Nuneaton & Bedworth
United to Achieve

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Date: 8th November 2024

Dear Sir/Madam,

<u>Audit & Standards Committee – 12th November 2024</u>

I refer to the meeting of the Audit and Standards Committee due to be held on Tuesday, 12 November 2024 and attach the 'Statement of Accounts 2021/22' (page 2) and 'Value for Money Audit 2021/22 and 2022/23' (page 161) reports which were marked 'to follow' at agenda items 6 and 7.

Yours faithfully,

TOM SHARDLOW

Chief Executive

To:	Members of Audit and Standards Committee	Councillors J. Bonner (Chair), D. Brown (Vice-Chair), T. Cooper, L. Cvetkovic, B. Hancox, J. Hartshorn, W. Markham, K. Price, B. Saru, C. Smith and M. Wright.

AGENDA ITEM NO. 6

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Audit and Standards Committee** **12th November 2024**

From: **Strategic Director – Corporate Resources**

Subject: **Statement of Accounts 2021/22 Approval**

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1. Purpose of Report

1.1 To provide the final amended version of the 2021/22 Statement of Accounts for approval.

2. Recommendations

2.1 That the Audit Findings Report and Opinion on the Statement of Accounts are noted.

2.2 That delegated authority is given to the Strategic Director – Corporate Resources and Chair of Audit and Standards Committee to sign the Accounts.

2.3 That the Letter of Representation be approved as accurate and signed now the audit is completed.

3. Background

3.1 The External Auditor, Grant Thornton have been working with the Finance team to finalise the audit opinion for 2021/22.

4. Body of Report

4.1 The audit has now concluded, and the Audit Findings Report details the audit adjustments that have been required.

5. Conclusion

5.1 That the opinion, as listed in the AFR, is considered, and the accounting adjustments and final Statement of Accounts are approved.

6. Appendices

6.1 Appendix A – Nuneaton and Bedworth Borough Council Audit Findings Report

Appendix B – Nuneaton and Bedworth Letter of Representation
Appendix C – Statement of Accounts 2021/22

7. Background Papers (if none, state none)

7.1 None.

The Audit Findings for Nuneaton and Bedworth Borough Council

Year ended 31 March 2022

6 November 2024

Contents

Your key Grant Thornton team members are:

Laurelin Griffiths

Key Audit Partner

E Laurelin.H.Griffiths@uk.gt.com

William Guest

Audit Senior Manager

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Laurelin Griffiths

For Grant Thornton UK LLP

6 November 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Nuneaton and Bedworth Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work has been performed both onsite and remotely since November 2022. Our findings are summarised on pages 5 to 19. We have identified various adjustments to the financial statements that have resulted in adjustments totalling £8.7m to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, see Appendix E, or material changes to the financial statements, subject to the following outstanding matters;

- receipt of management representation letter – see separate agenda item; and
- receipt and review of final signed financial statements.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified two significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant Matters

The audit has been protracted due to changes within the Council's finance team which has meant that the finance team were stretched and did not have sufficient capacity to deal with our audit queries. In addition, there have been significant issues due to how the period 13 and 14 transactions were initially posted and the mapping which has been used for the Expenditure & Funding Analysis. It has taken management a substantial amount of time to correct the issues.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code').

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the Council's subsidiary, NABCEL, based on the impact on the financial statements if they were consolidated was completed. It was determined that the impact was not material and therefore group accounts have not been prepared;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 12 November 2024, as detailed in Appendix E. These outstanding items include:

- receipt of signed management representation letter (see separate agenda item); and
- receipt and review of final signed financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 6 September 2022.

We detail on this page our determination of materiality for the Council.

	Council Amount (£)
Materiality for the financial statements	1,900,000
Performance materiality	1,050,000
Trivial matters	95,000
Materiality for senior officers' remuneration	25,000

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement. We also note that in the prior year there were two recommendations in relation to journals. We will continue to monitor the progress against these recommendations throughout the audit.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested high risk unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have identified four control recommendations in relation to the posting of journals. These are detailed in Appendix A. We have considered these as part of our risk assessment in determining which journals to test. Our detailed testing of the journals identified as being high risk has not identified any errors - we have found that they were appropriate, eligible and valid, and can be agreed to supporting evidence. We recognise that these deficiencies are currently risks that the Council is willing to tolerate however we continue to recommend that the Council implement controls to monitor the access of its super users and consider introducing an authorisation process. Work performed on accounting policies and estimates has identified one issue. Since authorisation of the draft accounts, the Council has subsequently revised its NNDR appeals provision, this is due to an error in the collection fund working papers. Therefore, the provision for NNDR appeals was overstated by £911k. This has been adjusted and is included within Appendix C.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Risk of fraud in revenue recognition and expenditure

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Nuneaton and Bedworth Borough Council mean that all forms of fraud are seen as unacceptable.

Whilst not a presumed significant risk, we have had regard to Practice Note 10, which comments that for certain public bodies, the risk of manipulating expenditure may well be greater than that of income.

Having considered the risk of improper recognition of expenditure at Nuneaton and Bedworth Borough Council we are satisfied that this is not a significant risk for the same reasons set out above.

Commentary

Notwithstanding that we have rebutted this risk, we have still undertaken a significant level of work on the Council's revenue and expenditure streams, as they are material. We have:

Accounting policies and systems

- Evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code
- Updated our understanding of the Council's business processes associated with accounting for income

Fees, charges and other service income

- Agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence.

Taxation and non-specific grant income

- Income for national non-domestic rates and council tax is predictable and therefore we have conducted substantive analytical procedures
- For other grants we have sample tested items back to supporting information and subsequent receipt, considering accounting treatment where appropriate.

Expenditure

- Updated our understanding of the Council's business processes associated with accounting for expenditure
- Agreed, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence

We have tested completeness of income and expenditure by testing a sample of payments received and payments made post year end from the bank statements. We have also tested a sample of invoices raised and received post year end to ensure they have been recorded in the correct financial year.

We have identified errors in relation to Grant Income, this has resulted in a misclassification in the EFA and subsequently the CIES. These errors relate to the way in which grant income was treated in the draft financial statements which meant £17.6m had not been recognised as grant income.

In addition, there are significant changes to the expenditure and income by nature note as this was incorrectly mapped in the draft financial statements. The changes are summarised on the following page.

2. Financial Statements - Significant risks

The table below sets out the changes to Note 8 – Expenditure & Income by Nature. This is partially due to mapping errors, but also there are errors which relate to the incorrect accounting of grant income. The adjustments made are detailed in Appendix C.

	Draft Financial Statements £000	Final Financial Statements £000	Change £000
Employee Benefit Expenses	10,376	22,078	11,702
Housing Benefit Payments	25,727	25,727	-
Other Service Expenses	37,811	26,914	-10,897
Depreciation, amortisation, impairment & revaluations	27,348	30,437	3,089
Interest Payments	11,173	3,605	-7,568
Precepts and Levies	10,591	10,591	-
Payments to the Housing Capital Receipts Pool	584	584	-
Loss on Disposal of Assets	886	886	-
Total Expenditure	124,496	120,822	-3,647
Fees, Charges and Other Service Income	-34,507	-36,976	-2,469
Interest and Investment Income	-6,525	-661	5,864
Income from Council Tax, Non Domestic Rates	-21,763	-12,525	9,238
Government Grants (Housing Benefit)	-23,868	-23,868	-
Other Grants and Contributions	-18,083	-35,745	-17,662
Gain on Disposal of Assets	-	-	-
Total Income	-104,746	-109,774	-5,028
(Surplus)/Deficit on the Provision of Services	19,750	11,047	-8,703

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. The Council revalues its land and buildings on a rolling basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, requiring special audit consideration.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts; • written to the valuers to confirm the basis on which the valuation was carried out to ensure that the requirements of the CIPFA Code were met; • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; • tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register and accounted for correctly; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. We have identified an issue in relation to how the movement in value of land and buildings has been taken to the Comprehensive Income and Expenditure Statement. This has resulted in an adjustment to the surplus on revaluation of Property, Plant & Equipment within the CIES of £4.39m. We are satisfied that the valuations have been performed in accordance with RICS standards and have not identified any errors with the individual revaluations which we have tested. We have also raised two control recommendations, these relate to assets not revalued, in management's initial review the incorrect BCIS rate had been used, we have reperformed this using the correct rate and note that there is not a material issue. Management also assume that land values do not change, we therefore conduct a separate review to identify whether land has moved by a material amount. Management should be performing a review of land values as part of their assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability **The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.** **The pension fund net liability is considered a significant estate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.** The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the inflation rates and life expectancy. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The Council is an admitted body to Warwickshire Pension Fund. The latest triennial valuation for Warwickshire Pension Fund was published in March 2023. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's net pension liability has decreased by £6.2m. Our work has not identified any issues in respect of these adjustments. Additional audit work has been required in respect of this issue, resulting in an increase to the audit fee (see Appendix D). This included obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £46.8m	The Council has engaged their Internal Valuers to complete the valuation of its properties. The Council owns a variety of different land and buildings which have been valued under different methodologies depending on their use. The Valuers have assessed the use of the property and therefore decided whether to value the assets on a Depreciated Replacement Cost (DRC) basis or an Existing Use Value (EUV) basis. Management have considered the year end value of assets not revalued. Management have applied the movements per the BCIS indices to the assets not revalued to calculate what the value is likely to be if they were revalued at the 31 March 2022. This calculates a movement which would not be material.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate but this work is still ongoing. • We have no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council. • There have been no changes to the valuation methods this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. • The Council have valued several loss making car parks at nil. In our view if these assets were no longer operational it is unlikely that the Council would sell these for nil consideration. We therefore challenged the Council and sought our own advice. We are satisfied that the valuation has been performed in line with RICS guidance and that this is not a material issue for 2021/22 but it is neither optimistic or cautious. • We have reviewed management's assessment as to whether the assets not revalued as at 31 March 2022 are materially correct. We agree that there is no risk of material misstatement for assets which have not been revalued as at 31 March 2022 • Disclosure of the estimate in the financial statements is considered adequate. • We continue to note that the internal valuer's report is light on detail, showing the values of the assets, along with a statement to confirm that the valuation is in line with RICS guidance, and a signature of the valuer.	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £28.5m	The Council has engaged their internal valuer, to complete the valuation of properties as at 31 March 2022. All of the investment property assets were revalued. The valuer has assessed the income received from each property and also considered the yield which the property achieves. Where this is not possible, the valuer has considered similar properties to determine an appropriate value.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate but this work is still ongoing. • We have no concerns over the competence, capabilities and objectivity of the valuation experts used by the Council. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. • We have confirmed that there are no changes to the valuation method used. • We have reviewed the adequacy of the disclosures within the financial statements.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £33.3m	The Council's net pension liability at 31 March 2022 is £33.3m (PY £63m) Warwickshire Pension Fund Local Government Pension Scheme and unfunded defined benefit pension scheme obligations. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £34.5m net actuarial gain during 2021/22.	• We have no concerns over the assessment of management's expert • We have no concerns over the assessment o the actuary's approach taken • We have used PwC as auditors expert to assess assumptions made by the actuary – see table below for the comparison made • No issues were noted in the completeness and accuracy of the underlying information used to determine the estimate • We have confirmed that the Council's share of LGPS pension assets is in line with expectations • We have confirmed that the increase in the estimate is reasonable • The disclosure of the estimate in the financial statements is considered adequate	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.7%	2.7% - 2.75%	●
Pension increase rate	3.2%	3.15% - 3.3%	●
Salary growth	4%	3.15% - 4.3%	●
Life expectancy – Males currently aged 45 / 65 (years)	22.7 / 21.6	21.4 – 24.3 / 20.1 – 22.7	●
Life expectancy – Females currently aged 45 / 65 (years)	25.9 / 24.1	24.8 – 26.7 / 22.9 – 24.9	●

The Council is an admitted body to Warwickshire Pension Fund. The latest triennial valuation for Warwickshire Pension Fund was published in March 2023. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions.

(continued on the next page)

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £33.3m (continued)		As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's net pension liability has decreased by £6.2m. Our work has not identified any issues in respect of these adjustments. The auditor of Warwickshire Pension Fund has informed us that the Council failed to submit their monthly scheme returns for the period 1 April to 31 August 2021, this is due to the Council transitioning to a new payroll provider. In addition, the Council also failed to install the new i-Connect system for making returns and therefore were still making spreadsheet returns. The Council have since caught up on all relevant information.	Light Purple

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £2m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management use historic data relating to appeal success rates and the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) to calculate the level of provision required.	• We have not yet noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the overall calculation method this year but see below for a change related to a specific item. Since authorisation of the draft accounts, the Council has subsequently revised its NNDR appeals provision, due to an error in the initial working paper. Therefore, the provision of the Council was overstated by £912k. This has been adjusted and is included within Appendix C. This adjustment allows us to conclude that the estimate is appropriate.	Light Purple
Land and Buildings – Council Housing - £241.8m	The Council has engaged the Valuers (Savills) to complete the valuation of its properties. The Council owns a number of dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council. • There have been no changes to the valuation method this year. • We have considered the movements in the valuations of individual assets and their consistency with indices provided by Gerald Eve as our auditor's expert. This work has not raised any issues with the 2021/22 valuations. • Disclosure of the estimate in the financial statements is considered adequate.	Light Purple

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Standards Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's counterparties. This permission was granted and the requests were sent. Where responses were not received, we undertook alternative procedures to confirm balances with no issues noted.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/ significant difficulties	See Page 4 for the significant matters we have identified. We have also noted: Fully depreciated assets - There are a number of assets, that have no assigned remaining life and / or are fully depreciated. Whilst there is no impact on the PPE opening or closing bottom line values in the Balance Sheet, these assets are grossing up the amounts within the disclosure notes within the accounts for gross cost and accumulated depreciation. In addition, some of these assets are duplicates of other assets.

2. Financial Statements - other communication requirements

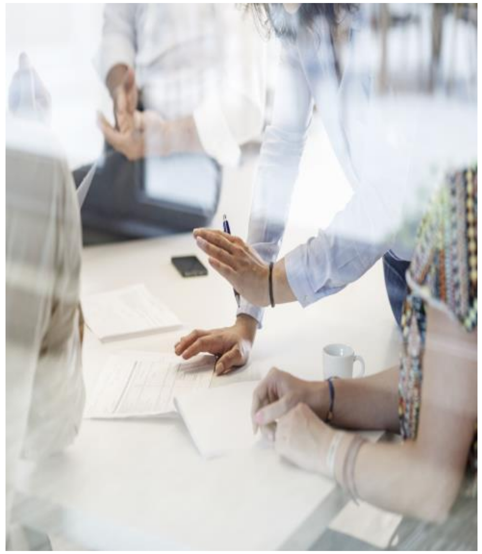
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. We have raised two significant weaknesses within our value for money audit work. Further detail is included on page 21.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold and the deadline for completing the work has passed due to the delays in the audit process.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit of Nuneaton and Bedworth Borough Council in the audit report, following the Audit and Standards Committee on the 12 November 2024.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code.

Risk of significant weakness	Procedures undertaken	Outcome
A potential significant weakness was identified in relation to the Council's financial sustainability, due to a lack of reporting and the Council's use of reserves.	To address this risk we reviewed the Council's savings plans and the performance of the equivalent plans over recent years to form a view over the likelihood that plans will be achieved in future years. We also reviewed the Council's use of reserves to determine whether this was in line with financial plans.	Appropriate arrangements in place no further action taken.
A potential significant weakness was identified in relation to the Council's governance arrangements, due to the significant staff turnover within key finance roles, and the delays that this caused to financial reporting.	To address this risk we gained an understanding of the Council's arrangements to replace key individuals, as well as considering the frequency and adequacy of the Council's internal and external reporting.	Two significant weaknesses have been identified in relation to the Council's budget monitoring in 2021/22, and the delays to the preparation and audit of the financial statements for both 2021/22 and 2022/23.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit subsidy certification 2020/21 (May 2021 – January 2022)	20,400	For these audit-related services, we consider that the following perceived threats may apply: • Self Interest (because these are recurring fees) • Self Review • Management	The level of recurring fees taken on their own is not significant in comparison to the confirmed scale fee for the audit of £66,686 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each is a fixed fee and there is no contingent element to any of them. These factors all mitigate the perceived self-interest threat to an acceptable level. Our team has no involvement in the preparation of the form which is certified, and do not expect material misstatements in the financial statement to arise from the performance of the certification work. Although related income and expenditure is included within the financial statements, the work required in respect of certification is separate from the work required to the audit of the financial statements, and is performed after the audit of the financial statements has been completed. The scope of work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. Our team perform these engagements in line with set instructions and reporting frameworks. Any amendments made as a result of our work are the responsibility of informed management.
Certification of Pooling of Housing Capital Receipts 2020/21 (January 2022)	2,300		
Housing Benefit subsidy certification 2021/22 (May 2022 – January 2023)	40,900		
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023)	6,000		
Housing Benefit subsidy certification 2022/23 (May 2023 – January 2024)	33,300		
Certification of Pooling of Housing Capital Receipts 2022/23 (January 2024)	10,000		
There were no non-audit related services			

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified five recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High – Significant effect on financial statements	**Journals posted to opening balances** Some journal postings have been made to account code 6000 which is the opening balance code. This code should be used for bringing forward balances from the prior year however, transactions were posted to this code which were not for opening balances.	The Council should restrict code 6000 for opening balances only. **Management response** This was an issue identified and measures are in place to prevent this from 2024/25 with account code allocation reviews happening during in year-end closedown. This did not have an impact on the usable reserves balances or cause adjustments in the statements this is just a coding error.
High – Significant effect on financial statements	**Reporting to members** In-year reporting to members did not happen during 2021-22 as planned for quarters 1 – 3 due to staff shortages. This was important as monthly budget monitoring is used to consider variances and identify potentially unusual journals for investigation.	Management should ensure regular reporting and investigation of variances is upheld. **Management response** The process for quarterly monitoring reports was re-instated when the S151 office was in post with risks and opportunities being discussed monthly with management team and cabinet in an informal setting.
Medium – Limited effect on financial statements	**Review of invoices** During our review, we have noted that 40 invoices totalling £17,231 were issued with a description of services relating to 2020-21 which were raised in 2021-22. It has been explained to us that these are typo errors where the team noted the incorrect year on the invoice.	We recommend that council should implement a review process of invoices to ensure this doesn't happen in the future for a larger financial value. **Management response** Invoices raised currently sit within individual service areas and there is scope in the near future to centralise this function to allow more control and regular reviews of the invoices raised.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low – Best practice	**Incorrect BCIS rate used** When considering whether the assets not revalued could have a materially different valuation management used the incorrect BCIS rate	Management should ensure the correct BCIS rate is used. **Management response** Asset valuations for 2023/24 financial year end have been outsourced to an external provider who have more rigorous internal processes when sense checking information before being provided to the council.
Low – Best practice	**Review of value of land not revalued** Management should review the land not revalued with supporting evidence to ensure the value would not be materially different if it had been revalued in the year.	Management should retain evidence to support their judgement regarding the value of land that has not been revalued. **Management response** With the appointment of external valuers for year end asset valuations, a more robust re-valuation programme has been put in place for the future to prevent any risks.

