital Adjustment Account					226	(226)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement	967	1,018	(1,985)			-
Use of the Capital Receipts Reserve to finance new capital expenditure			789			(789)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(8)	8			-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(449)		449			-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(8)			8
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of amount equal to HRA depreciation		5,903		(5,903)		-
Additional voluntary contribution to the Major Repairs Reserve		196		(196)		
Use of the Major Repairs Reserve to finance new capital expenditure				6,099		(6,099)

2013/14	Usable Reserves: General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Unusable Reserves £000
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	32	44				(76)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 37)	(3,590)	(1,592)				5,182
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,892	732				(2,624)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(433)					433
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for equal pay claims to the Comprehensive Income & Expenditure Statement are different from the costs of settlements chargeable in the year according to statutory requirements.	181	257				(438)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	4	1				(5)
Total Adjustments 2013/14	**(3,481)**	**3,728**	**(747)**	**-**	**176**	**324**

	Usable Reserves					
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
2012/13	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:						
Charges for depreciation & impairment of non-current assets	(2,606)	(5,398)				8,004
Revaluation losses on Property Plant & Equipment	(848)	(48)				896
Movements in the market value of Investment Properties	8					(8)
Amortisation of intangible assets	(242)					242
Capital grants and contributions applied	820	1,641				(2,461)
Movement in the Donated Assets Account	2					(2)
Revenue expenditure funded from capital under statute	(680)					680
Amounts on non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(882)	(604)				1,486
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:						
Statutory provision for the financing of capital investment	527					(527)
Capital expenditure charged against the General Fund & HRA balances	235	1,658				(1,893)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	696	248			(944)	
Application of grants to capital financing transferred to the Capital Adjustment Account					37	(37)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement	610	757	(1,367)			
Use of the Capital Receipts Reserve to finance new capital expenditure			657			(657)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(5)	5			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(377)		377			
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement	21					(21)

	Usable Reserves					
	General Fund Balance	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
2012/13	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of amount equal to HRA depreciation		5,398		(5,398)		
Additional voluntary contribution to the Major Repairs Reserve		341		(341)		
Use of the Major Repairs Reserve to finance new capital expenditure				5,739		(5,739)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	32	125				(157)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 37)	(3,145)	(1,480)				4,625
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,880	807				(2,687)
Adjustment primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1					(1)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for equal pay claims to the Comprehensive Income & Expenditure Statement are different from the costs of settlements chargeable in the year according to statutory requirements.	(57)	(77)				134
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	12				(10)
Total Adjustments 2012/13	**(4,007)**	**3,375**	**(328)**	**-**	**(907)**	**1,867**

8) TRANSFERS TO/ FROM EARMARKED RESERVES

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

	Balance at 01 Apr 12 £000	Net transfers (in)/ out 2012/13 £000	Balance at 31 Mar 13 £000	Net transfers (in)/ out 2013/14 £000	Balance at 31 Mar 14 £000
Revenue Reserves					
Repairs & Maintenance - Buildings	**(171)**	-	**(171)**	(5)	**(176)**
Financial Planning Reserve	**(215)**	(538)	**(753)**	(478)	**(1,231)**
Area Based Grant	**(250)**	15	**(235)**	46	**(189)**
Camp Hill Urban Village Scheme	**(65)**	34	**(31)**	15	**(16)**
Corporate Priorities Pool	**(400)**	-	**(400)**	-	**(400)**
Insurance Fund	**(696)**	(50)	**(746)**	(49)	**(795)**
Housing and Planning Delivery Grant	**(168)**	(78)	**(246)**	(3)	**(249)**
Communities for Health	**(108)**	14	**(94)**	8	**(86)**
Pay Restructuring	**(724)**	(520)	**(1,244)**	506	**(738)**
LABGI	**(1,094)**	(31)	**(1,125)**	1,125	**-**
Skills and Development	**(355)**	26	**(329)**	91	**(238)**
Community Plan	**(276)**	-	**(276)**	-	**(276)**
Other revenue reserves	**(272)**	(272)	**(544)**	(455)	**(999)**
Unspecified Government Grants	**(491)**	(66)	**(557)**	(238)	**(795)**
Business Rates Retention	**-**	-	**-**	(788)	**(788)**
	(5,285)	(1,466)	**(6,751)**	(225)	**(6,976)**
Capital Reserves					
Leisure Replacement	**(342)**	(29)	**(371)**	(28)	**(399)**
Vehicle Replacement	**(150)**	(500)	**(650)**	174	**(476)**
IT Replacement	**(135)**	(156)	**(291)**	(15)	**(306)**
CCTV Replacement	**-**	(50)	**(50)**	(50)	**(100)**
General Capital Investment	**(400)**	(36)	**(436)**	(564)	**(1,000)**
HRA Capital Investment	**(500)**	(2,550)	**(3,050)**	(2,115)	**(5,165)**
Other Capital reserves	**(563)**	80	**(483)**	(212)	**(695)**
	(2,090)	(3,241)	**(5,331)**	(2,810)	**(8,141)**
Total Reserves	**(7,375)**	(4,707)	**(12,082)**	(3,035)	**(15,117)**

9) OTHER OPERATING EXPENDITURE

2012/13 £000		2013/14 £000
377	Payments to the Government Housing Capital Receipts Pool	449
116	(Gains)/ losses on the disposal of non-current assets	(752)
493	**Total**	**(303)**

10) FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £000		2013/14 £000
2,663	Interest payable & similar charges	2,628
1,892	Net interest on the net defined benefit pension liability	2,126
(349)	Interest receivable and similar income	(302)
(718)	Income & expenditure in relation to investment properties and changes in their fair value	(720)
3,488	**Total**	**3,732**

11) TAXATION AND NON-SPECIFIC GRANT INCOME

2012/13 £000		2013/14 £000
(8,081)	Council tax income	(7,026)
	Non domestic rates	
(6,983)	Billing authority share of income	(12,616)
-	Tariff payment to Central Government	9,448
-	Levy on growth	108
-	Small Business Rate Relief from Central Government	(343)
	Non-ringfenced government grants:	
(135)	Revenue Support Grant	(4,848)
(202)	Council Tax Freeze Grant	(80)
(543)	New Homes Bonus	(919)
(603)	Disabled Facilities Grant	(505)
(2,804)	Other Capital grants & contributions	(334)
(19,351)	**Total**	**(17,115)**

12) PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 01 April 13	139,719	50,176	9,999	6,037	336	21	**206,288**
Additions	6,317	917	1,138	81	-	251	**8,704**
Accumulated Depreciation and Impairment to Gross Carrying Amount	(10,786)	(567)	-	-	-	-	**(11,353)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	47	1,740	-	-	-	-	**1,787**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	427	(114)	-	-	-	-	**313**
Derecognition - disposals	(624)	(600)	(553)	-	-	-	**(1,777)**
Other movements in Cost or Valuation	(17)	17	5	-	-	(5)	**-**
At 31 March 14	**135,083**	**51,569**	**10,589**	**6,118**	**336**	**267**	**203,962**
Accumulated Depreciation & Impairment							
At 01 April 13	(10,786)	(4,990)	(5,460)	(3,612)	(82)	-	**(24,930)**
Depreciation charge	(5,745)	(1,514)	(999)	(154)	(8)	-	**(8,420)**
Accumulated Depreciation written off to Gross Carrying Amount	7,370	527	-	-	-	-	**7,897**
Accumulated Impairment written off to Gross Carrying Amount	3,416	40	-	-	-	-	**3,456**
Impairment losses recognised in the Revaluation Reserve	-	(23)	-	-	-	-	**(23)**
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	(43)	-	-	-	-	**(43)**
Derecognition - disposals	4	-	537	-	-	-	**541**
At 31 March 14	**(5,741)**	**(6,003)**	**(5,922)**	**(3,766)**	**(90)**	**-**	**(21,522)**
Net Book Value							
at 31 March 13	128,933	45,186	4,539	2,425	254	21	181,358
at 31 March 14	**129,342**	**45,566**	**4,667**	**2,352**	**246**	**267**	**182,440**
Nature of Holdings at year end							
Owned	129,342	45,566	4,667	2,352	246	267	**182,440**
Finance Lease	-	-	-	-	-	-	**-**

Comparative Movements in 2012/13:

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation							
At 01 April 12	131,283	51,485	10,786	6,018	336	33	**199,941**
Additions	8,853	703	528	19	-	37	**10,140**
Accumulated Depreciation and Impairment to Gross Carrying Amount	-	(696)	(542)	-	-	-	**(1,238)**
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	-	423	-	-	-	-	**423**
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on Provision of Services	(48)	(878)	-	-	-	-	**(926)**
Derecognition - disposals	(369)	(835)	(761)	-	-	-	**(1,965)**
Assets reclassified (to)/ from Investment Properties	-	(26)	-	-	-	-	**(26)**
Other movements in Cost or Valuation	-	-	(12)	-	-	(49)	**(61)**
At 31 March 13	**139,719**	**50,176**	**9,999**	**6,037**	**336**	**21**	**206,288**
Accumulated Depreciation & Impairment							
At 01 April 12	(5,558)	(4,035)	(5,732)	(3,458)	(74)	-	**(18,857)**
Depreciation charge	(5,239)	(1,518)	(982)	(154)	(8)	-	**(7,901)**
Accumulated Depreciation written off to Gross Carrying Amount	-	675	542	-	-	-	**1,217**
Accumulated Impairment written off to Gross Carrying Amount	-	21	-	-	-	-	**21**
Impairment losses recognised in the Revaluation Reserve	-	(59)	-	-	-	-	**(59)**
Impairment losses recognised in the Surplus/ Deficit on the Provision of Services	-	(86)	-	-	-	-	**(86)**
Derecognition - disposals	11	12	712	-	-	-	**735**
At 31 March 13	**(10,786)**	**(4,990)**	**(5,460)**	**(3,612)**	**(82)**	**-**	**(24,930)**
Net Book Value							
at 31 March 12	125,725	47,450	5,054	2,560	262	33	181,084
at 31 March 13	**128,933**	**45,186**	**4,539**	**2,425**	**254**	**21**	**181,358**
Nature of Holdings at year end							
Owned	128,933	45,186	4,539	2,425	254	21	**181,358**
Finance Lease	-	-	-	-	-	-	**-**

- **Depreciation**

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

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

- **Capital Commitments**

At 31st March 2014, there was one material capital commitment. The Council has entered into a contract with Apollo to provide improvement works on the Council's housing stock. The contract commenced in October 2011 and is to run for 3 years until September 2014 with a guaranteed minimum contract value of £2.1m per annum. Therefore, the minimum contracted amount for future years is £1.05m during 2014/15.