B. Follow up of prior year recommendations

We identified the following issues in the audit of Nuneaton and Bedworth Borough Council's 2020/21 financial statements, which resulted in six recommendations being reported in our 2020/21 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Asset Manager** The 'Asset Manager' system, which holds information on the assets of the Council, is not currently in agreement with the general ledger for assets which have been revalued. There is a risk that the financial statements are misstated in relation to Property, Plant and Equipment if this is not rectified in future years.	Management Response Balance sheet reconciliation are now being conducted and 2023/24 now matches the asset management system which will be checked on a routine basis to prevent any problems being resolved in the correct financial year.
X	**Super user access rights** The Council has two super users who have the ability to post journals, open and close accounting periods in Agresso and set up and link account codes and cost centres. As there are no audit logs to set out what the super user has accessed in the year, this gives rise to the risk that super users could manipulate the ledger.	It is recognised that super user access is necessary to resolve any issues which may arise during the year. However, the Council should establish a review and authorization process as well as audit logs to ensure the super user access has been used appropriately. Management response Currently the council are looking to upgrade the finance system to a cloud based system and will look to include an audit trail of super user activity within this project.
X	**Journals not authorised** Journals are not authorised prior to posting to the general ledger which could lead to journals being posted incorrectly.	The Council should introduce an authorisation process. Management response This historic process needs to be reviewed internally to ensure controls are in place where needed for segregation of duty purposes.
X	**Valuer's Reports** We note that the internal valuer's report is light on detail, showing the values of the assets, along with a statement to confirm that the valuation is in line with RICS guidance, and a signature of the valuer.	The internal valuer's report should include detail on the methods and assumptions used in forming their valuation. This will allow management to challenge the methods and assumptions that the valuer has used to ensure they are satisfied with the estimate. Management Response With the asset valuations being externally provided for 2023/24 and future financial years this will now incorporate more detailed information which should mitigate the issue being raised.
X	**Related party declarations** We noted a number of the signature dates were outdated on the declarations of interests.	The Council should ensure that the related party declarations are kept up to date and reviewed at least annually. Management response This recommendation needs to be better built into the financial year-end process. This will now be reviewed for the 2024/25 close down period.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Incorrect classification of IAS19 The IAS19 adjustment had not correctly been split between the General Fund and the Housing Revenue Account	Dr General Fund 441 Cr HRA (441)	-
Incorrect recognition of business rates income The business rates income which related to the Council has been incorrectly calculated. This also impacted the calculation of the appeals provision.	Cr Taxation and Non-Specific Grant income (5,543)	Dr Creditors – Other LAs 5,543 Dr Unusable reserves 911 Cr Provision (911)
Incorrect classification of grant income This error relates to amounts that had already been taken to Capital Grants Unapplied, and were then utilised, and so should not have been taken through the CIES again.	Dr Taxation and Non-Specific Grant income 104	Cr Capital Grants Unapplied (104)
Incorrect classification of grant income This error relates to grant income that had previously been deferred, but had no conditions attached to its use. This income is then taken to the Capital Grants Unapplied through an adjustment in the MIRS if not utilised in-year	Cr Grant Income (3,126)	Dr Capital Grants Received in Advance 3,126
Incorrect allocation of PPE revaluations It has been identified that the amount allocated to the revaluation reserve was incorrect.	-	Dr Capital Adjustment Account 4,390 Cr Revaluation Reserve (4,390)

C. Audit Adjustments

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000
Incorrect accounting for the Sherbourne Recycling Facility It has been identified that the Council had incorrectly accounted for the interest the Council has in the Sherbourne Recycling Facility.	-	Dr Long Term Investments 76 Dr Long Term Debtors 1,780 Cr Assets Under Construction (1,856)
Incorrect disposal of assets The Council incorrectly marked an asset as disposed of and removed it from the asset register when it remained under the Council's control.	-	Dr Property, Plant and Equipment (Gross Book Value) 302 Cr Accumulated Depreciation (302)
Impact of the triennial pension valuation Due to the audit being prolonged past the triennial valuation date, management have obtained updated IAS19 calculations which impact the financial statements.	Cr Surplus on remeasurement of the pension liability (6,236)	Dr Pension Liability 6,236
Incorrect allocation of reserves It has been identified that the year end journals did not correctly recognise the earmarked reserves.	-	Dr Useable Reserves 1,641 Cr Unusable Reserves (1,641)
Incorrect allocation of HRA reserves It has been identified that the year end journals did not correctly recognise the transfer to the HRA for the in year income and expenditure performance which therefore impacts the balances on the General Fund and HRA.	Dr General Fund Income and Expenditure 2,223 Cr HRA Income and Expenditure (2,223)	-

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Adjusted?
Note 8 There were various issues with the preparation of the Expenditure & Income by nature note in the draft financial statements. This has a knock effect to the CIES, MIRS, HRA Income and Expenditure Statement and the Collection Fund	✓
CIES & MIRS The Council have changed structure in year which has lead to a change in the presentation of the CIES, the 2020/21 values are restated and there have been some classification changes in the 2021/22 statement.	✓
Note 2 IFRS 16 commentary is out of date and requires updating	✓
Note 3 The judgements for funding in Local Government and for business rates appeals does not likely give rise to a material critical judgement. These should therefore be removed	X
Note 14 The note incorrectly showed transfers between categories as additions and disposals	✓
We identified a number of typographical and grammatical errors throughout the financial statements	✓

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C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
We identified an error in our cut off testing where an invoice had the incorrect year on the narrative of the invoice and therefore was not accrued for correctly. The expected error is £413k.	Cr Income (413)	Dr Debtors 413	(413)	Impact is estimated and is not material
We have identified several assets with a nil net book value which are still in use by the Council. The impact on the net book value and therefore the balance sheet is nil but the gross book values in the note are misstated.	-	Dr Accumulated Depreciation 1,162 Cr Gross Book Value (1,162)		Impact is not material and will be considered within 2022/23
Overall impact	(413)	413	(413)	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements in the prior year.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	66,686	128,437
Total audit fees (excluding VAT)	£66,686	£128,437

Non-audit fees for other services	Final fee
Audit Related Services	
Housing Benefit subsidy certification 2020/21 (May 2021 – January 2022)	20,400
Certification of Pooling of Housing Capital Receipts 2020/21 (January 2022)	2,300
Housing Benefit subsidy certification 2021/22 (May 2022 – January 2023)	40,900
Certification of Pooling of Housing Capital Receipts 2021/22 (January 2023)	6,000
Housing Benefit subsidy certification 2022/23 (May 2023 – January 2024)	33,300
Certification of Pooling of Housing Capital Receipts 2022/23 (January 2024)	10,000
Total non-audit fees (excluding VAT)	**£112,900**

Details of variations in final fees from the proposed fee are detailed on the next slide.

D. Fees

Audit fees	Final fee
Scale Fee as determined by PSAA	44,086
Additional work in relation to the net pension liability as a result of challenges from the FRC	688
Additional work in relation to the property, plant and equipment revaluations as a result of challenges from the FRC	688
Additional work due to the additional challenges raised by the FRC	3,125
Additional work in relation to our journals tested as a result of challenges from the FRC	3,000
Additional work due to the changes in ISA 540	2,100
Value for Money audit	10,000
Additional work in relation to the adjustments made to the net pension liability resulting from the triennial valuation	6,000
Additional work in relation to the consideration of the need for group accounts	500
Additional work due to errors the quality of the draft financial statements and issues faced	58,250
Total audit fees (excluding VAT)	£128,437

E. Draft Audit Opinion

Independent auditor's report to the members of Nuneaton and Bedworth Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Nuneaton and Bedworth Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Statement, Movement on the Housing Revenue Account Statement, Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance & Enterprise's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance & Enterprise's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance & Enterprise's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance & Enterprise with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance & Enterprise and Those Charged with Governance for the financial statements' section of this report.

E. Draft Audit Opinion

Other information

The Director of Finance & Enterprise is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance & Enterprise and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities (set out on page 20), 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 of Finance & Enterprise. The Director of Finance & Enterprise 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance & Enterprise determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Enterprise is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless.

E. Draft Audit Opinion

there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003 .
- We enquired of senior officers and the Audit and Standards committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit & Standards committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and any other fraud risks identified for the audit. We determined that the principal risks were in relation to journal entries that altered the Council's financial performance for the year, and potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Council's land and buildings, investment property, and defined benefit pensions liability valuations.

E. Draft Audit Opinion

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance and Enterprise has in place to prevent and detect fraud;
  - journal entry testing, with a particular focus on significant journals at the end of the financial year which impacted on the Council's financial performance;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

E. Draft Audit Opinion

We have nothing to report in respect of the above matter except on 12 November 2024 we identified two significant weaknesses in the Council's governance arrangements. The first of these is in relation to the lack of quarterly budget monitoring reports being provided to Cabinet during the 2021/22 financial year. We recommended that the Council ensure quarterly budget monitoring reports are presented to Cabinet regularly. The second significant weakness relates to capacity issues within the finance team which have led to issues and delays in financial reporting processes. We recommended that the Council ensures its finance team is sufficiently resourced, with the appropriate skills.

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Nuneaton and Bedworth Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

grantthornton.co.uk

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024 7637 6376

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

Date 08/11/2024

Dear Laurelin,

Nuneaton and Bedworth Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Nuneaton and Bedworth Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of the Council's land and building assets, the valuation of the Council's net pension liability, and the calculation of the Council's provision for business rates appeal.

   We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

  a. there are no unrecorded liabilities, actual or contingent
  b. none of the assets of the Council has been assigned, pledged or mortgaged
  c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

  a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
  c. the council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

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Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit & Standards Committee at its meeting on 12 November 2024.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

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Appendix A – Unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
We identified an error in our cut off testing where an invoice had the incorrect year on the narrative of the invoice and therefore was not accrued for correctly. The expected error is £413k.	Cr Income (413)	Dr Debtors 413	(413)	Impact is estimated and is not material
We have identified several assets with a nil net book value which are still in use by the Council. The impact on the net book value and therefore the balance sheet is nil but the gross book values in the note are misstated.	-	Dr Accumulated Depreciation 1,162 Cr Gross Book Value (1,162)		Impact is not material and will be considered within 2022/23
Overall impact	(413)	413	(413)	

Nuneaton and Bedworth Borough Council

Draft Statement of Accounts 2021/22

Statement of Accounts

2021/22

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Nuneaton & Bedworth
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Narrative Report

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

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

The Statement of Accounts have been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA), and in conjunction with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom for 2021/22 (The Code). The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board.

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

The Statement of Accounts presents the financial position and performance of the Council for the year ended 31st March 2022. It also provides information to members of the public, including electors and residents of the Borough, Council members, partners, stakeholders, and any other interested parties that the public money with which the Council has been entrusted has been used and accounted for in a legal and responsible manner, and to give assurance that the financial position of the Council is both sound and secure. The narrative report details the following information and is structured as follows:

- An introduction and key facts about Nuneaton and Bedworth Borough Council
- The 2021/22 budget setting process
- 2021/22 capital programme
- Financial performance of the Council 2021/22
- Non-financial performance of the Council 2021/22
- Corporate risks
- Core financial statements
- Financial outlook

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INTRODUCTION

The Council

Nuneaton and Bedworth Borough Council is located in a primarily urban area in the north of Warwickshire, covering approximately 78.95 km^2. It covers the two densely populated towns – Nuneaton and Bedworth, in addition to the village of Bulkington and some surrounding land. It has a population of approximately 130,000 *(source: Office of National Statistics)* and enjoys a central location at the heart of the midlands motorway network. The Borough borders Rugby to the east and North Warwickshire to the west. To the south it borders Coventry and the West Midlands, and to the north Hinckley and Bosworth Borough Council in the county of Leicestershire. Nuneaton and Bedworth has a rich and proud manufacturing heritage, mainly supporting the car industry and generating further economic growth in the Borough is recognised as the key priority to create future prosperity and employment opportunities for people, living, working, and visiting the Borough.

The Nuneaton and Bedworth District was created on 1st April 1974 by the Local Government Act 1972, from the merger of the municipal borough of Nuneaton and the urban district of Bedworth (which included Bulkington). The Borough is divided into 17 wards, each represented by two Councillors, giving a total of 34 Councillors serving the borough and its residents. Borough elections take place every two years, when 50% of the Councillors are elected.

Following the elections in May 2022 the Conservative Party remained in political control with the following seats allocated:

- 27 Conservative
- 5 Labour
- 2 Green

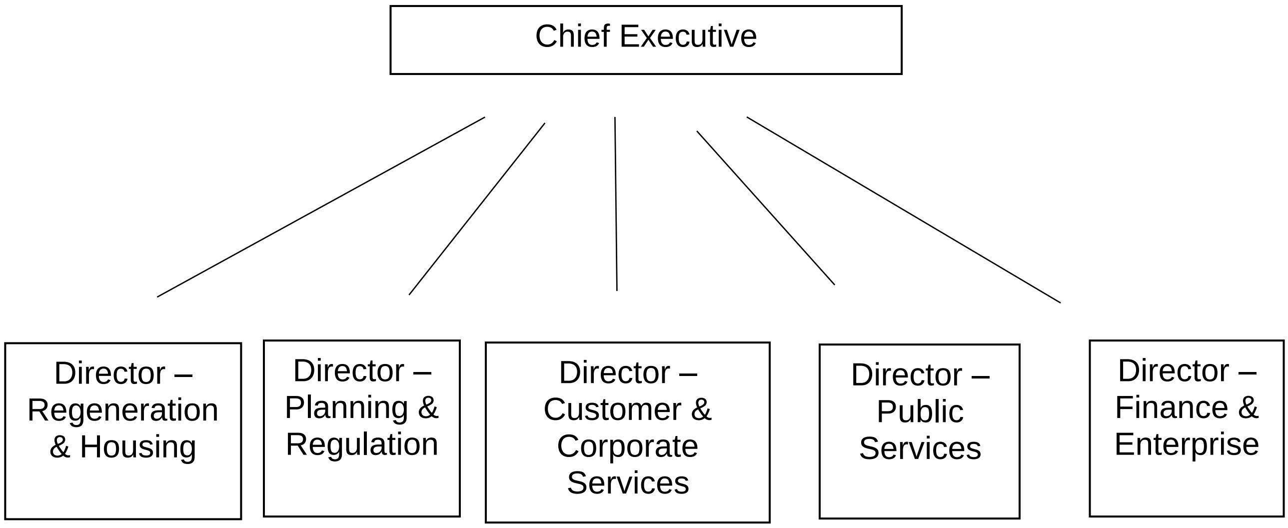
The Council has adopted the Leader and Cabinet model, as its political management structure arising from the Local Government and Public involvement in Health Act 2007. During 2021/22 the Leader of the Council and 5 other portfolio holders made up the Cabinet. The Cabinet members are held to account by a system of scrutiny which is also set out in the Council's constitution. There were three scrutiny panels during 2021/22 undertaking this role covering all the services provided by the Council. Councillor Kristofer Wilson was Leader for the 2021/22 municipal year.

The management structure supports the work of Councillors. The Management Team consists of the Chief Executive and five Directors, including those with statutory responsibility. For 2021/22 the Director – Planning & Regulation was the Council's Monitoring Officer, and the Director – Finance & Enterprise was the Council's Chief Finance Officer (Section 151 officer), who under statute is responsible for the administration of the Council's financial affairs.

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

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

The organisation chart below shows the Management Team structure that was in place for 2021/22 with the Chief Executive leading the management team of the Council:



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

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

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

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

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

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

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

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

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

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

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

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

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

EXTERNAL INFLUENCES

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

- Change in consumer habits is affecting our Town Centres, and the same is being seen on a national level. Footfall continues to decline nationally and the decline of several major retailers in recent years and months will continue to create pressures on town centres both locally and nationally. Regeneration of both town centres in the Borough will be a priority for the Council in the short and medium term, with a particular focus on creating more mixed-use opportunities with less reliance on traditional retail.
- The national Welfare Reform agenda and the roll-out of Universal Credit continues to have a significant effect on our residents. We have seen an increase in our rent arrears and use of temporary accommodation, both of which have a financial impact on the council. We had already created a temporary accommodation facility in Bedworth and have now converted the Council House building into temporary accommodation, renamed Eaton House
- There continues to be uncertainty relating to the impact of UK's exit from the European Union, the Covid-19 pandemic and the cost-of-living crisis, and the economic impacts of these events both nationally and locally.

WHAT WE PLANNED TO SPEND

The 2021/22 Budget

- For 2021/22 the Council chose to increase its element of council tax overall by 2.1% and increase the charge to £243.66 for a Band D. Nuneaton and Bedworth Borough Council is the Billing Authority for the area and raises the council tax charges for Warwickshire County Council and Warwickshire Police and Crime Commissioner, both of which increased their elements of the council tax by 3% and 6.3% respectively.
- The overriding financial strategy was to protect frontline services and minimise the impact on staff where possible.
- The Housing Revenue Account budget approved for 2021/22 included an updated capital programme including provision for the acquisition and build of new properties to replace sales incurred under Right to Buy.
- The Council reviews its reserves regularly to ensure that it maintains sufficient reserves to manage risk.

Financial Monitoring

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

FINANCIAL PERFORMANCE – WHAT WE ACTUALLY SPENT

General Fund Outturn Summary

The Council's budget, set in February 2021, was based on the spending plans required to deliver services to our residents. As the year progressed there were a number of changes in terms of those spending and income plans. In summary, the Council contributed £583k to balances compared to the budgeted contribution of £4k. A summary of the General Fund outturn for 2021/22 is shown in the table below:

	BUDGET 2021/22 £000	OUTTURN 2021/22 £000	VARIANCE 2021/22 £000
Portfolio Analysis:			
Business & Regeneration	1,916	1,664	(252)
Finance & Corporate	3,769	4,142	373
Health & Environment	2,888	2,645	(243)
Housing & Communities	1,330	1,688	358
Planning & Regulation	(942)	(621)	321
Public Services	8,381	7,834	(547)
Portfolio Total	**17,342**	**17,352**	**10**
Central Provisions	335	(59)	(394)
Depreciation & Impairment	(3,097)	(2,425)	672
Transfers To/(From) Reserves	(5,672)	(3,878)	1,794
Financing Of Capital Expenditure	1,594	1,978	384
PWLB Premiums & Discounts	21	21	-
Investment Income	(100)	(328)	(228)
Minimum Revenue Provision	478	478	-
External Interest Paid	468	393	(75)
Council Net Expenditure	**11,369**	**13,532**	**2,163**
Financed by:			
NBCC Council Tax Precept	(9,359)	(9,359)	-
New Homes Bonus	(851)	(851)	-
Other Government Grants	(1,468)	(1,250)	218
NBCC Share of Council Tax Surplus	57	120	63
Business Rates Retention	248	(2,775)	(3,023)
Total Funding	**(11,373)**	**(14,115)**	**(2,742)**
2021/22 Transfer from/ (to) General Fund Balances	**(4)**	**(583)**	**(579)**

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

General Fund Variances	**£'000**
Net Subsidy losses including significantly increased cost of temporary accommodation leading to losses in subsidy received from DWP	628
Losses in commercial income due to voids plus costs of NNDR and utilities	361
Increased contribution to earmarked reserves for Homelessness and Cemeteries for future service pressures	222
Net cost of salary savings and agency expenditure	99
Increased audit costs for Housing Benefits	79
Legal fees incurred in Development Control	75
Increased insurance costs	59
Increased Elections operations costs	57
An increase in transactional costs on credit cards and bank	36
Increased Corporate costs recharged to services	26
Other operational costs	26
Overspends/Losses in Income	**1,668**
Reduced depreciation across all Portfolio Services	-672
Increased income for Recycling offset by marginal increase in contract and operational costs	-259
Savings on Civic Hall due to use as vaccination centre	-220
Reduced Council Tax Support grants paid	-198
Covid-19 grant income for losses in income on car parks and markets plus emergency planning	-108
Recoverable legal fees increase in Council Tax and NNDR	-105
Community Recreation increased contract income plus reduced operational costs operational costs	-96
Savings/Increases in Income	**1,658**
Net Portfolio Variance	**10**
Reduced reserve contribution/increased drawdown for capital expenditure	2,178
Reversal of depreciation charged to services	672
Release of bad debt provisions	-394
Investment income gain, NABCEL increased dividend and reduced borrowing costs due to lower interest rates	-303
Increased Business Rates income due to S31 grants	-2,742
NET VARIANCE	**-579**

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

The General Fund also holds earmarked reserves of approximately £15.8m for future commitments and risk management purposes. This includes reserves to fund future capital replacements as well as a £3.1m reserve to manage fluctuations in business rates income, set aside from Section 31 grants received from Central Government to mitigate the substantial loss of income from business rates due to the additional reliefs that were granted to businesses during the Covid-19 pandemic. These losses will be charged to the General Fund over future years and this reserve will be used to cover these losses. These levels are considered prudent to ensure that the Council continues to deliver quality services to the residents of the borough.