- **Revaluations**

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

Council dwellings were revalued on a desktop basis with the exercise undertaken by an externally appointed valuer, Countrywide Social Housing Ltd and valuations of land and buildings were carried out by an internal valuer. All assets we revalued in accordance with the methodologies and bases for estimation set out on the professional standards of the Royal Institute of Chartered Surveyors.

The effective date of all revaluations was 1st April 2013. Fair value is 'The amount for which an asset could be exchanged between knowledgeable, willing parties, in an arms length transaction' and therefore represents the price that would be reasonably agreed between two specific parties for the exchange of an asset.

The significant assumptions applied in estimating the fair values are:

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

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

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

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Carried at historical cost	-	864	10,589	11,453
valued at fair value in:				
2013/14	135,083	15,073		150,156
2012/13	-	346	-	346
2011/12	-	5,877	-	5,877
2010/11	-	3,464	-	3,464
2009/10	-	25,945	-	25,945
Total Cost or Valuation	**135,083**	**51,569**	**10,589**	**197,241**

13) INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2012/13 £000		2013/14 £000
(1,155)	Rental income from investment property	(1,178)
(10)	Other Income	(10)
455	Operating expenses arising from investment property	341
(710)	**Net (gain)/ loss**	**(847)**

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

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

2012/13 £000		2013/14 £000
18,362	Balance at 1 April	18,620
	Additions:	
224	Subsequent expenditure	33
8	Net gains/ (losses) from fair value adjustments	(127)
	Transfers:	
26	to/ from Property, Plant & Equipment	-
18,620	**Balance at 31 March**	**18,526**

14) FINANCIAL INSTRUMENTS

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

	Long Term		Current	
	31 March 13 £000	31 March 14 £000	31 March 13 £000	31 March 14 £000
Investments				
Loans and receivables (principal amount)	1,568	-	5,000	9,000
+ Accrued interest	-	-	64	36
+/- other accounting adjustments	(290)	-	-	-
Total Investments	**1,278**	**-**	**5,064**	**9,036**
Cash and Cash Equivalents				
Loans and receivables *(short term and instant cash deposits)*	-	-	11,509	10,641
Debtors				
Loans and receivables	1,993	1,722	3	242
Financial assets carried at contract amounts	-	-	4,426	3,373
Total Debtors	**1,993**	**1,722**	**4,429**	**3,615**
Borrowings				
Financial liabilities at amortised cost (principal amount)	(85,718)	(85,705)	(2,596)	(84)
+ Accrued interest	-	-	(561)	(557)
Total Borrowings	**(85,718)**	**(85,705)**	**(3,157)**	**(641)**
Creditors				
Financial liabilities carried at contract amount	-	-	(8,633)	(5,756)
Total Creditors	**-**	**-**	**(8,633)**	**(5,756)**

Income, Expense, Gains and Losses

	2012/13			2013/14		
	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expense	2,632	-	**2,632**	2,622	-	**2,622**
Impairment losses	-	31	**31**	-	6	**6**
Total expense in Surplus or Deficit on the Provision of Services	**2,632**	**31**	**2,663**	**2,622**	**6**	**2,628**
Interest income	-	(262)	**(262)**	-	(224)	**(224)**
Interest income accrued on impaired financial assets	-	(85)	**(85)**	-	(78)	**(78)**
Gains in fair value	-	(2)	**(2)**	-	-	**-**
Total income in Surplus or Deficit on the Provision of Services	**-**	**(349)**	**(349)**	**-**	**(302)**	**(302)**
Net (gain)/ loss for the year	**2,632**	**(318)**	**2,314**	**2,622**	**(296)**	**2,326**

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:

- New loan rates for loans from the PWLB as at 31st March;
- Equivalent lending rates for market loans;
- 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 is taken to be the invoices or billed amount.

The fair values calculated are as follows:

	31 March 13 Carrying amount £000	31 March 13 Fair Value £000	31 March 14 Carrying amount £000	31 March 14 Fair Value £000
PWLB debt	(86,743)	(87,830)	(84,239)	(79,874)
Non-PWLB debt	(2,062)	(2,027)	(2,037)	(1,886)
Short term borrowing	(70)	(70)	(70)	(70)
Short term creditors	(8,633)	(8,633)	(5,756)	(5,756)
Total Liabilities	**(97,508)**	**(98,560)**	**(92,102)**	**(87,586)**

	31 March 13 Carrying amount £000	31 March 13 Fair Value £000	31 March 14 Carrying amount £000	31 March 14 Fair Value £000
Cash & cash equivalents	11,509	11,509	10,641	10,641
Short term investments	5,064	5,064	9,036	9,036
Long term investments	1,278	1,278	-	-
Short term debtors	4,429	4,429	3,615	3,615
Long term debtors	1,993	1,993	1,722	1,722
Total Assets	**24,273**	**24,273**	**25,014**	**25,014**

The fair value of the short term assets is equal to the carrying amount as the majority of the assets are held short term and therefore the carrying amount is deemed to be the fair value of the asset. The long term assets are held on the balance sheet at their fair value.

15) DEBTORS

2012/13 £000		2013/14 £000
	Amounts due within one year:	
294	Central Government bodies	1,252
1,698	Other Local Authorities	413
1,710	Housing tenants	2,153
352	Council tax arrears	394
-	Business rates arrears	494
6,223	Other	5,006
368	Payments in advance	478
10,645	**Total amounts due**	**10,190**
	Less provisions held for bad and doubtful debts:	
(1,469)	General debts	(1,178)
(1,134)	Housing tenants	(1,476)
(88)	Council tax	(115)
-	Business rates	(148)
7,954	**Total**	**7,273**

16) CASH AND CASH EQUIVALENTS

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

2012/13 £000		2013/14 £000
5,876	Cash held by the Authority	4,900
(367)	Bank current accounts	744
6,006	Short-term deposits with banks and building societies	5,003
11,515	**Total Cash and Cash Equivalents**	**10,647**

17) CREDITORS

2012/13 £000		2013/14 £000
(1,693)	Central Government bodies	(655)
(737)	Other Local Authorities	(1,006)
-	Public Corporations and trading funds	(3)
(6,889)	Other entities and individuals	(4,856)
(9,319)	**Total**	**(6,520)**

18) PROVISIONS

	Termination and Pension Costs £000	Employee Provisions £000	Land Charges £000	Planning Appeals	Business Rate Appeals £000	Total £000
2013/14						
Balance at 01 April 13	**(23)**	**(912)**	**(129)**	**-**	**-**	**(1,064)**
Provisions made in year	(126)	(150)	-	(200)	(623)	(1,099)
Amounts used in year	21	661	-	-	-	682
Amounts reversed in year	2	-	-	-	-	2
Balance at end of 31 March 14	**(126)**	**(401)**	**(129)**	**(200)**	**(623)**	**(1,479)**

- ***Employee Provisions:***
  Single Status was approved by Cabinet in November 2011 and implemented from 1st March 2012. Employees received protected pay for two years where there was any loss of pay. A provision was set aside to fund this in 2012. This has now

completed and therefore no provision is held within the balance sheet as at 31st March 2014.
The Council has received a number of equal pay claims. A provision has been included in the accounts based on an assessment of the claims and the maximum financial liability that the Council faces. This amounts to £137k for the General Fund and £264k for the HRA. The provision has been reduced from 2012/13 because a high proportion of the claims have now been settled. Regulations allow for the costs of unequal pay claims to be deferred until they have actually been incurred through the use of the unequal pay back pay account held within unusable.

- ***Land Charges - Revocation of Personal Search Fees*****:** A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Formal proceedings have not yet been issued but the Council has been informed of a number of claims that are pending. We do not have all the information available as yet to validate the claims and a provision has been included in the accounts based on an estimate of likely liability.

- ***Planning Appeals:*** The Council has had costs awarded against it from a recent planning appeal. These costs are being disputed and an estimate has been made of the reasonable costs that are likely to be paid.

- ***Business Rate Appeals*****:** Localisation of Business Rates came into effect from 1st April 2013 and means that local authorities retain a proportion of the business rates they collect in their area. We retain 40% of income, Warwickshire County Council 10% and Central Government 10%. This also means that local authorities share the risk from fluctuations in business rates, and the most significant source of volatility is appeals against rateable value. The Valuation Office is responsible for revaluing properties every 5 years, the last being in 2010. Businesses can appeal this valuation and if successful the refund will be backdated to the last rating list. We have a significant amount of outstanding appeals, some going back to 2005. An estimate has been made of the total value of outstanding appeals and included in the Collection Fund to be apportioned across the three bodies. The 40% proportion for Nuneaton and Bedworth is reflected in the table above.

19) USABLE RESERVES

Usable reserves are those that can be applied to fund expenditure or reduce local taxation. Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement and note 7.

20) UNUSABLE RESERVES

31 March 13 £000		31 March 14 £000
(15,909)	Revaluation Reserve	(16,998)
(92,411)	Capital Adjustment Account	(95,120)
368	Financial Instruments Adjustment Account	292
47,059	Pensions Reserve	47,406
(472)	Deferred Capital Receipts Reserve	(464)
5	Collection Fund Adjustment Account	438
838	Unequal Pay Back Pay Account	401
120	Accumulated Absences Account	115
(60,402)	**Total Unusable Reserves**	**(63,930)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:
- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2012/13 £000			2013/14 £000
(16,605)	Balance at 1 April		(15,909)
(364)	Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,642)	
(364)	Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(1,642)
515	Difference between fair value depreciation and historical cost depreciation	553	
545	Accumulated gains on assets sold or scrapped	-	
1,060	Amount written off to the Capital Adjustment Account		553
(15,909)	**Balance at 31 March**		**(16,998)**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

Note 7 includes details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £000			2013/14 £000
(91,335)	Balance at 1 April		(92,411)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
8,004	Charges for depreciation and impairment of non-current assets	8,462	
896	Revaluation losses on Property, Plant and Equipment	(313)	
242	Amortisation of intangible assets	193	
680	Revenue expenditure funded from capital under statute	731	
1,486	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	1,236	
11,308			10,309
(1,060)	Adjusting amounts written out of the Revaluation Reserve		(553)
10,248	Net written out amount of the cost of non-current assets consumed in the year		9,756
	Capital financing applied in the year:		
(657)	Use of Capital Receipts Reserve to finance new capital expenditure	(789)	
(5,739)	Use of Major Repairs Reserve to finance new capital expenditure	(6,099)	
(2,463)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(760)	
(37)	Application of grants to capital financing from the Capital Grants Unapplied Account	(226)	
(527)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(3,006)	
(1,893)	Capital expenditure charged against the General Fund and HRA Balances	(1,712)	
(11,316)			(12,592)
(8)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		127
(92,411)	**Balance at 31 March**		**(95,120)**