Housing Revenue Account (HRA)

The HRA general balance as at 31st March 2022 is £4.2m which will support the HRA Business Plan in future years. There are also earmarked reserves of £5.3m, which are primarily to finance the HRA capital programme in the medium term and cover risk, and resources held in the Major Repairs Reserve of £2.1m which is ring-fenced for capital purposes.

For 2021/22 net expenditure in the HRA was £2.2m compared to a budgeted net expenditure of £2.7m, thereby resulting in a favourable variance of £0.5m. A summary of this compared with the approved budget is shown below:

	BUDGET 2021/22 £000	OUTTURN 2021/22 £000	VARIANCE 2021/22 £000
Expenditure			
Supervision & Management (General)	5,852	3,995	(1,857)
Supervision & Management (Special)	3,228	3,110	(118)
Repairs & Maintenance	5,198	5,602	404
Depreciation	8,681	8,774	93
Capital Expenditure	3,700	1,637	(2,063)
Interest Payable	2,086	1,914	(172)
Total Expenditure	**28,745**	**25,032**	**(3,713)**
Income			
Dwellings Rent Income	(23,380)	(23,437)	(57)
Interest Receivable	(7)	(6)	1
Non Dwelling Rent Income	(584)	(534)	50
Other Income (Services & Facilities)	(2,075)	(2,030)	45
Total Income	**(26,046)**	**(26,007)**	**39**
NET HRA Expenditure	**2,699**	**(975)**	**(3,674)**
Adjustments			
Voluntary Contributions to Major Repairs Reserve	0	1,970	1,970
Transfers to/(from) Earmarked Reserves	0	1,228	1,228
Total Adjustments	**0**	**3,198**	**3,198**
Net HRA	**2,699**	**2,223**	**(476)**

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

HRA Key Variances 2021/22	**£000**
Overspends/ Under-recovery of income	
Additional council tax payments on voids	92
An increased cost Independent Living due to increased cleaning materials (Covid), central control telephone service and security costs	101
Compensation payments	20
Additional contractor costs within repairs & maintenance for both gas & electricity	592
Reduced recoverable charges	41
Reduced Hostel rent due to covid	202
reduced Garage rents	62
Net other minor income variances	21
Subtotal	**1,131**
Underspends/ Over-recovery of income	
Interest payable below budget as new debt deferred due to capital slippage	(173)
Salary underspends across HRA (net of agency spend)	(525)
Reduced Grounds maintenance due to contract savings	(175)
Consultancy budget underspends as works deferred	(157)
Underspend on environmental improvements	(150)
Reduction in Bad Debt Provision	(1,084)
Reduced Utility costs	(54)
Reduced cost of legal services & court costs	(66)
Materials savings within repairs service	(64)
Reduced Insurance Claims	(32)
Reduced Publicity costs	(10)
Reduced telephony/broadband costs	(20)
Reduced bank charges	(12)
Green Homes grant	(6)
Increased Dwellings rent	(259)
Increased shop rent	(13)
Miscellaneous land sales	(10)
Net other minor expenditure variances	(25)
Subtotal	**(2,835)**
Capital Financing Items	
Increased depreciation charges *(depreciation charges are contributed to the Major Repairs Reserve and are ring-fenced for capital spend)*	93
Reduced capital spend financed by HRA revenue due to slippage	(2,063)
Voluntary contribution to Major Repairs Reserve to fund capital slippage in 2022/23	1,970
Subtotal	-
Increased contribution from Earmarked Reserves	1,228
Net Variance	**(476)**

2021/22 Capital Programme

During 2021/22 the Council spent £13.8m on General Fund capital expenditure and £17.4m through the Housing Revenue Account.

The major projects in the General Fund have been

- The Abbey Street regeneration project, phase 1 with in year costs of £2.4m.
- The Bridge Street regeneration project with costs totalling £2.4m
- Approximately £3.9m was spent as part of the HEART programme in delivering private sector home improvement grants across the county for which NBBC is the lead organisation.

The HRA capital programme focused on the ongoing improvement works to tenant's homes, in respect of kitchens, bathrooms, windows, doors, central heating and structural repairs, amongst others. A total of 16 new build properties were bought into use during 2021/22, with a further 2 properties acquired.

NON-FINANCIAL PERFORMANCE OF THE COUNCIL 2021/22

What we achieved during the year

The Delivering our Future Plan outlines the Council's strategic plan, themes, and priorities over the period up to 2022. The indicators are monitored regularly and are reported to Management Team, Cabinet and Overview and Scrutiny Panels.

During 2021/22 there were three Overview and Scrutiny Panels (OSP's) covering all services provided by the Council:

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

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

MEASURE	2020/21 PERFORMANCE (Target)	2021/22 PERFORMANCE (Target)
1. Business Improvement		
The percentage of complaints responded to within 10 days. This includes interim acknowledgement where the issue is not resolved in full.	97% (95%)	92% (95%)
Number of days lost per FTE due to absence:	2.77 days (3.50)	5.13 days (3.50)

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MEASURE	2020/21 PERFORMANCE (Target)	2021/22 PERFORMANCE (Target)
- Short term absences - Long term illness - Total number of days	5.36 days (5.25) 8.13 days (8.75)	7.62 days (5.25) 12.75 days (8.75)
2. Planning and Environment		
Average time to process planning applications (days)	87.93 days (no target)	102.62 days (no target)
The percentage of household waste which has been sent by the Council for recycling / composting	36.20% (33-40%)	35.80% (33%)
3. Housing		
Relet of property end to end time (turn-round is measured "end to end" from keys received from out-going tenant to new tenancy date).	48 days (no target)	28 days (no target)
4. Finance		
Rent collection.	No data available due to replacement housing system.	94.60% (95.78%)
Council Tax collection.	97.23% (97-100%)	97.17% (97%)
Business Rates collection.	96.75% (98-100%)	97.26% (98%)
Speed of processing new benefits claims.	18.75 (22 days)	18.87 (22 days)
The percentage of Council owned commercial property that is occupied.	91% (95%)	91% (95%)

CORPORATE RISKS

The Council has an embedded process to manage risks and assist the achievement of its objectives, alongside many local performance targets. Risk is managed corporately through the Strategic Risk Register and Directors are responsible for managing their Operational Risk Registers. These risk registers play an integral role to support the production of the Corporate Plan, and is the methodology used for managing our risks. The Audit and Standards Committee reviews the strategic risk register to ensure that it adequately addresses the risks and priorities of the Council and also monitors the effective development and operation of risk management across the Council. Additionally, the Overview and Scrutiny Panels also receive quarterly reports on the strategic risk register as part of the integrated performance reports. The Council Strategic Risk Register identifies 19 'live risks' with 3 being highlighted as 'Red' after mitigations. Of the remaining 16 risks, 4 are listed as 'Amber' (31%) and 12 'Green' (53%).

COMMERCIAL ACTIVITY

The Council established a trading arm in 2013 – Nuneaton and Bedworth Community Enterprises Ltd (NABCEL). This was an element of the Council's long-term strategy to become self-financing and generate additional income that the council could use to protect priority services. The first business stream that NABCEL operated was rental of private rented properties at full market rent. The company now manages a growing portfolio of properties plus two Bed and Breakfast establishments and also undertakes property management, gas services and cleaning services. Further information on the turnover and costs of NABCEL can be found in note 36 page 86.

GOVERNANCE ARRANGEMENTS

The Council has an effective governance framework which is reviewed annually with an action plan being put in place to address any weaknesses. This action plan is reviewed quarterly by the Corporate Governance Group. More detailed information on the Council's governance arrangements can be found in the Annual Governance Statement on page 102 of these accounts.

THE FINANCIAL STATEMENTS

The Council's accounts for 2021/22 are set out on pages 22 to 101 and consist of the following:

- **The Core Financial Statements:**

  - ***The Comprehensive Income and Expenditure Statement*** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
    - A deficit of £11.0m on the provision of services is reported for 2021/22 compared to a deficit of £17.7m for 2020/21.

  - ***The Movement in Reserves Statement*** – This statement shows the movement in the year on the different reserves held by the Council (including both General Fund and HRA), analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.
    - The Movement in Reserves Statement shows a £1.6m decrease in usable resources for 2021/22. The balance of these usable reserves stood at £37.2m as at 31st March 2022.

  - ***The Balance Sheet*** – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. Key items are:

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- ***Long Term Assets*** – The Council holds property, plant and equipment assets of £292m (£275m in 2020/21) mainly due to Council Dwellings of £242m (£225m in 2020/21).
- ***Borrowing Facilities*** – The Council borrows funds where necessary to meet both long term capital expenditure commitments and short-term cash flow demands. Funds are mostly borrowed from the Government (Public Works Loans Board – PWLB) and from commercial money markets. The total borrowing at 31st March 2022 was £73.2m (unchanged from 2020/21).
- ***Pensions*** – The pension fund deficit has decreased in the year to £33m from £63m and is required to be shown on the Balance Sheet of the Council. The decreased deficit is in part due to investment returns being greater than expected.

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

- ***The Expenditure and Funding Analysis*** is actually a note to the accounts (Note 7) and not one of the core statements. This note takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

- **Other Financial Statements:**

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

Main Changes to the Accounts 2021/22

There have been no changes to the disclosure requirements for the accounts in 2021/22.

RESPONSE TO THE CORONAVIRUS PANDEMIC

The government has provided a range of financial support packages throughout the COVID-19 pandemic. These include additional funding to support the cost of services or offset other income losses and also grant packages to be paid out to support local businesses - administered by local billing authorities e.g. the Small Business Grant Fund; Retail, Hospitality and Leisure Grant Fund; multiple Local Restrictions grants i.e. open, closed, sector, additional. Billing authorities are responsible for paying over the grants to the businesses and are then reimbursed by government using a grant under Section 31 of the Local Government Act 2003 (S31). Some of the schemes are fully reimbursed, others are a set allocation.

The Council has considered the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement (CIES) in 2021/22 with regard to the general principle of whether the authority is acting as the principal or agent.

Where the Council is administering the distribution of the grant, is fully reimbursed for delivering that funding (and the authority is not liable for any overpayments), the amount of the award is predetermined based on business rate relief or rateable value, this indicates that the authority is acting as an intermediary for the Department for Business, Energy and Industrial Strategy (BEIS) and does not have ‘control’, accounting as an agent would be appropriate. Similarly, this is also the case for the Test and Trace grants awarded as an agent for the Department for Work and Pensions (DWP).

The grant has not been reported as income and expenditure, and balances relate only to sums due to or from the authority.

Where the Council has discretion over the businesses to support and the amount of the award, it is acting as a principal as opposed to acting as an agent, and transactions have been included in the financial statements. The following table summarises the position for each of the grant support schemes.

Grant	**Government Funding**	**Grants Paid**
	£000	**£000**
Small Business Grant Fund (to March 22)	17,994	17,417
Retail, Hospitality & Leisure Grant Fund (to March 22)	7,240	7,200
The Local Restrictions Support Grant (Closed)	6,951	4,384
Christmas Support Payments	38	29
Closed Business Lockdown Payment	4,689	2,871
Total Agent (BEIS)	**36,912**	**31,902**
Test & Trace Support Payment Scheme	358	139
Total Agent (DWP)	**358**	**139**
Additional Restrictions Grant (ARG) (March 22)	6,073	3,304
The Local Restrictions Support Grant (Open)	22	9
Total Principal (BEIS)	**6,095**	**3,313**

FINANCIAL OUTLOOK

General Fund

When Council approved the 2021/22 Budget in February 2021, future levels of funding for the Council were uncertain pending the most significant changes in Local Government funding for a generation. The reforms were planned to be in place by 2020/21 but were deferred until 2021/22. The Government has confirmed that the longer-term reforms for the local government finance system (including the move to 75% **Business Rates Retention** and **Fairer Funding Review** of Relative Needs and Resources) will be deferred again as a result of the COVID-19 pandemic, although no timescales have been released. In addition, the next planned national **Business Rates Revaluation**, originally planned for 2021 has now been deferred to 2023.

On 21st July 2020, the Chancellor launched the 2020 Comprehensive Spending Review (CSR). The aim of the Review, which was to have been published in the autumn, was to set out the government's spending plans for the parliament – UK Government departments' resource budgets for the years 2021/22 to 2023/24 and capital budgets for the years 2021/22 until 2024/25, and devolved administrations' block grants for the same period. However, on 21st October 2020, the Treasury formally announced that the Spending Review would be narrowed in scope to cover one year only, setting departments' resource and capital budgets for 2021/22. The NHS, schools, and 'priority infrastructure projects' (e.g. HS2 and hospital building) will still be fully funded for multi-year resource settlements.

Previously, the Chancellor confirmed that departmental spending (both capital and resource) would grow in real terms across the CSR period and that the government would deliver on the commitments made at Budget to level up and invest in the priorities of the British people. Given the impact COVID-19 has had on the economy, the Chancellor was clear there would need to be tough choices in other areas of spending at the review. As part of their preparations for the CSR departments were asked to identify opportunities to reprioritise and deliver savings. Departments were also required to fulfil a series of conditions in their returns, including providing evidence they are delivering the government's priorities and focussing on delivery.

The Government had previously said it would keep an open dialogue with the local authorities about the best approach to the next financial year, including how to treat accumulated business rates growth (pending the planned business rates baseline reset) and the approach to the 2021/22 local government finance settlement. It was announced as part of the Spending Review, and has now been confirmed as part of the settlement, that that there will be no reset for 2021/22 however, no papers were published but the Secretary of State confirmed a commitment to the Fair Funding Review and the business rates reset; but in answering questions from MPs he indicated only that there "may be an opportunity next year" to bring forward proposals for reform and he confirmed that he did not know when reform would be implemented.

It is also the Government's intention to look again at the New Homes Bonus for 2022/23 and explore the most effective way to incentivise housing growth. They are consulting on proposals prior to implementation. In the longer-term, the Government remains committed to reform and want to take time to work with local authorities to make sure that the approach is right following the planned reviews.

As a nation we are likely to feel the consequences of the COVID-19 pandemic, and the measures to contain and mitigate its effects, for years to come. The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Social distancing measures remained for most of the financial year – impacting mainly on the Council's ongoing income receipts.

Increased demand for many local public services, directly related to the outbreak of the virus, placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

The uncertainties created by the pandemic have also significantly increased volatility and uncertainty in markets. This applies not only to non-current operational and non-operational property assets held by authorities, but also to investment properties, financial assets and many assets held by pension funds. In addition, the impact of the cost-of-living crisis will become more apparent in the coming year.

Government has provided additional funding and the Local Government Association (LGA) and Society of District Council Treasurers (SDCT) will continue to lobby and provide evidence to MHCLG of the income and expenditure pressures that Councils face. MHCLG receive monthly financial updates from Councils.

Financial resilience is and has been the key requirement for local authorities at any time, but in the current crisis it has assumed unprecedented importance. There have been increasing demands for councils to assess their going concern status in recent years. This assessment has become more relevant with doubts being expressed about whether some local authorities will be able to deliver their full range of service commitments given the financial pressures they face and with some councils issuing warnings about their future financial viability. These concerns have gained greater weight following the COVID-19 outbreak and the significant impact that it has had on council finances. It is important to be clear that the Code of Practice under which local authorities operate confirms that councils have no ability to cease being a going concern.

It would not therefore be appropriate for local authority financial statements to be prepared on anything other than a going concern basis. However, as part of putting these accounts together, the Council's financial monitoring and planning has continued focus on providing assurance that its financial position remains secure. This includes looking at the COVID-19 related expenditure pressures, the direct impact on council income, assessment of any bad debt provisions and impairments required against existing debts and continued analysis of the Council's cashflow requirements. The calculation of the financial impact of COVID-19 is necessarily subjective and subject to change in the months after the balance sheet date, although early indications have highlighted an indicative gap between the financial costs to the Council and the Government grant provided to fund these (as outlined above).

The Council has maintained adequate reserves to reflect the latest assessment of risks that it faces, and early budget planning ensures that a balanced position is maintained.
It is evident from both the financial and non-financial performance over the last 12 months that the Council continues to achieve its corporate priorities with reduced resources. However, as referred to previously, the long-term implications for the Council's finances and the overall community of Nuneaton and Bedworth from Covid-19 and the cost-of-living crisis will require the Council to consider a "new normal" when formulating budgets and remodelling it's Medium-Term Financial Plan.

Housing Revenue Account

- The HRA maintains a 30-year Financial Business Plan, which had a significant review as part of the 2021/22 budget setting process.
- The Business Plan shows that the medium-term and longer-term position for the HRA is sustainable and viable.
- The future capital programme plans still include provision to build more council houses as well as dealing with the ongoing requirements of our existing stock. The removal of the HRA borrowing cap in the Autumn 2018 budget has provided greater opportunities to replace stock sold under Right to Buy, subject to affordability of borrowing costs and identifying suitable land.

Future Opportunities

- The Council will continue with its aim to become self-financing and NABCEL, as its trading arm, will be critical to achieving this.
- The Council is committed to continuing digital transformation of its services to allow customers to access services in a way that suits them. We continue to implement new self-service systems which will allow customers to access their own accounts online, check balances and pay bills as well as report changes in their circumstances. This will create capacity for our staff to provide more added value services to those that are in greatest need.
- The Council continues to be focused on the regeneration of its town centres. It has launched an ambitious 'Transforming Nuneaton' programme to develop and regenerate sites across the town centre with significant funding from the Government's 'Future High Streets' fund and Towns Fund secured to assist in the delivery of these regeneration schemes.

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised on the Council's website at www.nuneatonandbedworth.gov.uk and a copy of the accounts can be downloaded (in addition to financial transparency reporting).