Financial Instruments Adjustment Account

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

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

2012/13 £000			**2013/14 £000**
525	Balance at 1 April		368
(146)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirments	(65)	
(11)	Movement in fair value of soft loan	(11)	
(157)	Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirments		**(76)**
368	**Balance at 31 March**		**292**

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 Authority 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13 £000		2013/14 £000
39,374	Balance at 1 April	47,059
5,747	Actuarial gains or losses on pensions assets and liabilities	(2,211)
4,625	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,182
(2,687)	Employer's contributions and direct payments to pensioners payable in the year	(2,624)
47,059	**Balance at 31 March**	**47,406**

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. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2012/13 £000		2013/14 £000
(451)	Balance at 1 April	(472)
(21)	Transfer of deferred sale proceeds credited to the Comprehensive Income and Expenditure Statement	-
-	Transfer to Capital Receipts Reserve upon receipt of cash	8
(472)	**Balance at 31 March**	**(464)**

Collection Fund Adjustment Account

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

2012/13 £000		2013/14 £000
6	Balance at 1 April	5
(1)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	433
5	**Balance at 31 March**	**438**

Unequal Pay Back Pay Account

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

2012/13 £000			2013/14 £000
704	Balance at 1 April		838
142	Increase in provision for back pay in relation to Equal Pay cases	121	
(8)	Cash settlements paid in the year	(558)	
134	Amounts by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		**(437)**
838	**Balance at 31 March**		**401**

Accumulated Absences Account

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

2012/13 £000			2013/14 £000
130	Balance at 1 April		120
(130)	Settlement or cancellation of accrual made at the end of the preceding year	(120)	
120	Amounts accrued at the end of the current year	115	
(10)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**(5)**
120	**Balance at 31 March**		**115**

21) CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/13 £000		2013/14 £000
(229)	Interest received	(323)
2,275	Interest paid	2,625

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

2012/13 £000		2013/14 £000
(7,987)	Depreciation & impairment	(8,462)
(919)	Revaluations	186
(242)	Amortisation	(193)
(400)	Increase/ (decrease) in impairment for bad debts	(81)
458	Movement in creditors	(47)
327	Movement in debtors	1,841
47	Movement in stock	-
396	Movement in provisions	(415)
(1,938)	Movement in pension liability	(2,558)
(1,485)	Carrying amount of non-current assets sold or de-recognised	(1,236)
(12)	Other non-cash items	(16)
(11,755)	**Total Adjustment**	**(10,981)**

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

2012/13 £000		2013/14 £000
1,375	Proceeds from the sale of Property, Plant & Equipment; Investment Property & Intangible Assets	1,977
3,128	Capital grants reflected in net surplus or deficit that relate to financing activities	655
4,503	**Total Adjustment**	**2,632**

22) CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/13 £000		2013/14 £000
7,893	Purchase of property, plant and equipment; investment property and intangible assets	11,898
7,000	Purchase of short-term and long-term investments	17,000
(1,375)	Proceeds from the sale of property, plant and equipment; investment property and intangible assets	(1,985)
(5,553)	Proceeds from short-term and long-term investments	(14,347)
(1,916)	Other receipts from investing activities	(2,863)
6,049	**Net cash flows from investing activities**	**9,703**

23) CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/13 £000		2013/14 £000
(920)	Other receipts from financing activities	(1,037)
32	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
361	Repayments of short-term and long-term borrowing	2,526
49	Other payments for financing activities	399
(478)	**Net cash flows from financing activities**	**1,888**

24) 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 Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Corporate Management Team and 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. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year under IAS19.

- the costs and income relating to investment properties are shown within the portfolio whereas they are charges/ credited to financing and investment income on the face of the Comprehensive Income and Expenditure Statement.

The income and expenditure of the Authority's portfolios for the 2013/14 and 2012/13 are detailed in the following tables:

Portfolio Income and expenditure	**Central Services** £000	**Arts & Leisure** £000	**Finance & Civic Affairs** £000	**Health & Environment** £000	**Housing** £000	**Planning & Development** £000	**Housing Revenue Account** £000	**Total** £000
2013/14								
Fees, charges and other service income	(385)	(1,150)	(2,160)	(1,044)	(560)	(2,981)	(24,653)	**(32,933)**
Interest and investment income	-	-	-	-	-	-	(24)	**(24)**
Government grants and contributions	(126)	(201)	(38,477)	(181)	(131)	(1)	(835)	**(39,952)**
Total income	**(511)**	**(1,351)**	**(40,637)**	**(1,225)**	**(691)**	**(2,982)**	**(25,512)**	**(72,909)**
Employee expenses	416	1,280	1,971	2,600	648	1,237	5,006	**13,158**
Pension Costs/ (Gains)								
Other service expenses	456	5,352	38,481	1,494	433	1,312	11,418	**58,946**
Support service recharges	620	474	2,134	477	296	765	2,017	**6,783**
Depreciation, amortisation & impairment	7	1,012	74	517	42	540	6,099	**8,291**
Interest Payments	-	-	-	-	-	-	2,177	**2,177**
Total operating expenses	**1,499**	**8,118**	**42,660**	**5,088**	**1,419**	**3,854**	**26,717**	**89,355**
Net Expenditure	**988**	**6,767**	**2,023**	**3,863**	**728**	**872**	**1,205**	**16,446**

Portfolio Income and expenditure	**Central Services £000**	**Arts & Leisure £000**	**Finance & Civic Affairs £000**	**Health & Environment £000**	**Housing £000**	**Planning & Development £000**	**Housing Revenue Account £000**	**Total £000**
2012/13 comparative figures								
Fees, charges & other service income	(360)	(1,070)	(2,089)	(1,029)	(538)	(2,932)	(23,011)	**(31,029)**
Interest and investment income	-	-	-	-	-	-	(39)	**(39)**
Government grants & contributions	(160)	(198)	(48,311)	(243)	(342)	(4)	(1,007)	**(50,265)**
Total income	**(520)**	**(1,268)**	**(50,400)**	**(1,272)**	**(880)**	**(2,936)**	**(24,057)**	**(81,333)**
Employee expenses	545	1,230	2,154	2,790	603	1,514	4,537	**13,373**
Other service expenses	657	5,337	47,997	1,628	471	993	10,680	**67,763**
Support service recharges	598	510	2,104	501	297	714	2,179	**6,903**
Depreciation, amortisation & impairment	21	919	52	448	42	628	5,413	**7,523**
Interest Payments	-	-	-	-	-	-	2,181	**2,181**
Total operating expenses	**1,821**	**7,996**	**52,307**	**5,367**	**1,413**	**3,849**	**24,990**	**97,743**
Net Expenditure	**1,301**	**6,728**	**1,907**	**4,095**	**533**	**913**	**933**	**16,410**

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

This reconciliation shows how the figures in the analysis of portfolio income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2012/13 £000		**2013/14 £000**
16,410	Net expenditure in the Portfolio Analysis	16,446
1,143	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,404
(5,427)	Amounts included in the analysis not included in the Cost of Services	(7,538)
12,126	**Cost of Services in Comprehensive Income and Expenditure Statement**	**11,312**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of 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.

	Portfolio Analysis	Amounts not reported to management for decision making	Amounts not included in the Cost of Services	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
2013/14							
Fees, charges and other service income	(32,933)	-	1,198	(282)	**(32,017)**	(1,187)	**(33,204)**
Interest and investment income	(24)	-	24	-	**-**	(302)	**(302)**
Income from council tax	-	-	-	-	**-**	(7,026)	**(7,026)**
Income from business rates	-	-	-	-	**-**	(12,616)	**(12,616)**
Government grants and contributions	(39,952)	-	-	(45)	**(39,997)**	(7,029)	**(47,026)**
Total Income	**(72,909)**	**-**	**1,222**	**(327)**	**(72,014)**	**(28,160)**	**(100,174)**
Employee expenses	13,158	599	(356)	4,427	**17,828**	108	**17,936**
Pension Costs/ (Gains)	-	99	-	-	**99**	-	**99**
Other service expenses	58,946	1,074	(5,344)	2,432	**57,108**	180	**57,288**
Support service recharges	6,783	112	(50)	(6,896)	**(51)**	51	**-**
Depreciation, amortisation and impairment	8,291	520	(833)	364	**8,342**	128	**8,470**
Interest Payments	2,177	-	(2,177)	-	**-**	4,754	**4,754**
Precepts and Levies	-	-	-	-	**-**	9,556	**9,556**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	449	**449**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	**-**	(752)	**(752)**
Total Expenditure	**89,355**	**2,404**	**(8,760)**	**327**	**83,326**	**14,474**	**97,800**
(Surplus) or deficit on the provision of services	**16,446**	**2,404**	**(7,538)**	**-**	**11,312**	**(13,686)**	**(2,374)**

	Portfolio Analysis	Amounts not reported to management for decision making	Amounts not included in the Cost of Services	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
2012/13 comparative figures							
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(31,029)	(16)	1,165	(329)	**(30,209)**	(1,165)	**(31,374)**
Interest and investment income	(39)	-	39	-	**-**	(349)	**(349)**
Income from council tax	-	-	-	-	**-**	(8,081)	**(8,081)**
Government grants and contributions	(50,265)	-	-	-	**(50,265)**	(11,270)	**(61,535)**
Total Income	**(81,333)**	**(16)**	**1,204**	**(329)**	**(80,474)**	**(20,865)**	**(101,339)**
Employee expenses	13,373	149	(105)	4,132	**17,549**	107	**17,656**
Pension Costs/ (Gains)	-	277	-	-	**277**	-	**277**
Other service expenses	67,763	271	(4,900)	2,522	**65,656**	308	**65,964**
Support service recharges	6,903	26	(39)	(6,928)	**(38)**	40	**2**
Depreciation, amortisation and impairment	7,523	436	594	603	**9,156**	(8)	**9,148**
Interest Payments	2,181		(2,181)	-	**-**	4,555	**4,555**
Payments to Housing Capital Receipts Pool	-	-	-	-	**-**	377	**377**
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	**-**	116	**116**
Total Expenditure	**97,743**	**1,159**	**(6,631)**	**329**	**92,600**	**5,495**	**98,095**
(Surplus) or deficit on the provision of services	**16,410**	**1,143**	**(5,427)**	**-**	**12,126**	**(15,370)**	**(3,244)**

25) ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2013/14.

26) TRADING OPERATIONS

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

2012/13			2013/14				
(Surplus) / Deficit Before Capital Charges	(Surplus) / Deficit After Capital Charges		Costs	Income	(Surplus) / Deficit Before Capital Charges	Capital Charges	(Surplus) / Deficit After Capital Charges
£000	£000		£000	£000	£000	£000	£000
16	63	Markets	521	(454)	**67**	45	**112**
6	32	Trade Waste	236	(349)	**(113)**	-	**(113)**
(888)	(247)	Car Parks	1,105	(2,152)	**(1,047)**	522	**(525)**
554	694	Civic Hall - shows and catering	1,369	(809)	**560**	137	**697**
(95)	(53)	Mobile Home Sites	15	(108)	**(93)**	40	**(53)**
(623)	(25)	Commercial properties	252	(993)	**(741)**	119	**(622)**
(50)	(60)	Industrial properties	88	(158)	**(70)**	181	**111**
(1,080)	**404**	**Total**	**3,586**	**(5,023)**	**(1,437)**	**1,044**	**(393)**

27) MEMBERS' ALLOWANCES

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

2012/13 £000		2013/14 £000
162	Basic allowance	162
89	Special responsibility	91
15	Other allowances/ expenses	14
266	**Total**	**267**

28) OFFICERS' RENUMERATION

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

Post Title	Year	Notes	Salary (including Fees & Allowances)	Expense Allowances	Benefits in Kind e.g. Car Allowance	Employers Pension Contrib'	Total
			£	£	£	£	£
Managing Director	**2013/14**	Note 1	**98,842**	**-**	**1,041**	**17,559**	**117,442**
	2012/13		93,237	-	944	15,840	110,021
Director - Finance & Procurement	**2013/14**		**69,832**	**-**	**-**	**12,723**	**82,555**
	2012/13		65,507	-	-	11,476	76,983
Director - Regeneration & Public Protection	**2013/14**		**65,172**	**121**	**-**	**11,852**	**77,145**
	2012/13		64,085	76	-	11,279	75,440
Director - Business Improvement	**2013/14**		**64,891**	**-**	**-**	**11,852**	**76,743**
	2012/13		64,207	-	-	11,279	75,486
Director - Assets & Street Services	**2013/14**		**64,904**	**157**	**-**	**11,852**	**76,913**
	2012/13		64,219	230	-	11,279	75,728
Director - Housing	**2013/14**		**65,078**	**-**	**-**	**11,852**	**76,930**
	2012/13		64,357	-	-	11,279	75,636
Director - Governance & Recreation	**2013/14**	Note 1	**65,021**	**-**	**-**	**11,637**	**76,658**
	2012/13		61,829	-	-	10,467	72,296

Note 1 - Includes Election Related Role.

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

2012/13 Total Number of Employees	Remuneration Band	2013/14 Employees leaving during year	2013/14 Number Employed as at 31 March	2013/14 Total Number of Employees
1	£50,000 - £54,999	-	-	-
-	£55,000 - £59,999	-	-	-
7	£60,000 - £64,999	-	1	1
1	£65,000 - £69,999	1	5	6
-	£70,000 - £74,999	1	-	1
-	£75,000 - £79,999	-	-	-
-	£80,000 - £84,999	-	-	-
-	£85,000 - £89,999	-	-	-
1	£90,000 - £94,999	-	-	-
-	£95,000 - £99,999	-	1	1
10		**2**	**7**	**9**

29) EXTERNAL AUDIT COSTS

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

2012/13 £000		2013/14 £000
70	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year	70
16	Fees payable to Grant Thornton for the certification of grants and returns for the year	19
(6)	Rebate from the Audit Commission	(8)
80	**Total**	**81**

30) GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14:

2012/13 £000		2013/14 £000
	Credited to Taxation and Non Specific Grant Income	
-	Contributions from leaseholders	(123)
-	HCA	(36)
(1,889)	Eon	-
(25)	Kickstart	-
(701)	Warwickshire County Council	-
(28)	Nuneaton & Bedworth Leisure Trust	-
(161)	Developers & other minor contributions	(175)
(2,804)	**Total**	**(334)**
	Credited to Services	
(952)	Benefits Administration Grant	(865)
(868)	Supporting People	(835)
(1,820)	**Total**	**(1,700)**

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

31 March 13 £000		31 March 14 £000
	Capital Grants Receipts in Advance	
(2,528)	Developers Contributions	(2,564)
(77)	Other Contributions	(47)
(96)	Warwickshire County Council	(96)
(2,701)	**Total**	**(2,707)**

31) RELATED PARTIES

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control of 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 Authority.

Central Government.

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, Housing Benefits). Grants received from Government departments are set out in notes 11 and 30.

Warwickshire County Council and Warwickshire Police and Crime Commissioner.

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 37.

Council Members and Officers.

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

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

This has been supplemented by an approach to relevant members and senior officers seeking from them a declaration that neither they, nor close family nor anyone in the same household have been involved in any material transactions with the Council. This has not identified any material related party transactions.

In addition to their normal involvement on various Council Committees, most members also act as the Council's representative on a wide range of Outside and Voluntary Bodies – some such representation follows from their Committee membership(s). A list of representatives relevant to 2013/14 was approved at Cabinet on 26th June 2013.

The Council provided financial assistance to certain voluntary and outside bodies during 2013/14 which included the following contributions:

2012/13 £	Organisation	2013/14 £	2013/14 Members
38,250	Advice Rights	38,250	3
2,223	Age UK	924	1
5,890	Bulkington Village Centre	6,030	1
7,665	Hartshill & Nuneaton Recreation Ground	7,854	2
4,000	Local Ethnic Minor Advisory Council	0	0
9,000	Nuneaton & Bedworth Volunteer Bureau	9,000	0
5,330	Nuneaton & Bedworth Sports Forum	5,330	1
91,994	Nuneaton & Bedworth Citizens' Advice Bureau	82,800	0
5,570	Stockingford Community Centre	5,140	0
46,900	Warwickshire Community & Voluntary Action	53,530	0
13,000	Warwickshire Race Equality Partnership	2,500	1
2,052	Warwickshire Safeguarding Childrens Board	2,052	0

£2,250 is held on the balance sheet at year end having made a payment for 2014/15 in advance and £56 as a creditor outstanding for the bodies listed above.

Nuneaton and Bedworth Leisure Trust.

Nuneaton and Bedworth Leisure Trust was created in 2003/04 to manage the Council's leisure facilities. It is a Not for Profit Distributing Organisation with two of the Council's members being members of the Trust's board. The Council pays a management fee to the Trust and for 2013/14 this amounted to £1,388,705 (2012/13 £1,678,500). An additional £39,901 was paid to the NBLT in 2013/14 (£43,175 in 2012/13) for community initiatives etc plus £126,341 for loss of income in 2013/14 following the closure of the Bedworth Leisure Centre for essential maintenance.

At 2013/14 year end £126,341 was held as a creditor on the balance sheet. (In 2012/13 all funds due were paid during the financial year with no amounts held in balance sheet creditors).

In 2010/11 a loan of £400,000 was provided to the Nuneaton and Bedworth Leisure Trust to assist in the financing of the new Pingles gym facility. This is to be repaid over a period of 10 years at a fixed amount of £50,000 per annum (inclusive of interest and principal amount). The principal amount outstanding at 31st March 2014 was £256,228 (2012/13: £291,106). The Council has recently retendered the contract for leisure provision, with effect from 1st May 2014. The residual of the loan will transfer with the contract to the new provider Sports Leisure Management in 2014/15.

Healthy Living Network.

The Council processes the payroll for the Healthy Living Network and in 2013/14 processed transactions totalling £84,777 (2012/13: £115,060) which is then repaid by the organisation. There was no creditor or debtor balance for 2013/14. An outstanding balance of £783.04 was recognised in creditors on 31st March 2013. The Council also entered into a service level agreement of £9,926 in 2013/14 with the organisation to provide support in the community.

Pride in Camp Hill Ltd.

Due to the nature of the tri-partite agreement referred to in note 32, Pride in Camp Hill Ltd is considered to be a related party of the Borough Council. In 2013/14 the Council contributed £71,920 towards the running costs of the company (2012/13: £71,920).

On formation of the company, the Council gave a start up loan of £250,000 repayable on completion of the project. The Council has also guaranteed a one third part of up to £100,000 deficit at the end of the project. Nuneaton and Bedworth Borough Council are the accountable body for phase 3 of this regeneration project. The total expenditure for the year can be found in note 32 to the accounts.

32) CAMP HILL

Camp Hill is a large regeneration project in the north of the Borough, with the aim of creating over 1,200 new properties (25% affordable) and various other community initiatives. The Project is split into 3 main phases, with Phase 1 and 2 being managed by Pride in Camp Hill ltd. For Phase 3, NBBC is the accountable body and all transactions relating to this phase will be recognised in our accounts. Phase 3 is a tripartite agreement between NBBC, Advantage West Midlands (AWM) and Warwickshire County Council (WCC). AWM have contributed £4.9m to the scheme and Homes and Communities Agency (HCA - formerly English Partnerships) £3.1m. Nuneaton and Bedworth Borough Council's contribution is the land.
Following a tender exercise, Barratt were named as the preferred developer in 2007 and a Development Agreement was signed with them in October 2009. Acquisition and demolition of properties in Phase 3 began in 2006/07 and during 2013/14 £253k of capital expenditure was incurred by NBBC. This has been funded from the following:

	£
Capital Receipts	247,071
Housing and Communities Agency Grant	6,199
Total	**253,270**

Private properties that have been purchased are shown in the General Fund. Following acquisition, the properties have been revalued to their current value and a revaluation charge of £4k is shown in the accounts. The freehold will be transferred to homeowners when purchased and a capital receipt will be received from Barratt on a per plot basis. The first sales were completed in July 2010 and 30 plots of land have been sold in total during 2013/14. These are shown as disposals in the accounts and are reflected in the table below:

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

	£
Opening balance (NBV)	4,519,197
Acquisitions in year	253,270
Transfers in year	16,790
Disposals of land in year	(600,000)
Revaluations	(4,257)
Closing balance	**4,185,000**

33) CAPITAL EXPENDITURE AND FINANCING

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

2012/13 £000		**2013/14 £000**
94,622	**Opening Capital Financing Requirement**	**94,304**
	Capital Investment	
10,140	Property, Plant and Equipment	8,704
224	Investment Properties	33
2	Heritage Assets	-
28	Intangible Assets	119
680	Revenue Expenditure Funded from Capital under Statute	731
	Sources of Finance	
(657)	Capital receipts	(789)
(2,500)	Government grants and other contributions	(986)
(5,739)	Major Repairs Reserve	(6,099)
(1,893)	Sums set aside from revenue - direct revenue contributions	(1,713)
(527)	Sums set aside from revenue - Minimum Revenue Provision	(3,006)
	Other Movements	
(61)	Correction of finance lease liability	-
(15)	HRA Non Dwellings - impairments and revaluations	-
94,304	**Closing Capital Financing Requirement**	**91,298**
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
285	Unsupported by government financial assistance	-
	Sums set aside from revenue:	
(527)	Minimum/ Voluntary Revenue Provision	(3,006)
(15)	HRA Non Dwellings impairments and revaluations	-
(61)	Assets adjusted under finance leases	-
(318)	**Increase/(decrease) in Capital Financing Requirement**	**(3,006)**

34) LEASES

- **Authority as Lessee**

Finance Leases

There are no finance leases outstanding at 31st March 2014.