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

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Statement of Responsibilities

Nuneaton and Bedworth Borough Council's Responsibilities

The Council is required to:

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

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

In preparing the Statement of Accounts, the Director of Finance & Enterprise 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 of Finance & Enterprise 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 OF FINANCE & ENTERPRICE

The Statement of Accounts set out on pages 22 to 101 have been prepared in accordance with the Code. They present a true and fair view of the financial position of the Council at 31st March 2022 and of its expenditure and income for the year ended 31st March 2022.

Victoria Summerfield
Director of Finance & Enterprise

24th October 2022

APPROVAL OF THE ACCOUNTS

The Council formally approved this Statement of Accounts in accordance with the delegations approved at the meeting of the Audit & Standards Committee held on *(current draft – to be approved).*

Councillor
Chair of Audit & Standards Committee

Councillor
Vice Chair of Audit & Standards Committee

Date

Comprehensive Income & Expenditure Statement

The Comprehensive Income and Expenditure Statement (CIES) 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.

	Restated 2020/21				2021/22		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Business & Regeneration	6,960	(2,126)	4,834		3,493	(1,634)	1,859
Finance & Corporate	35,154	(30,498)	4,656		32,687	(26,747)	5,941
Health & Environment	3,475	(718)	2,756		3,599	(784)	2,814
Housing & Communities	9,410	(3,147)	6,263		8,893	(2,898)	5,996
Housing Revenue Account	36,944	(25,884)	11,060		38,612	(25,921)	12,690
Planning & Regulation	1,447	(1,069)	378		1,963	(1,148)	816
Public Services	11,205	(3,155)	8,050		11,987	(3,699)	8,289
Cost of services	104,595	(66,597)	37,998		101,234	(62,830)	38,405
Other Operating Expenditure	584	(1,013)	(429)	Note 11	4,115	(2,645)	1,470
Financing & Investing Income & Expenditure	8,730	(1,945)	6,785	Note 12	10,643	(5,989)	4,654
Taxation & Non Specific Grant Income	9,903	(36,563)	(26,660)	Note 13	10,591	(44,073)	(33,481)
(Surplus) or Deficit on Provision of Services			17,694				11,047
(Surplus) or deficit on revaluation of Property, Plant & Equipment Assets				(19,042)			(27,767)
Remeasurement of the net defined benefit pension liability				12,557			(34,518)
Other Comprehensive Income & Expenditure				(6,485)			(62,285)
Total Comprehensive Income & Expenditure				11,209			(51,238)

**2020/21 figures have been restated due to changes in portfolios*.

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. This is different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

Movement in Reserves Statement 2021/22

	General Fund Balance £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 21	(19,862)	(10,535)	(4,100)	(1,612)	(2,630)	(38,739)	(141,324)	(180,063)
Movement in reserves during 2021/22								
(Surplus) or deficit on the provision of services	(3,696)	14,743				11,047	-	11,047
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(62,285)	(62,285)
Total Comprehensive Income & Expenditure	(3,696)	14,743	-	-	-	11,047	(62,285)	(51,238)
Adjustments between accounting basis & funding basis under regulations (Note 9)	6,127	(13,748)	1,600	(452)	(3,025)	(9,497)	9,497	(0)
(Increase)/ Decrease in 2021/22	2,432	995	1,600	(452)	(3,025)	1,550	(52,788)	(51,238)
Balance as at 31 March 22	(17,430)	(9,540)	(2,500)	(2,064)	(5,655)	(37,189)	(194,112)	(231,301)
Adjustment for amounts earmarked for specific purposes (Earmarked Reserves - Note 10)	15,848	5,291						
Remaining Unallocated Balance as at 31 March 22	(1,582)	(4,249)						

Movement in Reserves Statement 2020/21

	General Fund Balance £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 20	(12,150)	(11,289)	(3,593)	(4,356)	(2,011)	(33,399)	(157,873)	(191,272)
Movement in reserves during 2020/21								
(Surplus) or deficit on the provision of services	5,643	12,051	-	-	-	17,694	-	17,694
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	(6,485)	(6,485)
Total Comprehensive Income & Expenditure	5,643	12,051	-	-	-	17,694	(6,485)	11,209
Adjustments between accounting basis & funding basis under regulations (Note 9)	(13,355)	(11,297)	(507)	2,744	(619)	(23,034)	23,034	-
(Increase)/ Decrease in 2020/21	(7,712)	754	(507)	2,744	(619)	(5,340)	16,549	11,209
Balance as at 31 March 21	(19,862)	(10,535)	(4,100)	(1,612)	(2,630)	(38,739)	(141,324)	(180,063)
Adjustment for amounts earmarked for specific purposes (Earmarked Reserves - Note 10)	18,467	4,063						
Remaining Unallocated Balance as at 31 March 21	(1,395)	(6,472)						

Balance Sheet

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

31 March 21 £000		Notes	31 March 22 £000
271,840	Property, Plant & Equipment	14	289,463
1,165	Heritage Assets		1,165
28,122	Investment Property	15	28,506
1,162	Intangible Assets		1,107
-	Assets Held	14	-
1,889	Assets Under Construction	14	3,735
1,866	Long Term Investments	16	2,270
727	Long Term Debtors	16	2,504
306,771	Long Term Assets		328,750
15,033	Short Term Investments	16	28,049
111	Inventories		98
18,135	Short Term Debtors	22	13,253
9,391	Cash & Cash Equivalents	18	9,874
42,670	Current Assets		51,274
(471)	Short Term Borrowing	16	(8,971)
(23,290)	Short Term Creditors	23	(32,066)
(2,025)	Provisions	24	(2,024)
(25,786)	Current Liabilities		(43,061)
-	Long Term Creditors		-
(72,705)	Long Term Borrowing	16	(64,205)
(63,356)	Pensions Liability	41	(33,270)
(7,531)	Capital Grants Receipts in Advance	32	(8,185)
(143,592)	Long Term Liabilities		(105,660)
180,063	Net Assets		231,302
(38,739)	Usable Reserves	26	(37,188)
(141,324)	Unusable Reserves	27	(194,113)
(180,063)	Total Reserves		(231,302)

Cash Flow Statement

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

2020/21 £000			2021/22 £000
17,694	Net (surplus) or deficit on the provision of services		11,047
(43,667)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	Note 19	(42,887)
8,297	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	Note 19	12,917
(17,676)	Net cash flows from Operating Activities	Note 19	(18,923)
(1,769)	Investing Activities	Note 20	26,075
13,906	Financing Activities	Note 21	(7,635)
(5,539)	Net (increase) or decrease in cash & cash equivalents		(483)
3,852	Cash & cash equivalents at the beginning of the reporting period		9,391
9,391	Cash & cash equivalents at the end of the reporting period	Note 18	9,874

Notes to the Accounts

1) ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where considered material, where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

CASH AND CASH EQUIVALENTS

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

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

EXCEPTIONAL ITEMS

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

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

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits – The Local Government Pension Scheme

Warwickshire County Council, the Administering Authority to the Warwickshire County Council Pension Fund instructed Hyman Robertson LLP, an independent firm of actuaries, to undertake pension expense calculations on behalf of Nuneaton & Bedworth Borough Council as at 31st March 2022.

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

- The liabilities of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate as determined by the actuary (based on the indicative rate of return on high quality corporate bonds).

- The assets of the Warwickshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property managed funds – current bid price

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

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

- Further details of the estimation techniques and values attributed to the Pensions Liability can be found in note 41 on page 89 of these financial statements.

Discretionary Benefits

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy as follows:

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

FINANCIAL INSTRUMENTS

Financial Instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are mainly measured at fair value.

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

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

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

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

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

Council Tax and Non-Domestic Rates

Nuneaton and Bedworth Borough Council is a billing authority and as such act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and Non-Domestic Rates (NDR)

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Taxation and Non-Specific Grant 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 revised future cash flows.

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

LEASES

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2021/22 (SeRCOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase (e.g. finance lease) is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Gains may be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer. The depreciable value is deemed to be the total asset valuation less the value of the land.

- vehicles, plant, furniture and equipment – vehicles are depreciated on a straight-line basis to a residual resale value over a period of 5 to 7 years, computer hardware is depreciated over a period of 5 years on a straight-line basis to a nil residual value and other equipment is depreciated on a straight-line basis to a residual value over periods up to 10 years.

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

Component Accounting

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

It is the policy of this Council to consider assets for componentisation when their value is more than £500,000 and they have either been revalued or have incurred capital expenditure in the financial year. Individual components will be created where their value is more than 20% of the total value of the asset and has a depreciable life materially different from the main asset.

Disposals and Non-Current Assets Held for Sale

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

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

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

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

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

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

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

RESERVES

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies. Details can be found in note 27 on page 73.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

VAT

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

2) ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The CIPFA Code of Practice on Local Authority Accounting in the UK requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

At the Balance Sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code.

a) IFRS 16, implementation of which has been deferred to the 2022/23 Code and will apply from 1 April 2022 on a voluntary basis.

These changes are not expected to have a material impact on the Council's financial statements.

3) CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

- Under the Business Rates Retention Arrangements Billing Authorities, acting as agents on behalf of the major preceptors (10%), Central Government (50%) and themselves (40%), are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the Rating List. The Council has included a provision of £2.02m (£2.02m in 2020/21), which is our 40% share of the overall provision in the Business Rates Collection Fund of £5.03m (£5.06m in 2020/21).

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet at 31st March 2022 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
Depreciation of Property, Plant & Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance carried out on individual assets. The current economic climate reduces the certainty that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount on the asset falls. It is estimated that the annual depreciation charge for assets would increase by approximately £462k for every year that useful lives had to be reduced.
Valuation of Property, Plant & Equipment and Investment Property	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate the value of its non-current assets.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the CIES. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous downward revaluations to the CIES and / or gains being recorded as appropriate in the CIES. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.
Provision – Business Rates Appeals	The Council has made a provision in the Collection Fund of £5.03m (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 £505k. 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 2022, the total arrears from sundry debts stood at £1.58m. 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. The ongoing economic impact of Covid-19 has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts.	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 2022 is £364k and so a 25% increase would lead to additional provision of £91k.
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. Consulting actuaries are engaged to provide the Council with expert advice about the assumptions to be applied. The assumptions used can be found in note 41, page 89.	A 0.1% decrease in the Real Discount Rate used would increase the scheme liabilities by approximately £4.32m (2%) A one year increase in member life expectancy would increase the scheme liabilities by £9.72m (4%) A 0.1% increase in the Salary Increase Rate would increase the scheme liabilities by approximately £0.40m (0%) A 0.1% increase in the Pension Increase Rate (CPI) would increase the scheme liabilities by approximately £3.89m (2%)

5) MATERIAL ITEMS OF INCOME AND EXPENSE

When items of income or expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance. This note identifies material items and for the purpose of this note the Council considers material items to be those greater than £1.5m.

During the year, the Council continued to process a large number of additional payments and received additional funding in relation to Covid-19 support. The narrative report contains more information on these payments. Of the total payments made £3.313m were processed where the Council acted as principal and therefore these are reflected within the Finance and Corporate portfolio of the Comprehensive Income and Expenditure Statement. This spend was matched by a corresponding grant income amount as provided by BEIS to ensure no detrimental impact on the Council's finances.

Additionally, a £34.5m gain has been realised as a result of the remeasurement of the net defined benefit pension liability as at 31st March 2022 (in Other Comprehensive Income and Expenditure on the Comprehensive Income and Expenditure Statement). As at 31st March 2021, the Council had faced a £12.6m remeasurement loss.

6) EVENTS AFTER THE BALANCE SHEET DATE

From completing the draft 2021/22 financial statements in October 2022 and finalising the audit in November 2024, Nuneaton and Bedworth Borough Council has experienced subsequent events which are detailed below.

The recent years economic climate has seen high levels of inflation which caused issues for construction contracts across the country. This led to the initial outlined costs for the regeneration projects within the borough (Grayson place and Bedworth Physical Activity Hub) needing to be paused before finalising funding and a way to move forward. With the council previously receiving Future High Streets Funding, Town Deals and Levelling Up funding this led to us and 9 other local authorities being chosen for Pathfinder Pilot. The Pathfinder Pilot was to allow government to understand the impact of a simplified and consolidated funding model which allowed local authorities having greater ability to move funding between projects.

As a result of the Pathfinder Pilot this allowed the Council to continue with the regeneration projects which has now moved on considerably. The Co-Op building on Abbey Street and other smaller assets have been disposed of to pave way for the completion of the hotel, the first stage of the regeneration project known as Grayson Place. The construction was completed and opened in Autumn 2024 with Hampton by Hilton operating the hotel.
The second phase of the regeneration programme is being finalised with groundworks having started October 2024. The finalised programme will see a cinema, food hall, college building, car park and public realm added to the town centre with expected completion to be during 2025/26.

The new Bedworth Physical Activity Hub project started Autumn 2024. This will bring a new and improved leisure centre alongside an all-weather pitch and car parking facilities for members of the public to utilise.

- Phase 1 is scheduled to be finalised in Spring 2026 which will be the completion of the leisure centre.
- Phase 2 will follow with the groundworks of the adjacent park and all-weather pitch being finalised.
- The final phase 3 will see the demolition of the old leisure centre and the finalisation of the car park for accessibility to the new centre.

Since 2021/22 the Civic Hall stopped operating as a council service and has now been leased to a community group known as the Bedworth Civic Hall Incorporated Organisation (CIO). This followed a lengthy consultation period to find the suitable operator which allowed the Council to ensure an efficient and viable takeover occurred, authorising the CIO to operate the venue from September 2024.

Finally, there was a change in personnel in June 2024 with Tom Shardlow now becoming the new Chief Executive of the Council. This internal appointment came as a result of the previous Chief Executive, Brent Davis retiring after 25 years with Nuneaton and Bedworth Borough Council.

7) EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the CIES. The objective of the Expenditure and Funding Analysis is to demonstrate to council tax and rent payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by councils in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

2020/21 (Restated)				2021/22		
Net Expenditure Chargeable to the General Fund & HRA Balances (Note 7a) £000	Adjustments between the Funding & Accounting Basis (Note 7b) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000		Net Expenditure Chargeable to the General Fund & HRA Balances (Note 7a) £000	Adjustments between the Funding & Accounting Basis (Note 7b) £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
1,625	(2,930)	(1,305)	Business & Regeneration	1,446	413	1,859
4,773	268	5,041	Finance & Corporate	4,116	1,825	5,941
2,415	302	2,717	Health & Environment	2,455	359	2,814
1,218	(50)	1,168	Housing & Communities	1,277	4,718	5,996
(3,011)	26,193	23,182	Housing Revenue Account	(913)	13,603	12,690
514	98	612	Planning & Regulation	426	390	816
6,522	61	6,583	Public Services	5,867	2,421	8,289
14,056	23,942	37,998	Net Cost of Services	14,676	23,730	38,406
(21,071)	767	(20,304)	Other Income & Expenditure	(11,249)	(16,108)	(27,357)
(7,015)	24,709	17,694	Surplus or Deficit	3,427	7,621	11,048
(23,382)			Opening General Fund & HRA Balances	(30,397)		
(7,015)			Less/ Plus Surplus or (Deficit) on General Fund and HRA Balance in Year	3,427		
(30,397)			Closing General Fund & HRA Balance in Year *	(26,970)		

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

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

2021/22	Amounts as Reported for Resources Management	Removal of Depreciation reported at Portfolio Level	Removal of Earmarked Reserve Movements as not chargeable to Balances	Other Amounts Transferred between Net Cost of Services and Other Income & Expenditure per CIPFA Code	Net Expenditure Chargeable to the General Fund & HRA Balances per the EFA
	£000	£000	£000	£000	£000
Business & Regeneration	1,664	(254)	39	(2)	1,446
Finance & Corporate	4,142	(3)	-	(22)	4,116
Health & Environment	2,645	(134)	(56)	-	2,455
Housing & Communities	1,688	(167)	(244)	-	1,277
Housing Revenue Account	2,223	-	(1,228)	(1,908)	(913)
Planning & Regulation	(621)	-	(21)	1,067	426
Public Services	7,834	(1,556)	(410)	-	5,867
Net Cost of Services	19,575	(2,114)	(1,920)	(865)	14,675
Other Income & Expenditure	(17,935)	2,114	3,706	865	(11,249)
(Surplus) or Deficit	1,640	-	1,786	-	3,426

2020/21 Restated*	**Amounts as Reported for Resources Management**	**Removal of Depreciation reported at Portfolio Level**	**Removal of Earmarked Reserve Movements as not chargeable to Balances**	**Other Amounts Transferred between Net Cost of Services and Other Income & Expenditure per CIPFA Code**	**Net Expenditure Chargeable to the General Fund & HRA Balances per the EFA**
	£000	**£000**	**£000**	**£000**	**£000**
Business & Regeneration	1,954	(458)	129	-	**1,625**
Finance & Corporate	4,627	(4)	(174)	324	**4,773**
Health & Environment	2,645	(233)	3	-	**2,415**
Housing & Communities	1,487	(118)	(152)	-	**1,217**
Housing Revenue Account	289	-	-	(3,300)	**(3,011)**
Planning & Regulation	(610)	-	(18)	1,142	**514**
Public Services	8,123	(1,630)	29	**-**	**6,522**
Net Cost of Services	**18,516**	**(2,443)**	**(183)**	**(1,834)**	**14,056**
Other Income & Expenditure	(18,326)	2,443	(7,022)	1,834	**(21,071)**
(Surplus) or Deficit	**190**	**-**	**(7,205)**	**-**	**(7,015)**

*2020/21 figures have been restated due to changes in portfolios.

7b – Adjustments between accounting and funding basis

2021/22	Amounts as Reported for Resources Management	Removal of Depreciation reported at Portfolio Level	Removal of Earmarked Reserve Movements as not chargeable to Balances	Other Amounts Transferred between Net Cost of Services and Other Income & Expenditure per CIPFA Code	Net Expenditure Chargeable to the General Fund & HRA Balances per the EFA
	£000	£000	£000	£000	£000
Business & Regeneration	1,664	(254)	39	(2)	1,446
Finance & Corporate	4,142	(3)	-	(22)	4,116
Health & Environment	2,645	(134)	(56)	-	2,455
Housing & Communities	1,688	(167)	(244)	-	1,277
Housing Revenue Account	2,223	-	(1,228)	(1,908)	(913)
Planning & Regulation	(621)	-	(21)	1,067	426
Public Services	7,834	(1,556)	(410)	-	5,867
Net Cost of Services	19,575	(2,114)	(1,920)	(865)	14,675
Other Income & Expenditure	(17,935)	2,114	3,706	865	(11,249)
(Surplus) or Deficit	1,640	-	1,786	-	3,426

2020/21 Restated*	**Adjustments for Capital Purposes**	**Net Changes for the Pension Adjustment**	**Other Adjustments**	**Total Adjustments Between Funding & Accounting Basis**
	£000	**£000**	**£000**	**£000**
Business & Regeneration	(2,996)	57	9	(2,930)
Finance & Corporate	4	178	86	268
Health & Environment	233	57	12	302
Housing & Communities	(156)	88	18	(50)
Housing Revenue Account	26,110	83	-	26,193
Planning & Regulation	-	81	17	98
Public Services	(210)	241	30	61
Net Cost of Services	**22,985**	**785**	**172**	**23,942**
Other Income & Expenditure	(4,461)	1,143	4,085	767
Total Adjustments	**18,524**	**1,928**	**4,257**	**24,709**

*2020/21 figures have been restated due to changes in portfolios.