Operating Leases

The Authority has entered into several operating leases for the supply of the mayor's car, small office equipment items and land. The amount paid in 2013/14 was £58k and the Council is committed to further payments as detailed in the table below:

31 March 13 £000	Operating Leases	31 March 14 £000
46	Not later than one year	57
148	Later than one year not later than five years	179
2,573	Later than five years	2,536
2,767	**Total**	**2,772**

The Authority also operates a salary sacrifice scheme for employees to lease vehicles for their personal use. As at 31st March 2014 there were 17 such leases in place and payment for these leases are covered through deductions from the employees salaries. Figures for these lease arrangements are not included in the table above as they are cancellable leases and liability for the costs have been transferred to the employee thereby resulting in a nil cost to the Authority. The Authority would only become liable for any costs (i.e. early cancellation charges) should the employee leave the Authority before the end of the lease arrangement.

- **Authority as Lessor**

Operating Leases

The Authority leases out property under operating leases ranging from properties let to charitable and community organisations, to town centre shops and industrial units. The gross value of assets where there are such leases was some £28.2m at 31st March 2014 with depreciation applied of £1.21m. The income from such operating lease rentals during 2013/14 was £1.87 (£1.78m in 2012/13).

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

31 March 13 £000		31 March 14 £000
	Operating Leases	
989	Not later than one year	918
3,459	Later than one year not later than five years	3,254
71,842	Later than five years	71,287
76,290	**Total**	**75,459**

Finance Leases

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

35) IMPAIRMENT LOSSES

No impairment losses were recognised during 2013/14. £145k was recognised during 2012/13 due to capital expenditure on assets not adding an equal amount of value.

36) TERMINATION BENEFITS

The Authority terminated the contracts of fifteen employees (16 posts) in 2013/14, incurring exit packages of £122,477 (2012/13: £198,929). Within this, a provision of £24,959 is payable to the Head of Recreation and £23,780 to the former Head of Housing Management in the form of compensation for loss of office and pay in lieu of notice, (in 2012/13 £25,472 was paid to the Town Centres Manager, in the form of compensation for loss of office and pay in lieu of notice). The remaining 2013/14 liability was payable to thirteen officers from across the Council made redundant as part of the Authority's "planning for the future" and rationalisation of services.

Actuarial strain linked to the exit packages cost £200,105 (2012/13: £227,658). These costs cover both the General Fund and the HRA.

The Council's has not planned specifically for further redundancies but any applications for voluntary redundancy will be reviewed in the 2014/15 financial year.

Exit Packages:

	Number of Compulsory Redundancies		Number of Voluntary Redundancies		Total Number of Exit Packages		Total Cost of Exit Packages	
	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**	2012/13	**2013/14**
Band Cost								
band £0-£20k	6	**8**	11	**6**	17	**14**	£129,390	**£73,739**
band £20-£40k	2		1	**2**	3	**2**	£69,539	**£48,739**
Grand Total	8	**8**	12	**8**	20	**16**	£198,929	**£122,477**

37) DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

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

The Authority participates in the Local Government Pension Scheme, administered by Warwickshire County Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

Transactions Relating to Post-employment Benefits

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

Local Government Pension Scheme 2012/13 £000	Discretionary Benefit Arrangements 2012/13 £000		Local Government Pension Scheme 2013/14 £000	Discretionary Benefit Arrangements 2013/14 £000
		Comprehensive Income and Expenditure Statement:		
		Cost of Services:		
2,456	-	Current service costs	2,957	-
277	-	Past service costs/ (gain)	99	-
		Financing and Investment Income and Expenditure		
1,650	242	Net Interest Expense	1,904	222
4,383	**242**	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**4,960**	**222**
		Remeasurement of the defined benefit liability comprising:		
(10,022)	-	Return on plan assets (exluding the amount included in net intereset expense)	(2,374)	-
-	-	Actuarial gains and losses arising on changes in demographic assumptions	(442)	-
16,653	-	Actuarial gains and losses arising on changes in financial assumptions	4,036	-
(412)	(472)	Other	(3,431)	-
10,602	**(230)**	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**2,749**	**222**
		Movement in Reserves Statement:		
(4,383)	(242)	Reversal of net charges made to the Comprehensive Income and Expenditure Statement for post employment benefits in accordance with the code	(4,960)	(222)
		Actual amount charged against the General Fund Balance for pensions in the year:		
2,344		Employers' contributions payable to the scheme	2,285	
	343	Retirement benefits payable to pensioners		338

Pensions 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 plans is as follows:

2012/13 £000		2013/14 £000
	Local Government Pension Scheme:	
155,554	Present value of the defined benefit obligation	160,862
(113,653)	Fair value of plan assets	(118,498)
	Discretionary Benefit Arrangements:	
5,158	Present value of the defined benefit obligation	5,042
47,059	**Net liability arising from the defined benefit obligation**	**47,406**

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

Local Government Pension Scheme 2012/13 £000		Local Government Pension Scheme 2013/14 £000
100,711	Balance at 1 April	113,653
4,789	Interest Income	5,053
	Remeasurement gain/ (loss)	
10,022	Return on assets excluding amounts included in the net interest expense	2,374
2,344	Contributions from employer	2,285
343	Contributions in respect of unfunded benefits	338
772	Contributions from employees	741
(5,328)	Benefits paid	(5,946)
113,653	**Balance at 31 March**	**118,498**

Reconciliation of Present Value of the Scheme Liabilities.

Local Government Pension Scheme 2012/13 £000	Discretionary Benefit Arrangements 2012/13 £000		Local Government Pension Scheme 2013/14 £000	Discretionary Benefit Arrangements 2013/14 £000
134,354	5,731	Balance at 1 April	155,554	5,158
2,456	-	Current service costs	2,957	
6,439	242	Interest cost	6,957	222
772	-	Contributions from scheme participants	741	-
		Remeasurement (gains) and losses:		
-	-	changes in demographic assumptions	(442)	-
16,653	-	changes in financial assumptions	4,036	-
(412)	(472)	Other	(3,431)	-
277	-	Past service cost	99	-
(4,985)	(343)	Benefits paid	(5,609)	(338)
155,554	**5,158**	**Balance at 31 March**	**160,862**	**5,042**

Local Government Pension Scheme Assets Analysis

Period Ended 31 Mar 2013					Period Ended 31 Mar 2014			
Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets		Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets
				Equity Securities				
11,903	-	11,903	10%	Consumer	12,681	-	12,681	11%
6,530	-	6,530	6%	Manufacturing	6,666	-	6,666	6%
3,306	-	3,306	3%	Energy and Utilities	2,845	-	2,845	2%
4,877	-	4,877	4%	Financial Institutions	5,609	-	5,609	5%
2,066	-	2,066	2%	Health and Care	2,357	-	2,357	2%
4,215	-	4,215	4%	Information Technology	4,146	-	4,146	4%
1,818	-	1,818	2%	Other	3,496	-	3,496	3%
				Private Equity				
-	992	992	1%	All	-	1,284	1,284	1%
				Real Estate:				
10,415	-	10,415	9%	UK Property	11,056	-	11,056	9%
248	-	248	0%	Overseas Property	211	-	211	0%
				Investment Funds and Unit Trusts				
34,468	-	34,468	30%	Equities	33,760	-	33,760	28%
17,193	-	17,193	15%	Bonds	18,535	-	18,535	16%
-	5,125	5,125	5%	Hedge Funds	-	5,365	5,365	5%
10,084	-	10,084	9%	Other	9,999	-	9,999	8%
				Cash and Cash Equivalents				
-	413	413	0%	All	-	488	488	0%
107,123	**6,530**	**113,653**	**100%**	**Total**	**111,361**	**7,137**	**118,498**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. For 2013/14 both the Local Government Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2013.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2012/13	Discretionary Benefit Arrangements 2012/13		Local Government Pension Scheme 2013/14	Discretionary Benefit Arrangements 2013/14
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.9 years	21.9 years	Men	22.4 years	22.4 years
23.6 years	23.6 years	Women	24.4 years	24.4 years
		Longevity at 65 for future pensioners:		
22.8 years	-	Men	24.3 years	-
25.9 years	-	Women	26.6 years	-
5.1%	-	Rate of increase in salaries	4.6%	-
2.8%	2.8%	Rate of increase in pensions	2.8%	2.8%
4.5%	4.5%	Rate for discounting scheme liabilities	4.3%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. This sensitivity analysis can be seen in Note 4, page 43.

Impact on the Authority’s Cash Flows

The objectives of the scheme are to keep employer’s contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme’s actuary to achieve a funding level of 100% over the next 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31st March 2016.

Employer's contributions for the period to 31 March 2015 are estimated to be approximately £2,266,000.

38) CONTINGENT ASSETS AND LIABILITIES

Contingent Asset:

Business Rates Pool – Local Volatility Fund: The Council is part of a Business Rates pool with Coventry, Warwickshire and all other Warwickshire districts, Part of the Memorandum of Understanding for the Pool allocates 25% of the benefit of being in the pool to be set aside in a Local Volatility Fund. This is to provide protection for Pool members from falls in business rate income. The Local Volatility Fund is held by Warwickshire County Council as the lead authority and a memo account is maintained for each authority. As at the end of March 2014, Nuneaton and Bedworth held £31,891 within the Fund. This would be released to us if our business rates income fell by more than 5% of our baseline funding level or if we left the pool or the pool dissolved.

Contingent Liabilities:

Insurance claims: there were potential excess payments on outstanding liability claims at 31st March 2014 amounting to £87k. The actual eventual settlements will be met from relevant service budgets.

Revocation of Personal Search Fee: A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is approximately £183,000 plus potential interest and costs. However, the Council will need to validate the all the claims to ensure they are reasonable and there is not sufficient information available for us to do this as yet. A provision has been included in the accounts based on the information available to us. The claimants have also indicated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present. Therefore, both a provision and a contingent liability is appropriate until the Council has more certainty of its financial obligation.

Equal Pay Claims: Pay Restructuring was implemented in March 2012 and details of a provision that has been made in relation to potential Equal Pay Claims has been included in note 18 to the accounts. This provision is based on our current assessment of the Council's likely maximum liability less the claims that have already been settled, but there is still significant uncertainty around the financial obligation that may result from these claims. There is also a potential risk of future claims and incurring legal costs. Therefore, both a provision and a contingent liability is appropriate until the Council has more certainty of its financial obligation in relation to Equal Pay claims.

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

Business rates retention also means that local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG.

The Valuation Office deals with appeals against Business Rates – the local authority has no control over the decision or the timing. The latest information from the Valuation Office indicates that there are outstanding appeals covering a Rateable Value of £16m and a charge of £7.5m after the appropriate multiplier has been applied. The appeals cover both the 2005 and 2010 revaluations so any successful appeals would also be backdated to the date the appeal was submitted.

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

For the purposes of the Statement of Accounts, a provision has been included in the Collection Fund for the proportion of successful claims and the likely reduction in Rateable Value that would apply.

However, local businesses can still appeal against the Rateable Value on the 2010 Rating list until 31 March 2017. Therefore there are a number of future financial years where the cost of successful appeals could impact on the Council's Financial Statements. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Council has therefore made no provision in the accounts for claims that are yet to be made.

39) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council;

- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;

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

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

Overall Procedures for Managing Risk

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

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

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

- by approving annually in advance prudential and treasury indicators for the following three years limiting:

- The Council's overall borrowing;
- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2013 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was £108.20m This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was set at £91.30m. The Operational Boundary is the expected level of debt and other long term liabilities during the year.

- The maximum amounts invested at any one time in any institution or financial group was set at £6m for Money Market Funds and part nationalised banks and £4m for all other institutions.

- The maximum exposures to the maturity structure of debt were set and are detailed within this note.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

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

- credit watches and credit outlooks from credit rating agencies.
- Credit Default Swap price spreads against a benchmark to give early warning of likely changes in credit ratings.
- sovereign ratings to select counterparties from only the most creditworthy countries.

The Authority's maximum exposure to credit risk in relation to its investments and cash held in banks and building societies of £18.9m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2014 that this was likely to crystallise.

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

	Amount at 31 March 14 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 14 % C	Estimated maximum exposure to default and uncollectability at 31 March 14 £000 (A x C)	Estimated maximum exposure at 31 March 13 £000
Investments:					
A Rated	9,000	0.09%	0.00%	-	-
Cash & Cash Equivalents					
AAA Rated	1,000	0.00%	0.00%	-	-
AA Rated	-	0.02%	0.00%	-	-
A Rated	5,000	0.09%	0.00%	-	-
BBB Rated	3,894	0.21%	0.00%	-	-
Customers	1,340	15.66%	22.16%	297	558
				297	**558**

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

The Council does not generally allow credit for its customers, such that £1.06m of the £1.34m balance is past its due date for repayment. The past due amount can be analysed by age as follows:

	31 March 14 £000	31 March 13 £000
Less than three months	228	387
Three to six months	235	158
Six months to one year	191	263
More than one year	410	549
	1,064	**1,357**

Liquidity Risk

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All sums owing are due to be paid in less than one year.

Refinancing and Maturity Risk

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

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

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

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

	31 March 14		31 March 13	
	Average Rate %	Amount £000	Average Rate %	Amount £000
PWLB	3.02%	83,705	2.95%	86,205
Other Lenders	4.07%	2,013	4.02%	2,039
	3.05%	**85,718**	**2.97%**	**88,244**
less than one year	0.00%	13	0.55%	2,526
Maturing in 1 - 2 years	0.00%	-	0.00%	13
Maturing in 2 - 5 years	1.31%	5,000	1.31%	5,000
Maturing in 5 - 10 years	2.81%	24,000	2.88%	16,500
Maturing in 10 - 15 years	3.13%	48,705	3.06%	52,250
Maturing in over 15 years	4.35%	8,000	3.94%	11,955
	3.05%	**85,718**	**2.97%**	**88,244**

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

	31 Mar 14		31 Mar 13	
	Maximum Exposure Allowable	Maximum Exposure at year end	Maximum Exposure Allowable	Maximum Exposure at year end
less than one year	20%	0%	20%	3%
Maturing in 1 - 2 years	20%	0%	20%	0%
Maturing in 2 - 5 years	30%	6%	30%	6%
Maturing in 5 - 10 years	50%	28%	50%	18%
Maturing in more than 10 years	100%	66%	100%	73%

Market Risk

Interest rate risk – the Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charges to the Comprehensive Income and Expenditure Statement will rise;

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

- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (ie HRA).

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(83)
Net Impact on Surplus or Deficit on the Provision of Services	**(83)**
Decrease in fair value of fixed rate borrowings (no impact on the Provision of Services or Other Comprehensive Income and Expenditure)	(7,144)

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

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

Foreign exchange risk in relation to Icelandic Deposits – The Council had foreign exchange exposure during 2013/14 as a result of the Icelandic deposits held within the collapsed Landsbanki bank. A repayment was made during the year in foreign currency and was converted to sterling upon receipt. The outstanding claim for the deposits has been sold to a third party and proceeds from the sale were received in sterling. No further foreign exchange risk is held as the Council has no outstanding claim against Landsbanki.

Housing Revenue Account

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather that the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

Income and Expenditure Statement

2012/13 £000		2013/14 £000	£000
	Expenditure:		
5,766	Repairs and maintenance	5,944	
6,047	Supervision and management	6,576	
5,461	Depreciation and impairment of non-current assets	5,475	
47	Debt management costs	136	
212	Movement in the allowance for bad debts	347	
17,533	**Total Expenditure**		**18,478**
	Income:		
(21,134)	Dwelling rents	(22,545)	
(554)	Non-dwelling rents	(569)	
(2,304)	Charges for services and facilities	(2,354)	
(23,992)	**Total Income**		**(25,468)**
(6,459)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(6,990)**
150	HRA services' share of Corporate and Democratic Core		154
91	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		51
(6,218)	**Net Cost/ (Income) for HRA Services**		**(6,785)**
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(153)	(Gain) or loss on sale of HRA non-current assets		(391)
2,181	Interest payable and similar charges		2,177
(39)	Interest and investment income		(24)
606	Pensions interest cost and expected return on pensions assets		653
(1,889)	Capital grants and contributions receivable		(123)
(5,512)	**(Surplus)/ deficit for the year on HRA services**		**(4,493)**

Movement on the HRA Statement

2012/13 £000		2013/14 £000	£000
(4,763)	Balance on the HRA at the end of the previous year		(3,830)
(5,512)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	(4,493)	
3,375	Adjustments between accounting basis and funding basis under statute	3,728	
(2,137)	**Net (increase) or decrease before transfers to or from reserves**	**(765)**	
3,070	Transfers to/ (from) reserves	1,970	
933	(Increase) or decrease on the HRA		1,205
(3,830)	**Balance on the HRA at the end of the current year**		**(2,625)**

An analysis of the adjustments of £3.728m is detailed in the table below:

2012/13 £000		2013/14 £000
125	Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	44
(871)	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	425
148	Gain or loss on sale of HRA non-current assets	390
(673)	HRA share of contributions to or from the Pensions Reserve	(860)
1,658	Capital expenditure funded by the HRA	649
5,739	Transfer to/ (from) the Major Repairs Reserve	5,903
(2,751)	Transfer to/ (from) the Capital Adjustment Account	(2,823)
3,375	**Total adjustments between accounting basis and funding basis under statute**	**3,728**

Notes to the Housing Revenue Account

1) HOUSING STOCK

The Council was responsible for the management of approximately 6,000 dwellings during 2012/13. The changes in stock levels during the year were:

	Houses and Bungalows	Flats and Maisonettes	Total
Housing stock as at 01 April 13	3,526	2,373	**5,899**
Demolitions	12	-	**12**
Buy back	1	-	**1**
Sales	19	6	**25**
Housing stock as at 31 March 14	**3,496**	**2,367**	**5,863**

2) HRA FIXED ASSETS MOVEMENTS

	----Non-current assets----			
	Council Dwellings £000	Other Land and Buildings £000	Assets Under Construction £000	Total £000
Cost or Valuation				
As at 01 April 13	139,719	5,096	11	**144,826**
Additions	6,317	303	251	**6,871**
Revaluations	(10,312)	-	-	**(10,312)**
Derecognition - disposals	(624)	-	-	**(624)**
Assets category reclassification	(17)	-	-	**(17)**
Other movements in cost or valuation	-	(44)	-	**(44)**
As at 31 March 14	**135,083**	**5,355**	**262**	**140,700**
Accumulated Depreciation & Impairment				
As at 01 April 13	(10,786)	(321)	-	**(11,107)**
Depreciation charge	(5,745)	(158)	-	**(5,903)**
Revaluations	10,786	-	-	**10,786**
Derecognition - disposals	4	-	-	**4**
As at 31 March 14	**(5,741)**	**(479)**	**-**	**(6,220)**
Net Book Value				
at 31 March 13	128,933	4,775	11	133,719
at 31 March 14	**129,342**	**4,876**	**262**	**134,480**
Nature of holdings at year end				
Owned	**129,342**	**4,876**	**262**	**134,480**

The vacant possession value of Council Dwellings at 1st April 2013 was estimated to be £379.2m (1st April 2012: £369.8m).

The difference between this and the Balance Sheet Value of £128.9m represents the economic cost to the Council of providing council housing at less than open market rents.

3) CAPITAL EXPENDITURE

The Housing Revenue Account capital expenditure and its financing was:

2012/13 £000		2013/14 £000
	Capital Expenditure:	
8,853	Dwellings	6,317
174	Land & Buildings	303
11	Assets Under Construction	251
9,038	**Total Capital Expenditure**	**6,871**
	Funded by:	
1,658	Revenue contributions	649
1,641	External grants and contributions	123
5,739	Major Repairs Reserve	6,099
9,038	**Total Funding**	**6,871**

4) MAJOR REPAIRS RESERVE

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

2012/13 £000		2013/14 £000
-	Balance at 1 April	-
(5,398)	Transfer from the HRA equal to depreciation	(5,903)
(341)	Additional voluntary contribution transferred from the HRA	(196)
5,739	Amounts applied to finance capital expenditure	6,099
-	**Balance at 31 March**	**-**

5) GROSS RENT OF DWELLINGS

This is the total rent income for the year after making allowances for vacant properties. During the year vacancies amounted to 1.45% of the total rent income (2012/13: 0.84%). Rents for the year averaged £79.30 a week (48 week basis) compared to £75.01 in 2012/13.