Adjustments for Capital Purposes – this column adds in depreciation and impairment and revaluation gains and losses in the service line and within other income and expenditure the adjustments are for:

- capital disposals with a transfer of the income on disposal of those assets
- statutory charge for capital financing (i.e. Minimum Revenue Provision)
- capital grants are adjusted for income not chargeable under generally accepted accounting practices.

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

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

7c – Segmental Income

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

2020/21 Restated* £000		2021/22 £000
	Income from Services:	
(1,084)	Business & Regeneration	(1,332)
(616)	Finance & Corporate	(736)
(510)	Health & Environment	(569)
(2,179)	Housing & Communities	(1,468)
(25,804)	Housing Revenue Account	(25,737)
(2,486)	Planning & Regulation	(2,649)
(2,537)	Public Services	(3,046)
(35,216)	**Total**	**(35,537)**

*2020/21 figures have been restated due to changes in portfolios.

8) EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2020/21 £000		2021/22 £000
	Expenditure:	
19,728	Employee benefits expenses	22,078
27,835	Housing Benefit payments	25,727
30,532	Other service expenses	26,914
32,300	Depreciation, amortisation, impairment & revaluations	30,437
3,493	Interest payments	3,605
9,903	Precepts and levies	10,591
584	Payments to the Housing Capital Receipts Pool	584
0	Loss on Disposal of Assets	886
124,375	Total Expenditure	120,822
	Income:	
(35,216)	Fees, charges and other service income	(36,976)
(196)	Interest and investment income	(661)
(18,494)	Income from Council Tax, Non Domestic Rates	(12,525)
(25,712)	Government Grants (Housing Benefit)	(23,868)
(26,050)	Other grants and contributions	(35,745)
(1,013)	Gain on Disposal of Assets	0
(106,681)	Total Income	(109,774)
17,694	(Surplus)/ Deficit on the Provision of Services	11,047

9) ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
2021/22					
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure					
Pensions costs (transferred to (or from) the Pensions Reserve)	(3,475)	(957)	-	-	-
Financial instruments (transferred to the Financial Instruments Adjustments Account)	21	-	-	-	-
Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	3,790	-	-	-	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	179	67	-	-	-
Equal pay settlements (transferred to the Unequal Pay/ Back Pay Account)	-	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,184	(27,653)	-	-	(14,665)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the movement in fair value in investments classified as Fair Value through Profit & Loss	327	-	-	-	-
Total Adjustments to Revenue Resources	4,026	(28,543)	-	-	(14,665)
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	230	2,415	(2,645)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	-	-	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(584)	-	584	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	10,744	-	(10,744)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	478	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,978	1,637	-	-	-
Total Adjustments between Revenue and Capital Resources	2,101	14,796	(2,060)	(10,744)	-
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	3,660	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	10,292	-
Application of capital grants to finance capital expenditure	-	-	-	-	11,640
Cash payments in relation to deferred capital receipts	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	3,660	10,292	11,640
Total Adjustments	6,128	(13,748)	1,600	(452)	(3,025)

2020/21	Usable Reserves				
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	(1,205)	(723)	-	-	-
Financial instruments (transferred to the Financial Instruments Adjustment Account)	21	-	-	-	-
Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	(5,534)	-	-	-	-
Holiday Pay (transferred to the Accumulated Absences Reserve)	(110)	(65)	-	-	-
Equal pay settlements (transferred to the Unequal Pay/ Back Pay Account)	-	-	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(10,907)	(21,855)	-	-	(1,661)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to the movement in fair value in investments classified as Fair Value through Profit & Loss	(13)	-	-	-	-
Total Adjustments to Revenue Resources	**(17,748)**	**(22,643)**	**-**	**-**	**(1,661)**
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,909	1,098	(3,007)	-	-
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(7)	7	-	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(585)	-	585	-	-
Posting of HRA resources from revenue to the Major Repairs Reserve	-	9,846	-	(9,846)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	428	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	2,641	409	-	-	-
Total Adjustments between Revenue and Capital Resources	**4,393**	**11,346**	**(2,415)**	**(9,846)**	**-**
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,922	-	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	12,590	-
Application of capital grants to finance capital expenditure	-	-	-	-	1,042
Cash payments in relation to deferred capital receipts	-	-	(14)	-	-
Total Adjustments to Capital Resources	**-**	**-**	**1,908**	**12,590**	**1,042**
Total Adjustments	**(13,355)**	**(11,297)**	**(507)**	**2,744**	**(619)**

Below is a description of each of the reserves that the adjustments are made against:

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

10) EARMARKED RESERVES

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

Balance at 31 March 21 £000		Balance at 31 March 22 £000
	General Fund Earmarked Reserves	
3,985	Risk Based Reserves	5,611
3,432	General Revenue Reserves	3,989
4,154	Capital Earmarked Reserves	2,585
1,509	Financial Planning Reserve	599
5,387	Collection Fund Timing	3,064
18,467	Total General Fund	15,848
	Housing Revenue Account Earmarked Reserves	
350	Risk Based Reserves	350
381	General Revenue Reserves	1,609
3,332	Capital Earmarked Reserves	3,332
4,063	Total Housing Revenue Account	5,291

11) OTHER OPERATING EXPENDITURE

2020/21 £000		**2021/22 £000**
584	Payments to the Government Housing Capital Receipts Pool	584
(1,013)	(Gains)/ losses on the disposal of non-current assets	886
(429)	**Total**	**1,470**

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12) FINANCING AND INVESTING INCOME AND EXPENDITURE

A breakdown of total income and expenditure in relation to investment properties, which includes gains or losses on revaluation, can be found in note 15 to the accounts, page 59.

2020/21 £000		2021/22 £000
2,361	Interest payable & similar charges	2,307
1,132	Net interest on the net defined benefit pension liability	1,298
(196)	Interest receivable and similar income	(661)
3,488	Income & expenditure in relation to investment properties and changes in their fair value	1,710
6,785	**Total**	**4,654**

13) TAXATION AND NON-SPECIFIC GRANT INCOME

2020/21 £000		2021/22 £000
(9,077)	Council tax income	(9,414)
	Non domestic rates	
(9,417)	Billing authority share of income	(13,702)
9,414	Tariff payment to Central Government	9,414
489	Levy on growth	1,177
(6,504)	Section 31 Grants from Central Government	(4,190)
	Non-ringfenced government grants:	
-	Revenue Support Grant	
(2,768)	MHCLG - Covid Support	(1,241)
(1,622)	New Homes Bonus	(851)
(1,652)	Disabled Facilities Grant	(1,652)
(140)	Other	(8)
	Ringfenced government grants:	
(1,000)	Towns Fund	(1,161)
(638)	Green Homes	(976)
(500)	Warwickshire County Council	0
(441)	Homes England	(188)
(104)	Other Local Authorities	(791)
(2,292)	Local Authority Contributions for HEART	(2,669)
-	Future High Street Fund	(6,607)
(408)	Other Capital grants & contributions	(620)
(26,660)	Total	(33,481)

14) PROPERTY, PLANT AND EQUIPMENT

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2021	224,708	45,663	13,364		126	-	1,889	285,750
Additions	18,070	143	840	277	-	-	1,846	21,176
Accumulated Depreciation and Impairment to Gross Carrying Acount	(8,398)	(355)	-	-	-	-	-	(8,753)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	26,681	872	-	-	2	212	-	27,767
Revaluation increases / (decreases) recognised in the Surplus / Deficit on Provision of Services	(16,600)	50	-	-	-	-	-	(16,550)
Derecognition - disposals	(2,603)	(83)	(466)	(199)	-	-		(3,351)
Assets reclassified (to) / from Investment Properties	-	-	-	(870)	-	979	-	109
Other movements in Cost or Valuation	-	-	-	-	-	-	-	-
As at March 22	241,858	46,290	13,738	-792	128	1,191	3,735	306,148
Accumulated Depreciation & Impairment								
At 1 April 2021	-	(2,288)	(10,722)		(48)	-	-	(13,058)
Depreciation charge	(8,433)	(1,441)	(931)	(55)	-	-	-	(10,860)
Accumulated Depreciation written off to Gross Carrying Amount	8,398	355	-	-	-	-	-	8,753
Accumulated Impairment written off to Gross Carrying Amount	-	-	-	-	-	-	-	-
Impairment losses recognised in the Revaluation Reserve	-	(38)	-	-	-	-	-	(38)
Impairment losses recognised in Surplus/Deficit on the Provision of Services	-	(72)	-	-	-	-	-	(72)
Derecognition - disposals	35	19	378	1,893	-	-	-	2,325
Assets reclassified (to) / from Investment Properties	-	-	-	-	-	-	-	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	-
At 31 March 2022	-	(3,465)	(11,275)	1,838	(48)	-	-	(12,950)
Net Book Value								
at 31 March 2021	224,708	43,375	2,642	1,037	78	0	1,889	273,729
at 31 March 2022	241,858	42,825	2,463	1,046	80	1,191	3,735	293,198

Comparative Movements in 2020/21:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
at 1 April 2020	210,647	64,693	12,934	6,541	349	2,416	**297,580**
Additions	13,132	2,669	520	-	-	1,565	**17,886**
Accumulated Depreciation and Impairment to Gross Carrying Acount	(9,148)	(14,425)	-	-	-	-	**(23,573)**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	22,250	(2,759)	-	-	-	-	**19,491**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on Provision of Services	(13,529)	(2,578)	-	-	-	-	**(16,107)**
Derecognition - disposals	(736)	(759)	(90)	(1,521)	-	-	**(3,106)**
Assets reclassified (to) / from Investment Properties	-	(1,178)	-	-	(223)	-	**(1,401)**
Other movements in Cost or Valuation	2,092	-	-	-	-	(2,092)	**-**
At 31 March 2021	**224,708**	**45,663**	**13,364**	**5,020**	**126**	**1,889**	**290,770**
Accumulated Depreciation & Impairment							
At 1 April 2020	(1,036)	(15,326)	(9,195)	(4,698)	(104)	-	**(30,359)**
Depreciation charge	(7,963)	(1,763)	(1,239)	(155)	-	-	**(11,120)**
Accumulated Depreciation written off to Gross Carrying Amount	8,978	1,683	-	-	-	-	**10,661**
Accumulated Impairment written off to Gross Carrying Amount	170	12,691	-	-	-	-	**12,861**
Impairment losses recognised in the Revaluation Reserve	-	(12)	-	-	-	-	**(12)**
Impairment losses recognised in Surplus/Deficit on the Provision of Services	(170)	(53)	(378)	-	-	-	**(601)**
Derecognition - disposals	21	139	90	870	-	-	**1,120**
Assets reclassified (to) / from Investment Properties	-	353	-	-	56	-	**409**
At 31 March 2021	-	(2,288)	(10,722)	(3,983)	(48)	-	**(17,041)**
Net Book Value							
at 31 March 2020	209,611	49,367	3,739	1,843	245	2,416	267,221
at 31 March 2021	**224,708**	**43,375**	**2,642**	**1,037**	**78**	**1,889**	**273,729**

Depreciation

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

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

Capital Commitments

Approximately £2.7m of minimum contract amounts are committed for future years. These are for contracts in place as at 31st March 2022 and relate to HRA council dwellings and include works to maintain decent homes, re-roofing works, upgrading/ replacement of fire doors and heating installations. This can be analysed by financial years of:

- 2022/23 : £1.2m
- 2023/24 : £1.5m

A further £4.5m relates to the General Fund and a commitment for investing in the Sub-Regional Materials Recycling Facility with Coventry City Council and other local authorities. This commitment will take the form of loans to the newly formed company to facilitate the building of this new facility which will generate long term savings to the council once operational.

Revaluations

The Council has a rolling programme of valuations that ensures that all Property, Plant and Equipment measured at current value is revalued at least every 5 years.

All of the council housing stock has been revalued as at 31st March 2022 by an external valuer (Savills).

Various other assets within Land and Buildings have been revalued by the Council's internal valuers and the District Valuer. These include HRA garages and shops, car parks, caravan sites, allotments, Civic Hall, some leisure facilities, Council Depot, the Town Hall and Eaton House (previously Council House).

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

The effective date of all revaluations was 31st March 2022.

The significant assumptions applied in estimating the fair values are:

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

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

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

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus	Total
	£000	£000	£000	£000	£000
Carried at historical cost					
Valued at fair value in:	0	864	13,738	0	14,602
2021/22	241,857	12,804	0	1,191	255,852
2020/21	0	26,300	0	0	26,300
2019/20	0	326	0	0	326
2018/19	0	5,640	0	0	5,640
2017/18	0	0	0	0	0
2016/17	0	957	0	0	957
Total Cost or Valuation	**241,857**	**46,891**	**13,738**	**1,191**	**303,677**

15) INVESTMENT PROPERTIES

Fair Value Hierarchy

Details of the Council's investment properties and information about the fair value hierarchy as at 31st March 2022 are as follows.

Other significant observable inputs (Level 2)	Fair value of Investment Properties:	Other significant observable inputs (Level 2)
31 March 21		31 March 22
£000		£000
882	Office accommodation	975
13,896	Retail units	16,708
2,744	Industrial	3,187
415	Residential	463
8,872	Utilised by NABCEL	5,779
1,313	Other	1,393
28,122	Balance at 31 March	28,506

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

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

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

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. There has been no change in the valuation techniques used during the year for investment properties.

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

Amounts reflected in the CIES

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

2020/21 £000		2021/22 £000
(1,660)	Rental income from investment property	(1,549)
(89)	Other income	(85)
614	Operating expenses arising from investment property	578
(1,135)	Net (gain) / loss	(1,056)

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

Movement in the Fair Value of Investment Property

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

2020/21 £000		**2021/22 £000**
30,122	Balance at 1 April	28,122
	Additions:	
434	Purchases	2,639
1,197	Subsequent expenditure	1,335
(4,623)	Net gains / (losses) from fair value adjustment reflected in Comprehensive Income & Expenditure	(2,611)
	Transfers:	
992	to / (from) Property, Plant & Equipment	(979)
28,122	**Balance at 31 March**	**28,506**

16) FINANCIAL INSTRUMENTS

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

Financial Assets:

	Non-Current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised Cost:								
Principal	0	0	727	2,504	15,000	28,000	10,515	9,577
Accrued interest	0	0	0	0	33	49	0	0
Cash & Cash Equivalents (CCE)	0	0	0	0	9,391	9,874	0	0
Amortised Cost Total:	0	0	727	2,504	24,424	37,923	10,515	9,577
Fair Value through Profit and Loss	1,866	2,270	0	0	0	0	0	0
Total Financial Assets	1,866	2,270	727	2,504	24,424	37,923	10,515	9,577
Non-Financial Assets*	0	0	0	0	0	0	7,620	3,676
Total	1,866	2,270	727	2,504	24,424	37,923	18,135	13,253

*Non-financial assets consist of NNDR and Council Tax payers in arrears, NNDR and Council bad debt provision, and respective shares of the Collection Fund assets.

Financial Liabilities:

	Non-Current				**Current**			
	Borrowings		**Creditors**		**Borrowings**		**Creditors**	
	31 March 2021	**31 March 2022**	**31 March 2021**	**31 March 2022**	**31 March 2021**	**31 March 2022**	**31 March 2021**	**31 March 2022**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Amortised Cost:								
Principal	(72,705)	(64,205)	-	-	-	(8,500)	(22,983)	(30,934)
Accrued interest	-	-	-	-	(471)	(471)	-	-
Amortised Cost Total:	**(72,705)**	**(64,205)**	**-**	**-**	**(471)**	**(8,971)**	**(22,983)**	**(30,934)**
Non-Financial Liabilities	-	-	-	-	-	-	(307)	(1,132)
Total	**(72,705)**	**(64,205)**	**-**	**-**	**(471)**	**(8,971)**	**(23,290)**	**(32,066)**

Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

2021/22 Surplus or Deficit on the Provision of Services £000		2022/23 Surplus or Deficit on the Provision of Services £000
	Net (Gains)/Losses on:	
13	Financial assets measured as fair value through profit of loss	(327)
13	**Total Net (Gains)/Losses**	**(327)**
	Interest Revenue:	
(129)	Financial assets measured at amortised cost	(92)
(80)	Other financial assets measured at fair value	(71)
0	Dividend income	(141)
(209)	**Total Interest Revenue**	**(304)**
2,361	**Interest Expense**	**2,307**

Fair Value of Financial Assets

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

Recurring fair value measurements	Input level in fair value hierarchy & valuation	As at 31 March 21 £000	As at 31 March 22 £000
Available for Sale:			
Property Fund	Level 1 - Unadjusted quoted prices in active markets for identical shares	1,866	2,193
		1,866	**2,193**

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

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

- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

	31 March 21		31 March 22	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
PWLB debt	(71,152)	(78,869)	(71,152)	(74,902)
Non-PWLB debt	(2,024)	(3,376)	(2,024)	(3,011)
Short-term creditors	(22,983)	(22,983)	(32,066)	(32,066)
Total Financial Instrument Liabilities	**(96,159)**	**(105,228)**	**(105,242)**	**(109,979)**

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes several fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at balance sheet date. This shows a notional future loss (based on economic conditions at 31st March 2022) arising from a commitment to pay interest to lenders above current market rates. An alternative method of calculating fair value is to apply early repayment rates instead of new borrowing rates from the PWLB. If this method of calculating fair value had been applied, then the fair value of the liabilities would increase from £105.2m (as quoted above) to £110.0m.

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

	31 March 21		31 March 22	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Cash & cash equivalents	9,391	9,391	9,874	9,874
Short-term investments	15,033	15,033	28,049	28,049
Short-term debtors	10,515	10,515	9,577	9,577
Long-term debtors	727	727	2,504	2,504
Total assets	35,666	35,666	50,004	50,003

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

17) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council;
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments;

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

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

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

The annual treasury management strategy which incorporates the prudential indicators was approved by Council in February 2021 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2021/22 was £140.47m. This is the maximum limit of external borrowings or other long-term liabilities.
- The Operational Boundary was set at £123.47m. 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 £10m for part nationalised banks and higher rated banks or building

societies with a lower £8m limit set for other institutions, subject to meeting creditworthiness criteria.