6) RENT ARREARS AT 31 MARCH

2012/13 £000		**2013/14 £000**
1,710	Gross arrears	2,153
1,134	Bad debt provision	1,476
8.1%	Gross arrears as percentage of gross rent income	9.5%

7) CAPITAL RECEIPTS

2012/13 £000		**2013/14 £000**
(599)	Sale of dwellings under right to buy	(1,005)
377	Amounts pooled to Central Government	449
(153)	Other capital receipts	(5)
(375)	**Net capital receipts**	**(561)**

8) PENSIONS RESERVE CONTRIBUTION

2012/13 £000		**2013/14 £000**
(67)	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	(207)
(606)	Net Interest on pension liability	(653)
(673)	**Total**	**(860)**

Collection Fund

Income and Expenditure Statement

2012/13 Total £000		2013/14 Business Rates £000	2013/14 Council Tax £000	2013/14 Total £000
	INCOME			
(50,880)	Income from council tax	-	(53,428)	(53,428)
(10,299)	Transfers from General Fund for council tax benefits	-	-	-
(32,806)	Income collectable from business ratepayers	(33,698)	-	(33,698)
	Contributions towards previous year estimated deficit:			
-	- Nuneaton and Bedworth Borough Council	-	(5)	(5)
-	- Warwickshire Police and Crime Commissioner	-	(28)	(28)
-	- Warwickshire County Council	-	(4)	(4)
(93,985)	**Total Income**	**(33,698)**	**(53,465)**	**(87,163)**
	EXPENDITURE			
	Apportionment of previous year estimated surplus:			
12	- Nuneaton and Bedworth Borough Council	-	-	-
11	- Warwickshire Police and Crime Commissioner	-	-	-
71	- Warwickshire County Council	-	-	-
	Precepts, demands and shares:			
8,068	- Nuneaton and Bedworth Borough Council	13,227	6,855	20,082
7,157	- Warwickshire Police and Crime Commissioner	-	6,081	6,081
45,692	- Warwickshire County Council	3,307	38,820	42,127
32,605	- Central Government	16,533	-	16,533
	Charges to the collection fund:			
168	- Increase in bad debt provision	295	374	669
-	- Increase in provision for appeals	1,559	-	1,559
	- Transitional payments payable	167	-	167
201	- Cost of collection allowance	136	-	136
93,985	**Total Expenditure**	**35,224**	**52,130**	**87,354**
-	**(Surplus)/ Deficit for the year**	1,526	(1,335)	191
36	Fund Balance Brought Forward	-	36	36
36	**Fund balance at 31st March: (Surplus)/ Deficit**	**1,526**	**(1,299)**	**227**
	Analysis of Fund Balance (Surplus)/ Deficit			
5	- Nuneaton and Bedworth Borough Council	610	(172)	438
4	- Warwickshire Police and Crime Commissioner	-	(153)	(153)
27	- Warwickshire County Council	153	(974)	(821)
-	- Central Government	763	-	763
36		**1,526**	**(1,299)**	**227**

Notes to the Collection Fund

1) NATIONAL NON-DOMESTIC RATES (NNDR)

The total non-domestic rateable value at 31 March 2014 was £83,919,911 (£84,925,993 as at 31 March 2013) and the national non-domestic rate multiplier for the year was 47.1p (2012/13: 45.8p). The small business rate relief can be applied in qualifying circumstances and provided a reduced multiplier of 46.2p for 2013/14 (2012/13: 45.0p).

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

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

2) CALCULATION OF COUNCIL TAX BASE

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

In order to collect the total precept requirements of £51.8m (2012/13: £60.9m) a Band D Council Tax of £1,540.20 was determined (2012/13: £1,540.20).

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

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

	Number of chargeable properties		Adjusted property base (Band D Equivalent)	
	2013/14	2012/13	2013/14	2012/13
Valuation Band (Multiplier)				
A - Disabled Relief Reduction (5/9)	**45**	44	**25**	24
A - (6/9)	**17,233**	17,155	**11,489**	11,437
B - (7/9)	**11,285**	11,248	**8,777**	8,748
C - (8/9)	**11,191**	11,189	**9,948**	9,946
D - (9/9)	**6,532**	6,283	**6,532**	6,283
E - (11/9)	**2,109**	2,103	**2,578**	2,571
F - (13/9)	**542**	540	**783**	780
G - (15/9)	**122**	126	**203**	210
H - (18/9)	**5**	5	**10**	10
Totals	**49,064**	48,693	**40,345**	40,009
Reduction due to estimated Council Tax Support needs			**(6,274)**	n/a
Resultant Band D Equivalents			**34,071**	**40,009**
Assumed Collection Rate			**98.50%**	98.75%
Plus adjustment for Armed Forces Dwellings			**43**	43
Total Taxbase			**33,603**	39,552

Annual Governance Statement

Nuneaton and Bedworth Borough Council

ANNUAL GOVERNANCE STATEMENT
For the period 1 April 2013 to 31 March 2014

Scope of responsibility

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

To this end, Nuneaton and Bedworth Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. A copy of the code is on our website at www.nuneatonandbedworth.gov.uk or can be obtained from

Nuneaton and Bedworth Borough Council
Governance and Recreation
2nd Floor Town Hall
Coton Road
Nuneaton
CV11 5AA

This statement explains how Nuneaton and Bedworth Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

The governance framework comprises the systems and processes for the direction and control of the Authority and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Nuneaton and Bedworth Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Nuneaton and Bedworth Borough Council for the year ended 31st March 2014 and up to the date of approval of the Annual Report and Statement of Accounts.

The governance environment

Nuneaton and Bedworth Borough Council's governance arrangements are set out in the table at Appendix 1.

Review of effectiveness

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

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

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

The review for the 2013-14 statement has been carried out by the Management Team and the statement was approved on 3rd June 2014.

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

Corporate Governance and Council

- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect.
- The Council reviews the Local Code of Corporate Governance on a regular basis and adopts an action plan to deal with any issues. The Audit Committee approved a revised Local Code in March 2009 and it is due to be updated during 2014-15.
- The Anti-Fraud and Bribery Strategy and Fraud Response Plan demonstrate the Council's commitment to the prevention and detection of all types of fraud, corruption and bribery and extends to members, employees and partners. It also puts the onus on managers to create an environment in which employees, contractors and partners feel able to approach them with concerns.
- The Scrutiny Panels (SP's) can 'call in' a decision which has been made by the Cabinet or Cabinet portfolio holder, or other authorised decision taker, where it has not yet been implemented to enable them to consider whether the decision is appropriate. They allow people to have a greater say in Council matters by holding public inquiries into matters of local concern.

- A Partnership Framework has been developed and a list of all partnerships has been identified using the criteria within the Framework. A review of the corporate governance arrangements within the key partnerships has been completed to ensure compliance with the Framework
- Scrutiny Panels receive regular reports on the work of the key partnerships
- The Council has in place a Proceeds of Crime (Anti Money Laundering) Framework, which aims to maintain high standards of conduct and prevent criminal activity through money laundering. The Framework was updated and approved by the Audit Committee in March 2012 and training workshops for employees were carried out in July 2012 to raise awareness of the revised procedures. Further awareness sessions have been included in Corporate Governance workshops for Officers that ran during May 2014
- On the 17th April 2013 the Council approved a revised policy for inclusion in the Constitution on Gifts & Hospitality which incorporates the changes brought about by the Bribery Act 2010**.**
- The Council has approved changes to the Constitution where appropriate to ensure decision making is legal, timely and robust.
- The Council's Audit Committee has the following core functions:
    - Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
    - Seek assurances that action is being taken on risk related issues identified by auditors and inspectors
    - Be satisfied that the Council's assurance statements, including this AGS, properly reflect the risk environment and any actions required to improve it
    - Approve (but not direct) internal audit's strategy and plan and monitor performance
    - Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
    - Receive the annual report of the Audit and Governance Manager
    - Consider the reports of external audit and inspection agencies
    - Ensure that there are effective relationships between internal and external audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively monitored
    - Review the financial statements, external audit's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

The Terms of Reference of the Audit Committee were last updated in June 2013.

Management Team

- The Management Team meets on a weekly basis and reviews progress on performance measures, risk management, reviews and inspections at the end of each month. These are done by exception to focus attention on key issues that may require action. MT and Cabinet also receive a monthly Strategic Performance Report showing key financial and non financial performance data, using a 'traffic light' system.
- The Management Team also maintain and review a 'Horizon Scanning' document which monitors progress with key projects and highlights future issues.
- The TEN Performance Management System is used to report performance to officers and members and the public and highlight under-performing services. Corrective action

plans are then put in place to address issues. Performance management is reported to Scrutiny Panel's on a quarterly basis during the year, via integrated finance and performance reports.
- Greater use of benchmarking is used in Performance Reports rather than relying solely on traditional targets.
- A review of the Big Survey was undertaken during 2013/14 and more emphasis is now placed on seeking feedback and satisfaction from customers at the point of delivery for key frontline services.
- The Council is committed to Lean Systems methodology as a means of improving service delivery and overall value for money. Several reviews have taken place in 2013/14, including Purchase to Pay, Fraud Investigation, Grounds Maintenance and Stocks and Stores. The programme of reviews for 2014/15 includes Attendance Management, Civic Hall, Document Handling and Environmental Health.

Financial Management Arrangements

- The Council has appointed a Chief Financial Officer (CFO), which is a statutory post responsible for the financial management arrangements of the authority. The Director – Finance and Procurement is the CFO and is a member of the Management Team. The role conforms to the requirements within the CIPFA statement on the role of the CFO in Local Government.
- The Financial and Contract Procedure Rules are used by all officers and members to ensure effective use of resources and robust and transparent decision making. The next review will take place during 2014/15 once the new 2014 EU Procurement Regulations are introduced in the UK.
- The Financial Plan was reported to Cabinet in October 2014 which set savings targets for 2014/15 and the following two years to ensure that a balanced and sustainable budget is maintained. The key messages from the Plan are communicated to all employees.
- The Treasury Management Strategy is reviewed each year, as a result of the economic conditions and investments in Icelandic banks. We have continued to keep our Counterparty list under review, in liaison with our external advisors. The Audit Committee has received reports on our Treasury activity quarterly during the year and twice yearly to Cabinet and Council

Risk Management

- A review of risk management arrangements was completed during 2013 and the Risk Management Strategy was updated to reflect the changes in working practices. This was approved by the Audit Committee in November 2013
- Considering the effectiveness of the Council's risk management arrangements is a core function of the Audit Committee

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the control environment comprising risk management, control and governance.

- A risk model is used to formulate the internal and computer audit plans which are agreed by the Management Team and approved by the Audit Committee.
- Where necessary, internal audit will identify areas for improvement and make recommendations and agree an action plan for Service Managers. A summary of the issues arising is presented to the Audit Committee twice a year. The last reports were considered by the Committee in June and November 2013.
- The Internal Audit section is subject to regular inspection and report by the Council's external auditors who aim to place reliance on the work carried out by the section.
- A review of the effectiveness of Internal Audit is completed annually; a peer review was completed during 2013/14 and the results reported to the Audit Committee in June 2013

Identifying the needs of Officers and Members

- The Council is currently out to tender for a provider to deliver a Senior Management Training Programme, covering issues such as change management, vision and values and political awareness.