- 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 these initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

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

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

The Council's maximum exposure to credit risk in relation to its investments and cash held in banks, building societies and managed funds of £40.1m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31st March 2022 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

Credit Risk Exposure

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

A summary of the credit quality of the Council's investments as at 31st March 2022 is shown below, along with the potential maximum exposure to credit risk, based on experience of default and collectability:

Estimated maximum exposure at 31 March 21 £000		Amount at 31 March 22 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 22 % C	Estimated maximum exposure to default and uncollectability at '31 March 22 £000 (A x C)
	Investments:				
-	**A Rated**	28,000	0.05%	0.00%	-
-	**Property Fund**	2,193	0.00%	0.00%	-
	Cash & Cash Equivalents:				-
-	**AAA Rated**	6,000	0.04%	0.00%	-
-	**A Rated**	2,500	0.05%	0.00%	-
548	**Customers**	2,507	28.74%	25.27%	634
548					**634**

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 £1.58m of the £2.51m balance is past its due date for repayment. The past due amount can be analysed by age as follows:

31 March 21 £000		31 March 22 £000
305	Less than three months	322
241	Three to six months	268
256	Six months to one year	352
524	More than one year	633
1,326		**1,575**

Liquidity Risk

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

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

Refinancing and Maturity Risk

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

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

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

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

31 March 21			31 March 22	
Average Rate	Amount		Average Rate	Amount
%	£000		%	£000
3.14%	70,705	**PWLB**	3.15%	70,705
4.10%	2,000	**Other Lenders**	4.10%	2,000
3.17%	**72,705**		**3.17%**	**72,705**
0.00%	-	**Less than one year**	2.79%	8,500
2.79%	8,500	**Maturing in 1-2 years**	2.63%	7,500
2.92%	29,500	**Maturing in 2-5 years**	3.01%	32,000
3.22%	26,705	**Maturing in 5-10 years**	3.36%	16,705
4.28%	1,000	**Maturing in 10-15 years**	4.28%	1,000
4.36%	7,000	**Maturing in over 15 years**	4.36%	7,000
3.17%	**72,705**		**3.17%**	**72,705**

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

31 March 21			31 March 22	
Maximum Exposure Allowable	Maximum Exposure at year end		Maximum Exposure Allowable	Maximum Exposure at year end
20%	0%	less than one year	20%	12%
20%	12%	Maturing in 1-2 years	25%	10%
50%	40%	Maturing in 2-5 years	50%	44%
75%	37%	Maturing in 5-10 years	75%	23%
100%	11%	Maturing in more than 10 years	100%	11%

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

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

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

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

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(165)
Net Impact on Surplus or Deficit on the Provision of Services	**(165)**
Decrease in fair value of fixed rate borrowings	(3,830)
(no impact on the Provision of Services or Other Comprehensive Income and Expenditure)	

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

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

However, it does have holdings in a property fund managed by CCLA. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the value of the shares. However, the Department for Levelling Up, Housing and Communities (DLUHC) has introduced a statutory over-ride to protect the General Fund balance from any fluctuations in fair value movements in quoted investment funds. In the Council's case this relates to its investments in the CCLA Property Fund. This over-ride expires on 31st March 2023 and unless extended, all fair value movements will then impact on the General Fund balance.

18) CASH AND CASH EQUIVALENTS

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

2020/21 £000		2021/22 £000
2,390	Bank current accounts	1,374
7,001	Short-term deposits	8,500
9,391	**Total Cash and Cash Equivalents**	**9,874**

19) CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2020/21 £000		2021/22 £000
(331)	Dividends and interest received	(661)
2,403	Interest paid	2,307

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

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

2020/21 £000		2021/22 £000
(11,897)	Depreciation & amortisation	(11,199)
(20,403)	Revaluations and impairment	(19,233)
(105)	Increase/ (decrease) in impairment for bad debts	(765)
(8,142)	Movement in creditors	(8,777)
781	Movement in debtors	3,766
1	Movement in stock	(13)
27	Movement in provisions	(0)
(1,928)	Movement in pension liability	(4,432)
(1,987)	Carrying amount of non-current assets sold or de-recognised	(2,062)
(14)	Other non-cash items	(173)
(43,667)	Total Adjustment	(42,887)

2020/21 £000		2021/22 £000
3,000	Proceeds from the sale of Property, Plant & Equipment; Investment Property & Intangible Assets	2,645
5,297	Capital grants reflected in net surplus or deficit that relate to financing activities	10,273
8,297	Total Adjustment	12,917

20) CASH FLOW STATEMENT – INVESTING ACTIVITIES

2020/21 £000		2021/22 £000
18,833	Purchase of property, plant and equipment; investment property and intangible assets	31,166
20,000	Purchase of short-term and long-term investments	28,577
(3,014)	Proceeds from the sale of property, plant and equipment; investment property and intangible assets	(2,839)
(29,000)	Proceeds from short-term and long-term investments	(15,561)
(8,588)	Other receipts from investing activities	(15,269)
(1,769)	Net cash flows from investing activities	26,075

21) CASH FLOW STATEMENT – FINANCING ACTIVITIES

2020/21 £000		2021/22 £000
4,500	Repayments of short-term and long-term borrowing	-
9,406	Other payments for financing activities	(7,635)
13,906	Net cash flows from financing activities	(7,635)

22) DEBTORS

2020/21 £000		**2021/22 £000**
	Amounts due within one year (net of impairment)	
	Central Government bodies:	
5,051	Department for Levelling Up, Housing and Communities	40
1,229	Department for Works & Pensions	1,896
944	HM Revenue & Customs	1,066
117	Other Government Departments	525
4,516	Other Local Authorities	2,129
335	Housing Tenants	1,121
443	Council Tax Arrears	434
344	Non Domestic Rates Arrears	407
4,305	Other	4,872
851	Payments in Advance	763
18,135	**Total**	**13,253**

Debtor balances are shown net of any allowance held for bad or doubtful debts. For 2021/22 the total impairment allowance across all debt types was £4.85m (£4.77m for 2020/21).

Local Taxation

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

2020/21 £000		2021/22 £000
	Council Tax:	
279	Less than 1 year	289
183	1 - 2 years	144
231	2 - 5 years	266
152	more than 5 years	167
845		**866**
	Non-Domestic Rates:	
286	Less than 1 year	365
108	1 - 2 years	160
168	2 - 5 years	169
115	more than 5 years	169
677		**863**

23) CREDITORS

2020/21 £000		2021/22 £000
	Central Government bodies:	
(7,180)	Department for Levelling Up, Housing and Communities	(16,050)
(348)	HM Revenue & Customs	(405)
(6,976)	Other Government Departments	(8,062)
(769)	Other Local Authorities	(555)
(8,017)	Other entities and individuals	(6,994)
(23,290)	**Total**	**(32,066)**

24) PROVISIONS

	Business Rate Appeals £000	Total £000
Balance at 01 April 21	(2,025)	(2,025)
Provisions made in year	(450)	(450)
Amounts used in year	451	451
Balance at end of 31 March 22	(2,024)	(2,024)

***Business Rate Appeals*:** Localisation of Business Rates came into effect from 1st April 2013 and means that local authorities retain a proportion of the business rates they collect in their area. We retain 40% of income, Warwickshire County Council 10% and Central Government 50%. This also means that local authorities share the risk from fluctuations in business rates, and the most significant source of volatility is appeals against rateable value. The Valuation Office is responsible for revaluing properties, the most recent being in 2017 which came into effect at 1st April 2017. Businesses can appeal this valuation and if successful the refund will be backdated to the last rating list. We have a significant amount of outstanding appeals, some going back to 2010 and this remains high whilst the Valuation Office prioritised their resources on the latest 2017 revaluation. An estimate has been made of the total value of outstanding appeals and included in the Collection Fund to be apportioned across the three bodies. The 40% proportion for Nuneaton and Bedworth is reflected in this note.

25) CONTINGENT ASSETS AND LIABILITIES

Contingent Assets:

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 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 Rates 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 2022, Nuneaton and Bedworth Borough Council held £302k within the Fund (£305K in 2020/21). This would be released to us if our Business Rates income fell by more than 5% of our baseline funding level, if we left the pool, or if the pool dissolved.

Contingent Liabilities:

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

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

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

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

For the purposes of the Statement of Accounts, a provision has been included in the Collection Fund (see note 24 on page 72) for the proportion of successful claims and the likely reduction in Rateable Value that would apply. It is difficult to estimate the likelihood of businesses both submitting and being successful with an appeal and the Council has therefore made no provision in the accounts for claims that are yet to be made.

26) USABLE RESERVES

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

27) UNUSABLE RESERVES

31 March 2021 £000		31 March 2022 £000
(111,333)	Revaluation Reserve	(135,417)
134	Financial Instruments Revaluation Reserve	(193)
(98,834)	Capital Adjustment Account	(93,068)
139	Financial Instruments Adjustment Account	118
63,356	Pensions Reserve	33,270
(413)	Deferred Capital Receipts Reserve	(413)
5,183	Collection Fund Adjustment Account	1,393
444	Accumulated Absences Account	198
(141,324)	Total Unusable Reserves	(194,113)

Revaluation Reserve

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

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

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

31 March 2021		31 March 2022	
£000		£000	£000
(93,860)	Balance at 1 April		(111,333)
(19,042)	Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(27,767)	
(19,042)	Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		(27,767)
1,292	Difference between fair value depreciation and historical cost depreciation	2,573	
277	Accumulated gains on assets sold or scrapped	1,110	
1,569	Amount written off to the Capital Adjustment Account		3,683
(111,333)	Balance at 31 March		(135,417)

Financial Instruments Revaluation Reserve

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

31 March 2021		**31 March 2022**	
£000		**£000**	**£000**
121	Balance at 1 April	-	134
13	Movement in Fair Value through Profit & Loss on Pooled Investment Funds	(327)	
13			(327)
134	**Balance at 31 March**		**(193)**

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 CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

31 March 2021		31 March 2022	
£000		£000	£000
(112,656)	Balance at 1 April		(98,934)
	Reversals of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
11,335	Charges for depreciation and impairment of non-current assets	10,288	
16,050	Revaluation losses on Property, Plant and Equipment	17,230	
234	Amortisation of intangible assets	357	
5,567	Revenue expenditure funded from capital under statute	5,715	
1,987	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,934	
35,173			36,524
(1,569)	Adjusting amounts written out of the Revaluation Reserve		(3,683)
33,604	Net written out amount of the cost of non-current assets consumed in the year		32,841
	Capital financing applied in the year:		
(1,922)	Use of the Capital Receipts Reserve to finance new capital expenditure	(3,660)	
(12,590)	Use of the Major Repairs Reserve to finance new capital expenditure	(10,292)	
(5,374)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(10,273)	
(1,042)	Application of grants to capital financing from the Capital Grants Unapplied Account	(1,368)	
(428)	Statutory provision to the financing of capital investment charged against the General Fund and HRA balances	(478)	
(3,050)	Capital expenditure charged against the General Fund and HRA balances	(3,615)	
(24,406)			(29,686)
4,624	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		2,611
(98,934)	Balance at 31 March		(93,168)

Financial Instruments Adjustment Account

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

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

31 March 2021 £000		31 March 2022 £000	£000
160	Balance at 1 April		139
(21)	Proportion of premiums incurred in previous financial years to be charged in accordance with statutory requirements	(21)	
(21)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from the finance costs chargable in the year in accordance with statutory requirements		**(21)**
139	**Balance at 31 March**		**118**

Pensions Reserve

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

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

31 March 2021 £000		31 March 2022 £000
48,871	Balance at 1 April	63,356
12,557	Remeasurement of the net defined benefit pension liabi	(34,518)
5,526	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	8,005
(3,598)	Employer's contributions and direct payments to pension	(3,573)
63,356	Balance at 31 March	33,270

Deferred Capital Receipts Reserve

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

31 March 2021		31 March 2022
£000		£000
(428)	Balance at 1 April	(413)
15	Transfer to Capital Receipts Reserve upon receipt of cash	-
(413)	**Balance at 31 March**	**(413)**

Collection Fund Adjustment Account

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

31 March 2021		31 March 2022
£000		£000
(351)	Balance at 1 April	5,183
5,534	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and	(3,790)
5,183	Balance at 31 March	1,393

Accumulated Absences Account

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

31 March 2021		31 March 2022	
£000		£000	£000
270	Balance at 1 April		444
(270)	Settlement or cancellation of accrual made at the end of the preceding year	(444)	
444	Amounts accrued at the end of the current year	198	
174	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		**(246)**
444	**Balance at 31 March**		**198**

28) MEMBERS' ALLOWANCES

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

2020/21 £000		2021-22 £000
175	Basic Allowance	172
59	Special Responsibility	61
13	Other Allowances / Expenses	13
247	**Total**	**246**

The Mayor and Deputy Mayor also received total allowances of £6,000 per annum (£6,000 in 2020-21).

29) OFFICERS' REMUNERATION

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

Post Title	Financial Year	Notes	Salaries, Fees & Allowances £	Expenses & Benefits in Kind £	Pension Contribution £	Total £
Executive Director - Resources	**2021/22**	1	**29,815**	**-**	**5,993**	**35,808**
	2020/21		87,009	-	17,422	104,431
Chief Executive	**2021/22**		**93,520**	**-**	**18,788**	**112,308**
(Previously Executive Director - Operations)	2020/21		85,711	25	17,190	102,926
Director - Housing Communities and Economic Development	**2021/22**		**74,196**	**-**	**14,913**	**89,109**
(Previously Director for Housing , Communities & Economic)	2020/21		73,152	-	14,641	87,793
Director - Customers & Corporate Services	**2021/22**	2	**60,829**	**9**	**12,227**	**73,065**
(Previously Director - Customer Services & Business Improvement)	2020/21	3	58,525	-	11,764	70,289
Director - Planning & Regulation	**2021/22**		**77,853**	**-**	**15,447**	**93,300**
(Previously Director - Democracy , Planning & Public Protection	2020/21	4	85,213	-	17,428	102,641
Director - Public Services	**2021/22**		**72,085**	**75**	**14,458**	**86,618**
(Previously Director - Leisure, Health & Recreation)	2020/21	5	53,819	17	10,818	64,654
Total	**2021/22**		**408,298**	**84**	**81,826**	**490,208**
Total	2020/21		443,429	42	89,263	532,734

Note 1: Postholder resigned August 21

Note 2: Postholder commenced June 2021

Note 3: Part-time position

Note 4: Combined Director - Planning & Public Protection with Director - Democracy , Planning & Public Protection

Note 5: Postholder commenced June 2020

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

2020/21 Total Number of Employees	Remuneration Band	2021/22 Total Number of Employees
8	£50,000 - £54,999	9
1	£55,000 - £59,999	1
-	£60,000 - £64,999	-
9		**10**

30) TERMINATION BENEFITS

Exit Packages:

The table below details the number and cost of exit packages for 2021/22 and the previous financial year.

	Number of Compulsary Redundancies		Number of Voluntary Redundancies		Total number of Exit Packages		Total Cost of Exit Packages	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
Band Cost								
Band £0 - £20k	3	**6**	2	**1**	5	**7**	£ 21,118	**£ 30,251**
Total	3	**6**	2	**1**	5	**7**	£ 21,118	**£ 30,251**

31) EXTERNAL AUDIT COSTS

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

2020/21 £000		2021/22 £000
64	Fees Payable to Grant Thornton LLP with regard to the external audit services carried out by the appointed auditor for the year	67
18	Fees Payable to Grant Thornton LLP for the certification of grants and returns for the year*	85
82	**Total**	**152**

*£38K of the above relates to 2020/21 certifications, £47K relates to 2021/22.

32) GRANT INCOME

The Council credited the following grants, contributions and donations to the CIES in 2021/22:

2020/21 £000		2021/22 £000
	Credited to Taxation and Non-Specific Grant Income	
(81)	Contributions from leaseholders	(104)
(441)	Homes England	(188)
(2,896)	Other Local Authorities	(3,460)
(1,638)	Ministry for Housing, Communities & Local Government	(10,849)
(327)	Developers & other minor contributions	(63)
(5,383)	Total	(14,665)
	Credited to Services	
(498)	Benefits Administration Grant	(376)
(440)	Homelessness Support	(735)
(25,712)	Housing Benefit Subsidy	(23,868)
(5)	Elections Funding	(245)
(316)	Discretionary Housing Payment Grant	(235)
(129)	NNDR Cost of Collection Allowance	(128)
(70)	Towns Fund	-
(2,322)	COVID19 Government Grants (to cover payments to Businesses / Individuals)	(572)
(1,339)	COVID19 Government Grants - Sales, Fees & Charges compensation	(112)
(137)	New Burdens	-
(315)	Containment Outbreak Management Fund	-
(2,410)	Other grants and contributions	(1,794)
(33,693)		(28,065)

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

2020/21 £000		2021/22 £000
	Capital Grants Receipts in Advance	
(3,705)	Developers Contributions	(2,745)
(16)	Other Contributions	(1,317)
(3,188)	Other Local Authorities	(4,078)
(622)	Green Homes	(45)
(7,531)	Total	(8,186)

33) LEASES

Council as Lessee

- **Finance Leases**

There are no finance leases outstanding at 31st March 2022.

- **Operating Leases**

The Council has entered into several operating leases for the supply of the mayor's car, small office equipment items and land. The amount paid in 2021/22 was £54k and the Council is committed to further payments as detailed in the table below:

2020/21 £000		**2021/22 £000**
46	Not later than one year	46
148	Later than one year not later than five years	148
2,252	Later than five years	2,215
2,446	**Total**	**2,409**

Council as Lessor

- **Finance Leases**

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

- **Operating Leases**

The Council leases out property under operating leases ranging from properties let to charitable and community organisations, to town centre shops and industrial units. The gross value of assets where there are such leases was some £26.24m at 31st March 2022 with no accumulated depreciation. The income from such operating lease rentals during 2021/22 was £1.55m (£2.44m in 2020/21).

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

2020/21 £000		2021/22 £000
483	Not later than one year	450
1,729	Later than one year not later than five years	1,553
67,666	Later than five years	65,024
69,878	**Total**	**67,027**

34) RELATED PARTIES

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

Central Government

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

Warwickshire County Council and Warwickshire Police and Crime Commissioner

These authorities issue precepts on the Council and these are shown in the Collection Fund Statement. Warwickshire County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown in note 41, page 89.

£77,094 has been received from the Warwickshire Police and Crime Commissioner which has been used to finance various Warwickshire County Council community safety initiatives within Nuneaton and Bedworth in 2020/21 (£86,614 2020/21).

Council Members and Officers

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

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

In addition to their normal involvement on various Council Committees, most members also act as the Council's representative on a wide range of Outside and Voluntary Bodies – some such representation follows from their Committee membership(s). The Council provided financial assistance to certain voluntary and outside bodies during 2021/22 which included the following contributions:

2020/21 £	Organisation	2021/22 £	Members
2,610	Bulkington Village Centre	2,640	1
9,269	Hartshill & Nuneaton Recreation Ground	9,418	2
3,165	Nuneaton & Bedworth Sports Forum	3,456	1
95,315	Nuneaton & Bedwoth Citizens' Advice Bureau	95,315	-
5,140	Stockingford Community Centre	5,140	-
40,770	Warwickshire Community & Voluntary Action	42,270	-
17,778	Nuneaton & Harriers Community Association Ltd	17,878	-
-	Khair In The Community	3,000	-
-	Warwickshire Young Carers	5,000	-

Nuneaton and Bedworth Community Enterprises Ltd (NABCEL)

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

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

Due to turnover in NABCEL during 2021/22 not being material in the context of the Council's accounts, group accounts have not been prepared however note 35 provides additional information.

As at 31st March 2022, Nuneaton and Bedworth Borough Council held a debtor on its balance sheet of £227,291 (2020/21: £513,048) in respect of money owed to it by NABCEL and a creditor of £400,046 as monies owed to NABCEL (2020/21: £110,674).

Sherbourne Recycling Limited

Sherbourne Recycling Ltd (SRL) is a private company limited by shares, incorporated on 25th February 2021. Eight local authorities including NBBC each hold shares in the company with the purpose of constructing and operating a new materials recycling facility (MRF). The Councils have agreed to work together in a partnering relationship to jointly procure are Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council.

The company will finance and construct the facility, to be based in Coventry, which will cost upwards of £30 million. NBBC has made an equity investment of £76,500 for its 7.65% share in the company, entering into a number of legal agreements including, but not limited to, the shareholder and loan facility agreement.

Each Council has committed to a long-term waste supply agreement to collect and recycle domestic waste from residents. Once operational, it has the capacity to process their domestic and commercial recycling and is expected to save the eight Councils around £1.4 million a year.

Over 24 months SRL will draw down on loan facilities with each of the shareholder Councils. The loan facility with NBBC is for £4,383,166.85, to be drawn upon based on payment milestones during the construction and for the operation of the company.

All interest accrued during this phase will be capitalised and added to the principal at the end of the construction phase. Once operational the principal and interest will be repaid over the next 25 years in line with the loan facility agreement. The facility is due to be operational from mid-2023.

HEART

Nuneaton and Bedworth Borough Council is the lead authority in managing the delivery of advice and assistance for disabled adaptations and home improvements to keep homes safe, secure and warm. This arrangement covers all of Warwickshire and is funded by contributions from each district to cover grant expenditure. Capital contributions received from each authority can be seen in the table below:

2020/21 £	HEART Contributions	2021/22 £
719,236	Rugby Borough Council	725,811
797,060	North Warwickshire Borough Council	796,359
890,656	Warwick District Council	1,003,427
1,008,804	Stratford on Avon District Council	1,022,099

A total of £4.08m of unspent contributions from the above authorities is held within Capital Grants Receipts in Advance as at 31st March 2022 to be utilised in future years (£3.19m as at 31st March 2021).

Healthy Living Network

The Council processes the payroll for the Healthy Living Network and in 2021/22 processed transactions totalling £240,910 (2020/21: £256,447) which is then repaid by the organisation.

Pride in Camp Hill Ltd

Due to the nature of the tri-partite agreement referred to in note 35, Pride in Camp Hill Ltd (PinCH) is considered to be a related party of the Borough Council. In 2021/22 the Council did not make a contribution towards the running costs of the company. At year end there was a debtor amount of £85,571 on the balance sheet for amounts owed to the Council (2020/21: £58,195).

The Council guarantees a one third part of up to £100,000 deficit at the end of the project. Nuneaton and Bedworth Borough Council are the accountable body for phase 3 of this regeneration project. The total expenditure for the year can be found in note 35 to the accounts.

35) 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 2021/22 £27k of capital expenditure was incurred by the Council.

36) NUNEATON AND BEDWORTH COMMUNITY ENTERPRISES LIMITED (NABCEL)

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

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

Group accounts have not been prepared as for 2021/22 it is deemed that the revenue amounts across service areas within the Net Cost of Services of the CIES are not material to require group accounts to be prepared. However, as the business continues to expand it is considered prudent to include details within a note to the accounts.

For the year 2021/22 the turnover of NABCEL totalled £3.92m of which £3.35m was generated from agreements with Nuneaton and Bedworth Borough Council (£3.12m in 2020/21). After costs and allowable expenses of £3.74m, NABCEL generated a net profit before taxation of £134k (£299k in 2020/21).

Income was generated through the following service areas:

2020/21 £000		2021/22 £000
(654)	Rental	(590)
(123)	Management Fees	(219)
(1,866)	Gas Services	(1,949)
(700)	Electrical Services	(863)
(92)	Cleaning Services	(289)
(10)	Architect Services	(4)
(19)	Other	(3)
(3,464)	**Total**	**(3,917)**

It should be noted that the 2021/22 figures quoted are subject to audit by NABCEL's external auditors.

37) TRADING OPERATIONS

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

2020/21 (Surplus) / Deficit Before Capital Charges £000	2020/21 (Surplus) / Deficit After Capital Charges £000		2021/22 Costs £000	2021/22 Income £000	2021/22 (Surplus) / Deficit Before Capital Charges £000	2021/22 Capital Charges £000	2021/22 (Surplus) / Deficit After Capital Charges £000
215	**269**	Markets	437	(269)	168	51	**219**
(5)	**(5)**	Trade Waste	69	(92)	(23)	-	**(23)**
(468)	**581**	Car Parks	1,237	(1,053)	184	88	**272**
336	**624**	Civic Hall - shows and catering	510	(230)	280	275	**555**
(102)	**333**	Mobile Home Sites	5	(137)	(132)	62	**(70)**
(544)	**4,546**	Commercial properties	496	(1,032)	(536)	3,688	**3,152**
(99)	**(565)**	Industrial properties	78	(170)	(92)	(443)	**(535)**
(441)	**(441)**	NABCEL	91	(516)	(425)	-	**(425)**
(578)	**(462)**	Green Waste	575	(1,029)	(454)	66	**(388)**
(1,686)	**4,880**	**Total**	**3,498**	**(4,528)**	**(1,030)**	**3,787**	**2,757**

38) ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2021/22.

39) CAPITAL EXPENDITURE AND FINANCING

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

2020/21 £000		2021/22 £000
92,813	Opening Capital Financing Requirement	94,066
	Capital Investment	
17,886	Property, Plant and Equipment	21,176
1,631	Investment Properties	3,974
575	Intangible Assets	301
5,567	Revenue Expenditure Funded from Capital under Statute	5,715
	Sources of Finance	
(1,922)	Capital receipts	(3,660)
(6,416)	Government grants and other contributions	(11,640)
(12,590)	Major Repairs Reserve	(10,292)
(3,050)	Sums set aside from revenue - direct revenue contributions	(3,615)
(428)	Sums set aside from revenue - Minimum Revenue Provision	(478)
94,066	Closing Capital Financing Requirement	95,546
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
1,681	Unsupported by government financial assistance	1,958
	Sums set aside from revenue:	
(428)	Minimum / Voluntary Revenue Provision	(478)
1,253	Increase/(decrease) in Capital Financing Requirement	1,480

40) IMPAIRMENT LOSSES

During 2021/22 impairment losses of £72k were recognised and charged to the CIES across portfolios.

41) DEFINED BENEFIT PENSION SCHEME

Participation in Pension Schemes

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

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

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

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

Transactions Relating to Post-Employment Benefits

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

Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000		Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000
		Comprehensive Income and Expenditure Statement:		
		Cost of Services		
4,394	-	Current service costs	6,707	-
-	-	Past service costs / (gains)	-	-
-	-	Effect of Settlements	-	-
		Financing and Investment Income and Expenditure		
1,056	76	Net Interest Expense	1,192	106
5,450	76	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7,899	106
		Remeasurement of the defined benefit liability comprising:		
(36,299)	-	Return on plan assets (excluding the amount included in net interest expense)	(11,590)	-
47,716	279	Actuarial gains and losses arising on changes in financial assumptions	(12,655)	(1,130)
2,955	-	Changes in demographic assumptions	(494)	-
(2,094)	-	Other	(8,649)	-
17,728	355	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(33,388)	(1,130)
		Movement in Reserves Statement:		
(5,450)	(76)	Reversal of net charges made to the Comprehensive Income and Expenditure Statement for post employment benefits in accordance with the Code	(7,899)	(106)
		Actual amount charged against the General Fund Balance for pensions in the year:		
3,313		Employers' contributions payable to the scheme	3,280	
	285	Retirement benefits payable to pensioners		293

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000		Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000
250,586	3,761	Present value of the defined benefit obligation	231,549	3,639
(190,991)	-	- Fair value of plan assets	(201,918)	-
59,595	3,761	Net Liability arising from the defined benefit obligation	29,631	3,639

Reconciliation of the Movements in the Fair Value of Scheme Assets

Local Government Pension Scheme 2020/21 £000		Local Government Pension Scheme 2021/22 £000
153,865	Balance at 1 April	190,991
3,506	Interest Income	3,789
	Remeasurement gain / (loss)	
36,299	Return on assets excluding amounts included in the net interest expense	11,590
-	Other	(1,639)
3,313	Contributions from employer	3,280
285	Contributions in respect of unfunded benefits	293
822	Contributions from employees	834
(7,099)	Benefits paid	(7,220)
190,991	Balance at 31 March	201,918

Reconciliation of Present Value of the Scheme Liabilities

Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000		Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000
199,044	3,692	Balance at 1 April	250,586	3,761
4,394	-	- Current service costs	6,707	-
4,562	76	Interest cost	4,680	407
822	-	- Contributions from scheme participants	834	-
		Remeasurement (gains) and losses:		
47,716	279	- changes in financial assumptions	(13,549)	(236)
2,955	-	- changes in demographic assumptions	(494)	-
(2,094)	-	- other	(10,288)	-
-	-	Past service cost	-	-
(6,814)	(285)	Benefits paid	(6,927)	(293)
250,586	3,761	Balance at 31 March	231,549	3,639

Local Government Pension Scheme Assets Analysis

Period Ended 31 March 2021: Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets		Period Ended 31 March 2022: Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total assets
				Equity Securities				
0	90	90	0%	Other	0	86	86	0%
				Debt Securities				
18,619	0	18,619	10%	Corporate Bonds (investment grade)	12,503	0	12,503	6%
4,570	0	4,570	2%	Corporate Bonds (non-investment grade)	4,106	0	4,106	2%
8,734	0	8,734	5%	UK Government	9,481	0	9,481	5%
9,475	6,441	15,916	8%	Other	0	6,019	6,019	3%
				Private Equity				
0	9,783	9,783	5%	All	0	14,351	14,351	7%
				Real Estate				
17,338	0	17,338	9%	UK Property	19,819	0	19,819	10%
0	0	0	0%	Overseas Property	67	0	67	0%
				Investment Funds and Unit Trusts				
106,719	0	106,719	56%	Equities	102,800	0	102,800	51%
0	0	0	0%	Bonds	18,238	0	18,238	9%
5,513	0	5,513	3%	Infrastructure	0	10,214	10,214	5%
				Other				
				Cash and Cash Equivalents				
3,709	0	3,709	2%	All	4,235	0	4,235	2%
174,677	16,314	190,991	100%	Total	171,248	30,670	201,918	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 2021/22 both the Local Government Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31st March 2022.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2020/21 £000	Discretionary Benefit Arrangements 2020/21 £000		Local Government Pension Scheme 2021/22 £000	Discretionary Benefit Arrangements 2021/22 £000
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.8 years	21.8 years	Men	21.6 years	21.6 years
24.2 years	24.2 years	Women	24.1 years	24.1 years
		Longevity at 65 for future pensioners:		
23.0 years	-	Men	22.7 years	-
26.1 years	-	Women	25.9 years	-
3.65%	-	Rate of increase in salaries	4.00%	-
2.85%	2.85%	Rate of increase in pensions	3.20%	3.20%
2.00%	2.00%	Rate for discounting scheme liabilties	2.70%	2.70%

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 42.

Impact on the Council's Cash Flows

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

Housing Revenue Account

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

Income and Expenditure Statement

2020/21		2021/22	
£000		£000	£000
	Expenditure:		
5,295	Repairs and Maintenance	6,003	
8,784	Supervision and Management	7,631	
22,082	Depreciation and impairment of non current assets	25,374	
136	Debt Management costs	136	
492	Movement in the allowance for bad debts	(598)	
36,789			38,547
	Income:		
(23,278)	Dwelling Rents	(23,446)	
(571)	Non-dwelling Rents	(534)	
(1,940)	Charges for Services and facilities	(2,017)	
(95)	Grant Income	(6)	
(25,884)			(26,003)
10,905	Net Cost of HRA Services		12,543
150	HRA share of Corporate and Democratic Core		150
5	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		(3)
11,060	Total Net Cost/(Income) for HRA Services as reported in the Comprehensive Income and Expenditure Statement:		12,690
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(375)	(Gain) or Loss on sale of HRA non-current assets		157
1,937	Interest payable and similar charges		1,914
(24)	Interest and Investment income		(6)
396	Pensions interest cost and expected return on pensions assets		280
(943)	Capital Grants and contributions receivable		(292)
12,051			14,743

Movement on the HRA Statement

2020/21		2021/22	
£000		£000	£000
(11,289)	Balance on the HRA at the end of the previous year		(10,535)
12,051	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	14,743	
(11,297)	Adjustments between accounting basis and funding basis under statute	(13,748)	
754	(Increase) or decrease on the HRA		995
(10,535)	Balance on the HRA at the end of the current year		(9,540)

An analysis of the adjustments of £9,540k is detailed in the table below:

2020/21		2021/22
£000		£000
1,378	Difference Between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	360
375	Gain or Loss on sale of HRA non current assets	(157)
(723)	HRA share of contributions to or from the Pensions Reserve	(957)
409	Capital Expenditure funded by the HRA	1,637
8,403	Transfer to the Major Repairs Reserve	10,744
(21,139)	Other transfers to/ (from) the Capital Adjustment Account	(25,374)
(11,297)	Total adjustments between accounting basis and funding basis under statute	(13,748)

Notes to the Housing Revenue Account

1) HOUSING STOCK

The Council was responsible for the management of approximately 5,660 dwellings during the year. The changes in stock levels during the year were:

	Houses and Bungalows	Flats and Maisonettes	Total
Housing Stock as at 1st April 21	3,353	2,354	**5,707**
Acquisitions	1	1	**2**
New Build	4	12	**16**
Sales	(37)	(6)	**(43)**
Demolitions	-	(23)	**(23)**
Reclassified	(12)	12	**-**
Housing Stock as at 31st March 22	**3,309**	**2,350**	**5,659**

2) HRA FIXED ASSETS MOVEMENTS

The vacant possession value of Council Dwellings at 31st March 2022 was estimated to be £562m. The difference between this and the Balance Sheet Value of £247.8m represents the economic cost to the Council of providing council housing at less than open market rents.

	------------Non Current Assets------------				
	Council Dwellings	Other Land & Buildings	Plant/ Vehicles & Equipment	Infrastructure Assets	TOTAL
	£000s	£000s	£000s	£000s	£000s
Cost or Valuation					
As at 1st April 2021	224,708	6,661	1,021	134	**232,524**
Additions	18,070	-	-	-	**18,070**
Revaluations	10,081	(700)	-	-	**9,381**
Derecognition - Disposals	(2,605)	-	(26)	-	**(2,631)**
Other movement in cost or valuation	-	0	-	-	**0**
As at 31st March 2022	**250,254**	**5,961**	**995**	**134**	**257,344**
Accumulated Depreciation & Impairment					
As at 1st April 2021	-	(3)	(952)	(26)	**(981)**
Depreciation Charge	(8,433)	(136)	(44)	(5)	**(8,618)**
Revaluations	-	-	-	-	**-**
Other impairment losses	-	(18)	0	-	**(18)**
Derecognition - Disposals	35	-	23	-	**58**
As at 31st March 2022	**(8,398)**	**(157)**	**(973)**	**(31)**	**(9,559)**
Net Book Value					
at 31st March 21	224,708	6,658	69	108	**231,543**
at 31st March 22	**241,857**	**5,803**	**22**	**103**	**247,785**
Nature of holdings at year end					
Owned	**241,857**	**5,803**	**22**	**103**	**247,785**

3) CAPITAL EXPENDITURE

The Housing Revenue Account capital expenditure and its financing was:

2020/21 £000		2021/22 £000
	Capital Expenditure:	
	Propert, Plant & Equipment	
13,132	Dwellings	12,363
65	Land & Buildings	927
1,565	Assets Under Construction	1,713
367	Intangible Assets	2,385
15,129	**Total Capital Expenditure**	**17,388**
	Funded By:	
795	Borrowing not attracting Govern	1,958
392	Usable Capital Receipts	2,737
409	Revenue Contributions	1,636
943	External Grants & Contributions	765
12,590	Major Repairs Reserve	10,292
15,129	**Total Funding**	**17,388**

4) MAJOR REPAIRS RESERVE

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

2020/21 £000		2021/22 £000
(4,356)	Balance at 1 April	(1,612)
(8,403)	Transfer from the HRA equal to depreciation	(8,774)
(1,443)	Additional voluntary contribution transferred from the	(1,970)
12,590	Amounts applied to finance capital expenditure	10,292
(1,612)	**Balance at 31 March**	**(2,064)**

The additional contribution made to the Reserve during 2021/22 is to set aside resources to fund capital expenditure that was originally profiled to be spent during 2021/22 but due to programme slippage will now be completed during 2022/23.

5) GROSS RENT OF DWELLINGS

Amounts reported in the Income and Expenditure statement is net rent income due after making allowances for vacant properties. Gross rent is calculated as the rent due on all dwelling stock for the year and losses from voids and vacancies amounted to 1.47% of the gross rent income (2020/21: 2.14%). Average rent for the year was £79.11 a week compared to £78.62 in 2020/21.

6) RENT ARREARS AT 31st MARCH

2020/21 £000		2021/22 £000
2,691	Gross arrears	2,865
(2,356)	Bad debt provisions	(1,744)
11.6%	Gross arrears as percentage of gross rent income	**12.2%**

7) CAPITAL RECEIPTS

2020/21 £000		2021/22 £000
(1,091)	Sale of dwellings under right to buy	(2,415)
584	Amounts Pooled to Central Government	584
(507)	**Net Capital Receipts**	**(1,831)**

8) PENSIONS RESERVE CONTRIBUTION

2020/21 £000		2021/22 £000
(327)	Difference between current service cost of pensions and past	(1,237)
(396)	Net interest on Pensions Liability	280
(723)	**Total Pension Reserve Contribution**	**(957)**

Collection Fund

Income and Expenditure Statement

2020/21 Business Rates £000	2020/21 Council Tax £000	2020/21 Total £000		2021/22 Business Rates £000	2021/22 Council Tax £000	2021/22 Total £000
			INCOME			
0	-75,394	-75,394	Income from council tax	0	(78,856)	(78,856)
-23,402	0	-23,402	Income collectable from business ratepayers	(30,953)	0	(30,953)
			Contributions towards previous year estimated deficit:			
120	0	120	- Nuneaton and Bedworth Borough Council	(4,960)	0	(4,960)
30	0	30	- Warwickshire County Council	(1,240)	0	(1,240)
151	0	151	- Central Government	(6,201)	0	(6,201)
-23,101	-75,394	-98,495	Total Income	(43,354)	(78,856)	(122,210)
			EXPENDITURE			
			Apportionment of previous year estimated surplus:			
0	155	155	- Nuneaton and Bedworth Borough Council	0	(120)	(120)
0	151	151	- Warwickshire Police and Crime Commissioner	0	(120)	(120)
0	948	948	- Warwickshire County Council	0	(750)	(750)
			Precepts, demands and shares:			
13,778	9,168	22,946	- Nuneaton and Bedworth Borough Council	13,418	9,359	22,777
0	9,142	9,142	- Warwickshire Police and Crime Commissioner	0	9,716	9,716
3,445	57,197	60,642	- Warwickshire County Council	3,355	58,899	62,254
17,223	0	17,223	- Central Government	16,773	0	16,773
			Charges to the collection fund:			
896	637	1,533	- Increase in bad debt provision	570	418	988
696	0	696	- Increase in provision for appeals	(34)	0	(34)
155	0	155	- Transitional payments payable	108	0	108
129	0	129	- Cost of collection allowance	128	0	128
36,322	77,398	113,720	Total Expenditure	34,318	77,402	111,720
13,221	2,004	15,225	(Surplus)/Deficit for the year	(9,036)	(1,454)	(10,490)
-554	-1,046	-1,600	Fund Balance Brought Forward	12,667	958	13,625
12,667	958	13,625	Fund Balance at 31st March: (Surplus)/Deficit	3,631	(496)	3,135
			Analysis of Fund Balance (Surplus)/Deficit			
5,067	116	5,183	- Nuneaton and Bedworth Borough Council	1,452	(59)	1,393
0	116	116	- Warwickshire Police and Crime Commissioner	0	(62)	(62)
1,267	726	1,993	- Warwickshire County Council	363	(375)	(12)
6,333	0	6,333	- Central Government	1,816	0	1,816
12,667	958	13,625		3,631	(496)	3,135

Notes to the Collection Fund

NATIONAL NON-DOMESTIC RATES (NNDR)

The total non-domestic rateable value at 31st March 2022 was £88,510,249 (£87,529,005 as at 31st March 2021) and the national non-domestic rate multiplier for the year was 51.2p (2020/21: 51.2p). The small business rate relief can be applied in qualifying circumstances and provided a reduced multiplier of 49.9p for 2021/22 (2020/21: 49.9p).