- Elected member induction training is planned for June 2014, following the local elections in May.

Significant governance issues

The review of the governance framework during 2013/14 has identified the following issues:

Action	Responsible Officer	Completion Date
Refresher training for Members and key contractors and suppliers on the Council's corporate governance arrangements	Audit and Governance Manager Strategic Creditors and Procurement Manager	October 2014
Review of the Council's Local Code of Corporate Governance	Audit and Governance Manager	December 2014
Update audit procedures and practices in light of the findings of the external review of Internal Audit to ensure compliance with the new Public Sector Audit Standards.	Audit and Governance Manager	September 2014
Complete review of business continuity arrangements with reference to the British Standard	Communication and Events Manager	July 2014
Develop an Information Management Policy	Director – Governance and Recreation	September 2014

Carry out an information audit and identify information asset owners	Director – Governance and Recreation	July 2015

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review

Signed (Leader): ……………………………………………

Councillor Dennis Harvey
Date:

Signed (Managing Director): …………………………..…
Alan Franks
Date:

Leader & Managing Director on behalf of Nuneaton and Bedworth Borough Council

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Director – Finance & Procurement.

Appendix 1 - Nuneaton and Bedworth Borough Council Governance Framework

Corporate Governance	Identifying and Communicating the Authorities Vision and Priorities	Measuring the Quality of Service for Users	Embedding Ethics for Staff and Members	Financial Management Arrangements	Decision Making Framework	Risk Management	Partnerships	Internal Audit	Identifying Development Needs of Members and Officers
• The Council has adopted an Internal Control Assurance Framework which comprises a number of mechanisms to allow Members and external stakeholders to place reliance on the internal control system • The Council has a Local Code of Corporate Governance which follows the six core principles as set out in the CIPFA/SOLACE guidelines • The Standards Committee receive annual reports on complaints that have been considered by the Ombudsman • The Monitoring Officer is responsible for ensuring compliance with established policies, procedures laws and regulations	• The Corporate Plan provides a clear statement of the Council's vision and priorities for 2007- 21 and links to the Community Plan • A Corporate Plan Delivery Plan is in place covering 2014-19 and sets interim targets to ensure that the overall aims of the Corporate Plan are achieved by 2021 • Achievement of the targets within the CPDP are managed through business plans which are prepared annually and approved by the Managing Director • The Council has developed a set of values that employees have signed up to • There are other internal plans that link to the Corporate Plan such as the Local Development Framework, Three-Year Financial Plan and the Asset Management Plan	• The Performance Management Framework sets out the Council's structured approach to performance management based on clear accountability and using evidence from reliable results to support decision making, planning, funding and improvement • The TEN performance management system is embedded throughout the authority and is available on the Council's Internet • Performance is reviewed and scrutinised by the management Team and progress against indicators are reported to Cabinet on a quarterly basis • Performance is also reported to Scrutiny Panels	• A Code of Conduct is in place for Officers and Members • The Council has a Gifts and Hospitality Policy and the register is available on the Council's website • There is a Confidential Reporting Code which encourages employees and members who have concerns about any aspect of the Council's work to come forward and voice those concerns • The Anti-Fraud Strategy demonstrates the Council's commitment to the prevention and detection of all types of fraud and corruption	• The Constitution includes Contract and Financial Procedure Rules which are monitored by the Chief Financial Officer to ensure that expenditure is lawful and within internal policies and procedures • The Council's Anti-Money Laundering Policy helps to maintain high standards of conduct and prevent criminal activity through money laundering • The Council has a Procurement Strategy and a Procurement Toolkit is available on the Intranet which acts as a guide for all staff when sourcing goods and services. It highlights the procedures that must be followed and provides an in-depth summary of the legislation that impinges on the procurement process.	• The Council has a clear and open Constitution that sets out the basic rules governing its business, including its committee structure, roles and responsibilities and scheme of delegation which sets out where responsibility lies for decision making and developing and delivering policy • The Budget and Policy Framework sets out the overall responsibility for and guides decision making • The Access to Information Procedure Rules take account of the Local Authorities (Executive	• The Council has a Risk Management Policy and Strategy, which sets out how the Council manages risks and maximises opportunities in achieving its aims and priorities • Risks are monitored at both a strategic and operational level using risk registers • The Strategic Risk Register is reported to Scrutiny Panels on a quarterly basis and Operational Risk Registers are monitored by the Corporate Governance Group	• The Council has a Partnership Framework which supports the planning and delivery of effective partnership working • The Framework ensures that any partnerships we are involved in are managed with appropriate governance arrangements	o The Council maintains an Internal Audit Section that operates to the Public Sector Internal Audit Standards (PSIAS) o The Internal Audit Charter is a formal document that defines internal audit activity's purpose, authority and responsibility. o The Charter establishes internal audit's position within the Council; authorises access to records, personnel and physical properties relevant to performance of engagements; and defines the scope of internal audit activities.	o All employees have an annual Personnel Development Review which includes the need to establish and identify and training needs o Mandatory Corporate Governance Training Programme in place for Officer which covers Procurement, Equalities, Performance Management, Information Management, Gifts and Hospitality and Bribery • A mandatory Finance Training Programme is in place for non-finance staff covering 6 modules including changes to Local Government Finance and budget monitoring

Corporate Governance	Identifying and Communicating the Authorities Vision and Priorities	Measuring the Quality of Service for Users	Embedding Ethics for Staff and Members	Financial Management Arrangements	Decision Making Framework	Risk Management	Partnerships	Internal Audit	Identifying Development Needs of Members and Officers
• The terms of reference for the Audit Committee includes a need to monitor the effective development and operation of risk management and corporate governance across the Council and to oversee the financial reporting process • The Council has a Corporate Governance Group which is responsible for developing and co-ordinating excellent governance arrangements across the Council and for monitoring the Council's income and expenditure • For ease of reference all governance related policies now form part of the Constitution • The Corporate Governance Group fulfil the role of the Corporate Information		through integrated performance and Finance reports • The Council is committed to Lean Systems methodology as a means of improving service delivery and overall value for money •The Council's Big Survey was conducted in Autumn 2013 and measures satisfaction with key services. Customer feedback is also sought directly at the point of delivery where possible		• A corporate E-Procurement system is used across the Authority to improve control and coordinate spend • The procurement team maintain a contracts database • The Council has a Housing Revenue Account Business Plan covering revenue and capital forecasts and debt repayment over the next 30 years • The Director for Finance and Procurement is designated as the s151 Officer of the Local Government Act 1972. • There is a robust budget setting process in place with budgets being linked to the Three-year Financial Plan • Monthly financial reports are issued to budget holders showing spend against budget • Budgets are monitored monthly by Management Team and quarterly by	Arrangements) (Meetings and Access to Information) Regulations 2012 • Delegated decisions taken by Officers are recorded and published on the Council's website				• The Elected Members induction programme includes a corporate governance workshop • Senior Management Conferences take place quarterly covering strategic issues such as innovation and improvement and financial planning

Corporate Governance	Identifying and Communicating the Authorities Vision and Priorities	Measuring the Quality of Service for Users	Embedding Ethics for Staff and Members	Financial Management Arrangements	Decision Making Framework	Risk Management	Partnerships	Internal Audit	Identifying Development Needs of Members and Officers
Governance Group • The Council has an Information management Group with operational responsibility for information management • The Council's Monitoring Officer has been appointed as the Senior Information Risk Owner				Cabinet and Scrutiny Panels using integrated finance and performance reports • The capital programme is reported regularly to management Team and Cabinet • Reserves are kept under review in line with formal risk assessments and are considered formally by Cabinet annually • A Treasury Management Policy is also approved by Cabinet and Council regularly					

Glossary of Terms

Actuarial gain (loss)

The changes in the pension fund's deficits or surpluses that arise because of :
a) Events have not coincided with the assumption used by the actuary when carrying out the previous triennial valuation of the fund; or
b) The actuary changing the assumptions used in the current triennial valuation exercise from those used previously.

Agency

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

Approved Budget

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

Authorised limit

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

Band D Equivalent

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

Billing Authority

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

Budget

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

Business rates (National Non-Domestic Rate – NNDR)

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

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

Capital programme

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

Capital receipt

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

Capital spending

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

Capital spending charged to revenue

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

Capping

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

Cash-flow statement

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

CIPFA

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

Collection Fund

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

Corporate and democratic core

Spending relating to the need to co-ordinate and account for the many services we provide to the public including the cost of member representation and activities associated with public accountability.

Council Tax

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

Council Tax Base

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

Council Tax surpluses/losses

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

Creditors

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

Current assets

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

Current liabilities

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

Current service cost

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

Current spending

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

Curtailment costs

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

Debtors

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

Depreciation

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

Earmarked reserves

Money set aside for a specific purpose.

Financial Year

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

General reserves

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

Government grants

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

Gross spending

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

International Financial Reporting Standards (IFRS)

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

Inventories

Goods bought which have not yet been used.

Leasing

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

Levy

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

Liabilities

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

Loss

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

Minimum revenue provision (MRP)

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

Net book value

The value of an asset after depreciation and impairment charges

Net interest on the net defined benefit pension liability

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

Net spending

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

Non-distributed costs

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

Operating leases

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

Overheads

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

Past service costs

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

Petty Cash

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Prudential Code

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

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

Prudential System

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

Rateable Value (RV)

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

Reimbursements

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

Reserves and funds

Savings we have built up from surpluses.

Revaluation Reserve

Store of gains on the revaluation of fixed assets.

Revenue spending

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

Revenue Support Grant

The main government grant to support Local Authority services.

Specific grants

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

Surplus

The remainder after taking away all expenses from income.

Tariff

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

Tax Base

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

PWLB

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

Unapportionable central overheads

Costs that do not relate to a single service or services, and so are held centrally.

Virement

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Nuneaton and Bedworth Borough Council for the year ended 31 March 2014 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 Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund Income and Expenditure 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 2013/14.

This report is made solely to the members of Nuneaton and Bedworth Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Director - Finance and Procurement and auditor

As explained more fully in the Statement of Responsibilities, the Director - Finance and Procurement 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, 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 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 Director - Finance and Procurement; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory 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 Nuneaton and Bedworth Borough Council as at 31 March 2014 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 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory 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 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;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any 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.

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 audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, 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 2014.

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 2013, we are satisfied that, in all significant respects, Nuneaton and Bedworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Nuneaton and Bedworth 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
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

25 September 2014

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Director – Finance & Procurement.