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

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

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 £78.0m (2020/21: £75.5m) a Band D Council Tax of £2,030.13 was determined (2020/21: £1,965.50).

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)	
	2021/22	2020/21	2021/22	2020/21
Valuation Band (Multiplier)				
A - Disabled Relief Reduction (5/9)	**47**	46	**25**	26
A - (6/9)	**20,310**	17,962	**13,997**	11,975
B - (7/9)	**13,142**	11,979	**10,708**	9,317
C - (8/9)	**13,342**	12,240	**11,568**	10,880
D - (9/9)	**7,221**	6,778	**6,545**	6,778
E - (11/9)	**2,858**	2,620	**2,697**	3,202
F - (13/9)	**762**	705	**729**	1,018
G - (15/9)	**182**	164	**174**	273
H - (18/9)	**7**	5	**5**	10
Totals	**57,871**	52,499	**46,448**	43,479
Reduction due to estimated Council Tax Support needs			**(7,298)**	(4,520)
Resultant Band D Equivalents			**39,150**	38,959
Assumed Collection Rate			**1**	1
Plus adjustment for Armed Forces Dwellings			**41**	41
Total Taxbase			**38,408**	38,416

Annual Governance Statement

Report to be included in the audited Statement of Accounts.

Glossary of Terms

Agency

Where one Authority (the main Authority) pays another Authority (the agent) to carry out 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 1st April and ends on 31st March.

Business Rates (Non-Domestic Rates – NDR)

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

Capital Adjustment Account

Resources set aside to meet past capital expenditure.

Capital programme

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

Capital receipt

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

Capital spending

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

Capital spending charged to revenue

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

Capping

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

Cash Flow Statement

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

CIPFA

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

Collection Fund

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

Council Tax

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

Council Tax Base

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

Council Tax surpluses/losses

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

Creditors

Individuals 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 ongoing 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

Individuals or organisations 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 1st April and ends on 31st 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 individuals or organisations in the future.

Loss

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

Minimum revenue provision (MRP)

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

Net book value

The value of an asset after depreciation and impairment charges.

Net interest on the net defined benefit pension liability

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

Net spending

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

Operating leases

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

Overheads

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

Past service costs

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

Petty Cash

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

Precept

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

Property, Plant and Equipment

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

Provisions

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

Prudential Code

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

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

Prudential System

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

Rateable Value (RV)

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

Reimbursements

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

Reserves and funds

Savings we have built up from surpluses.

Revaluation Reserve

Store of gains on the revaluation of property plant and equipment.

Revenue spending

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

Revenue Support Grant

The government grant to support Local Authority services.

Specific grants

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

Surplus

The remainder after taking away all expenses from income.

Tariff

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

Tax Base

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

PWLB

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

Virement

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

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

Report on the Audit of the Financial Statements

To follow upon completion of audit as part of the audited Statement of Accounts.

AGENDA ITEM NO. 7

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: **Audit and Standards Committee** **12th November 2024**

From: **Strategic Director – Corporate Resources**

Subject: **Auditor's Annual Report – Value for Money Arrangements**

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1. Purpose of Report

1.1 To provide the Annual Auditor's report combined for 2021/22 and 2022/23.

2. Recommendations

2.1 That the Auditor's Annual Report (AAR) is noted.

3. Background

3.1 The External Auditor, Grant Thornton have been working with the Council to finalise their opinion on the value for money arrangements in place for 2021/22 and 2022/23.

4. Body of Report

4.1 The AAR provides detail around the Council's value for money arrangements, recommendations to improve and management's comments regarding the recommendations.

5. Appendices

5.1 Appendix A – Nuneaton and Bedworth Borough Council Auditor's Annual Report 2021/22 & 2022/23.

6. Background Papers

6.1 None.

Auditor's Annual Report Nuneaton and Bedworth Borough Council 2021/22 & 2022/23

November 2024

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Overall Commentary

Overall, we have identified two significant weaknesses and related key recommendations. We have identified a small number of financial management and governance related improvement recommendations to further improve the Council's governance and performance arrangements.

Criteria	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Governance	Significant weaknesses in arrangements identified and two key recommendations made. Improvement recommendations made	Significant weakness in arrangements identified and key recommendation made. Improvement recommendations made	↑
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary

Financial sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning both in the short and medium term has prudent assumptions built in but the delivery of savings plans will be key. The Council have used reserves over the last two years to balance the budget however, this cannot continue as the level of reserves is diminishing compared to other District Councils in the Country. The Council should continue to acknowledge the importance of seeking ways other than use of reserves to manage the financial budget gap in the medium term, given the finite nature of reserves. The outturn for the 2022/23 financial year was an overspend which will further exacerbate the pressure on the financial position. The challenges will continue so the need for the structured and disciplined approach to managing finances and reserves will continue to be crucial.

Governance

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. Based on the interviews with key personnel and the review of relevant documentation, we have found a significant weakness with the lack of budget monitoring during the 2021/22 year, continuing through to October 2022. Since the appointment of the new s151 Officer, there has been a positive direction of travel. The Council have taken the appropriate steps to implement the requisite governance arrangements and the budget monitoring for each quarter has been presented to Cabinet and is now up-to-date. We have also identified a significant weakness in relation to the delays in the preparation and audits of the financial statements for both years.

Improving economy, efficiency and effectiveness

The Council has demonstrated an understanding of its role in securing economy, efficiency and effectiveness in is use of resources. Our work has not identified any significant weaknesses in arrangements;

In line with the Council's Performance Management Framework, Strategic performance reports provide an overview of the Council's position under the key categories of Finance, People and Service Delivery, Processes and Improvement. And look at how well the Council is performing against its priorities. The Council actively participate in partnership working and have several shared services and partnerships in place with other bodies and local authorities. The Council has contract management procedures in place and registers of contracts are maintained and are publicly available for transparency. Waivers are kept to a minimum but when necessary are approved by the s151 Officer.

2021/22

We have not yet completed our audit of your financial statements for the 2021/22 financial year. There have been significant delays to this audit process, which have resulted in the Key Recommendation on page 6.

2022/23

We have not yet commenced our substantive audit of your 2022/23 financial statements, which were published in draft on 11 October 2024.

Key recommendation

Key Recommendation 1	To comply with its Constitution, the Council should submit quarterly budget monitoring reports to Cabinet, along with any requests for approval to vire budgets. We note that this did not take place in 2021/22, before being re-introduced in 2022/23. Although the immediate weakness in arrangements has now been resolved, in future officers and members must make sure that members are provided with sufficiently regular financial information to enable them to effectively monitor the Council's financial position and that members hold officers to account where this is not the case.
Audit year	2021/22
Why/impact	The lack of budget monitoring is a breach of the Council's Constitution. Budget control is an essential part of the Council's Governance arrangements.
Auditor judgement	It is the duty of each Director and/or budget holder and the Cabinet to monitor and regulate spending within approved estimates. Where it appears that the amount of approved expenditure may be exceeded or there is a shortfall of income, this will be identified through the budget monitoring procedures and reported monthly to Management Team and the Portfolio Holder. Regular budget monitoring reports must be presented to ensure the efficient management and operation of the Council. Where the financial information is absent, this should be challenged at all levels of the Council.
Summary findings	It was noted that in 2021/22 there had not been any detailed budget monitoring presented to Cabinet during the year. There was no evidence that the Council provided accurate and timely profiled financial monitoring reports for budget holders. The lack of budget reporting was rectified in October 2022, when Cabinet were presented with the results of quarter one of the 2022/23 year. From this point onwards, the systems in place for oversight of the budget improved over the 2022/23 year, with quarter two following in November 2022 and quarter three in March 2023. They are now up-to-date. For more information, see pages 20 and 23.
Management Comments	Budget Monitoring had not been taking place during 2021/22 but was reinstated once the new S151 Officer was in post. Monitoring has continued to be performed quarterly against the budget with risks and opportunities discussed weekly with the Portfolio Holder for Finance and monthly with Management Team and Cabinet in an informal setting.

The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendation

Key Recommendation 2	The Council needs to ensure that its finance team is sufficiently resourced, with the appropriate skills, to ensure that the issues that have delayed completion of the 2021/22 financial statements audit are resolved. The Council needs to prepare high quality financial statements for 2022/23 and later years which are supported by appropriate reports and working papers to enable audits to proceed with minimal issues.
Audit year	2021/22 and 2022/23
Why/impact	Failing to prepare accurate and high quality financial statements for external audit has delayed the certification of the financial statements for 2021/22 and preparation of the financial statements for 2022/23. Both officers and auditors have been engaged in significant additional work. For officers this has needed to be completed alongside other financial matters, including 'business as usual' activity, the implementation of budget monitoring reports as per Key Recommendation 1, and the development of the Council's Medium Term Financial Strategies and budgets for the years for 2022 onwards.
Auditor judgement	High quality, timely financial statements underpin good governance and provide stakeholders with assurance that Council finances are being managed appropriately. Delays and significant errors undermine that confidence.
Summary findings	Turnover of staff within the finance team has led to significant delays in the financial statements preparation process, and a number of highly material adjustments to the financial statements for the 2021/22 financial year. The draft financial statements for the 2022/23 financial year were not published until 11 October 2024.
Management Comments	The S151 Officer acknowledges the concerns raised by the external auditor regarding staffing and had in year placed more focus on ensuring the budgeted position of the Council was monitored with the limited resource available. Misstatements have been noted in the Accounts but were mainly accounting adjustments with minimal impact on the Council's usable reserves, and the actual financial position versus budget as reported for 2021/22 to Cabinet remains in place. Resource issues are being addressed and the Accounts are now up to date for both 2022/23 and 2023/24.

The range of recommendations that external auditors can make is explained in Appendix C.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 27. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 revenue financial performance

The Council's budget, set in February 2021, was based on the spending plans required to deliver services to residents. As the year progressed there were several changes to those spending and income plans. Despite this, through planned use of its reserves, the Council contributed £61k to balances at the 2021/22 year end.

There was a substantial under recovery of Housing Benefit on temporary accommodation that was due to the operation of the national Housing Benefit Subsidy system. The Council saw a significant increase in the demand for temporary accommodation over the last few years but was only able to reclaim a small proportion of the cost from the Department of Work and Pensions. However, the Council was able to absorb the overspend in this area.

At the end of 2021/22, the General Fund included earmarked reserves of £14.2m set aside to cover future commitments and risk management purposes. This is a reduction of £4.26m. Capital earmarked reserves stand at £2.6m and revenue reserves at £11.622m.

The £14.2m included reserves to fund future capital replacements as well as a £3.1m reserve to manage fluctuations in business rates income, set aside from Section 31 grants received from Central Government to mitigate the substantial loss of income from business rates due to the additional reliefs that were granted to businesses during the Covid-19 pandemic. These losses will be charged to the General Fund over future years and this reserve will be used to cover these losses. These levels were considered prudent to ensure that the Council continued to deliver quality services to the residents of the borough.

During 2021/22 the Council spent £15.6m on General Fund capital expenditure and £17.4m through the Housing Revenue Account.

The major capital projects were:

- The Abbey Street regeneration project, phase 1 with in-year costs of £2.4m.
- The Bridge Street regeneration project with costs totalling £2.4m
- The Sub-Regional Materials Recycling Facility (MRF) project incurred costs of £1.9m during the year.
- Approximately £3.9m was spent as part of the HEART programme in delivering private sector home improvement grants across the county for which NBBC is the lead organisation.

The HRA general balance at 31st March 2022 was £6.5m which would be available to support the HRA Business Plan in future years.

There were also earmarked reserves within the HRA of £5.3m, which were primarily to finance the HRA capital programme in the medium term and cover risk, and resources held in the Major Repairs Reserve of £2.1m which was ring-fenced for capital purposes.

For 2021/22 net expenditure in the HRA was £2.2m compared to a budgeted net expenditure of £2.7m, thereby resulting in a favourable variance of £0.5m.

The HRA capital programme focused on the ongoing improvement works to tenant's homes, in respect of kitchens, bathrooms, windows, doors, central heating and structural repairs, amongst others. A total of 16 new build properties were bought into use during 2021/22, with a further 2 properties acquired.

Financial sustainability (Cont'd)

2022/23 revenue financial performance

The 2022/23 budget was set in February 2022 as a net expenditure of £13,178,460 with a forecast general fund contribution of £1,784. This included use of ring-fenced reserves, assumptions for inflation and a pay award. Due to adverse economic conditions, these assumptions proved to be underestimated. The outturn paper, taken to Cabinet in July 2023, presented a nil balance outturn with no contribution to the general reserves. This position was achieved by drawing down £822k of earmarked reserves, alongside savings and the generation of additional income. The key factors causing the overspends in the final outturn were:

- £669k of losses in housing benefit subsidy due to huge cost of homelessness and temporary accommodation and £403k for the reduced cost recovery of homelessness. Small changes to Housing Benefit subsidy can have a significant impact on the Council due to the size of the budget. Losses in subsidy are mainly due to the cost of housing homeless individuals that cannot be fully recovered. This is a concern area and teams within 'Housing, Finance and Housing Benefit' work closely to mitigate losses as much as is possible, but this is a difficult area for the Council to control.
- £378k of reduced income for car parking and the bus depot.

The main savings and additional income which have assisted the outturn position were:
- £447k of increased funding mostly due to lower NNDR pooling payment.
- £593k of increased investment income (partially offset by interest costs).
- £388k of increased planning application income.

To fund the £822k overspend, the main earmarked reserves utilised were as follows:
- Covid Grants of £339k for the reduction of car parking income not returning to pre-pandemic levels.
- Financial resilience reserve of £313k
- New Burdens of £70k
- Other smaller reserves no longer required totalling £97k have been utilised to fund the balance.

At the end of 2022/23, the General Fund included earmarked reserves of £11.1m, a reduction of £3.1m. Capital earmarked reserves stand at £2.6m and revenue reserves at £8.5m. The Council have reviewed the level of earmarked reserves, as part of their year-end closure of the accounts and consider them to be adequate.

The HRA revenue budget for 2022/23 was set as a net expenditure of £1,288k which included assumptions for expected drawdown from general reserve, inflation and a pay award. The final outturn position resulted in net expenditure of £1,751k which was an overspend of £463k. Although cost pressures have been seen with inflationary rises and utilities, increased expenditure related to this has been offset by other underspends. Savings have been seen and additional income secured.

There has been slippage on the capital programme, but it is fully funded for 2022/23. The budget profile for 2023/24 was altered, due to the slippage, to give a three-year plan for capital spend rather than an annual update to prevent large movements in the budget in year. Capital projects have underspent by £3.811m against the revised budget, with £3.86m proposed to be carried forward to 2023/24. The main general fund spend was on the following projects:
- The Abbey Street regeneration project, £7.135m.
- The Towns Fund, £1.269m.
- The Sub-Regional MRF project, £2.133m.
- HEART programme, £4.84m.

Some of the capital projects are in the process of a tender exercise and although contingencies are built into the projections, these may well not be high enough. Any impact to the programme after tender will be reviewed and further options appraisals completed if they fall outside of the budgetary provision. Interest rates on projects where prudential borrowing is required will be carefully assessed for affordability prior to progressing. The only project paused at this stage is the Bedworth Physical Activity Hub.

Medium term financial planning

The MTFP was refreshed in November 2022, and it is reviewed annually as part of the annual budget setting process in February each year. The 2021/22 and 2022/23 budgets included the following MTFP assumptions:

- A full reset of business rates baselines.
- An increase in Council Tax of 1.99%.
- A 1% increase in the taxbase.
- Investment income in line with current interest rate forecasts.
- Inflation only where contractual and a 2% pay award per annum.
- A significant reduction in New Homes Bonus, pending the release of the consultation, and continuing to use NHB for capital purposes.
- Phased recovery of income streams from current levels during COVID-19.
- 2020/21 Collection Fund deficits chargeable to General Fund over three years per amended regulations.

Financial sustainability (Cont'd)

From review of the MTFP and budget setting papers we are satisfied that the Council has appropriate financial planning arrangements in place, and there is evidence of scrutiny at Cabinet, Council and the Audit and Standards Committee. From a review of the financial performance reports, we are satisfied that financial risks in the Council are understood and being managed. The Council's corporate risk register includes a risk relating to delivering a financially sustainable Council, which demonstrates that the Council is aware of the significant challenges it continues to face and is actively managing its financial sustainability. The Council is appropriately managing its financial risks in the short, medium and long term.

The Council does not have significant levels of income from commercial activities. The Council is the sole shareholder for Nuneaton & Bedworth Community Enterprise Ltd (NABCEL) and in 2021/22 the turnover totalled £3.92m of which £3.35m was generated from agreements with Nuneaton and Bedworth Borough Council. After costs and allowable expenses of £3.74m, NABCEL generated a net profit before taxation of £134k. The monitoring of company performance is undertaken by the NABCEL Shareholder Committee which reports to council Cabinet. It is important that management continue to monitor the financial sustainability of the company and ensure this is fully reflected in the Council's financial plans and budgets.

The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The MTFP sets out the range of key assumptions that the Council has made in developing its financial plans. The MTFP sets out the range of key assumptions that the Council has made in developing its MTFP. This includes inflationary assumptions including in relation to planned savings and in relation to various sources of income. There is no evidence that the Council's MTFP is based on unrealistic assumptions.

A full MTFP review was undertaken in 2022/23 and reported to Members. As 2023/24 progresses, an update will be completed quarterly and included within the forecasted outturn report. A further update will be presented once the draft budget for 2024/25 is completed and will be reported to Cabinet in November 2023.

The budget is developed each year considering cost pressures and Council priorities. These cost pressures are clearly outlined within the budget. Budget development includes analysis of information from other services areas, historic and more recent trends. This is used to estimate the demand for services, alongside demographic changes., which feeds into the budget and MTFP. The Council also identifies mitigations against these potential pressures.

Cash forecasts were prepared for a two-year period for each of the 2021/22 and 2022/23 years. Total income and expenditure is totalled for each month to present the net cash flow position. This is used for forecast an opening and closing cash balance for each month (adjusted closing balance). The cash flow forecasts indicated that the Council's cash balance would remain positive throughout 2022/23 with no cash flow difficulties identified.

The Section 25 report which details the robustness of the estimates made for the purposes of the budget calculations; and the adequacy of the proposed financial reserves was presented by the Director of Finance (Section 151 officer) to Cabinet for 2021/22 and 2022/23, which confirmed the Council Tax calculation and that a balanced budget was set for each year. The 2021/22 accounts showed that the minimum working reserves balances were maintained.

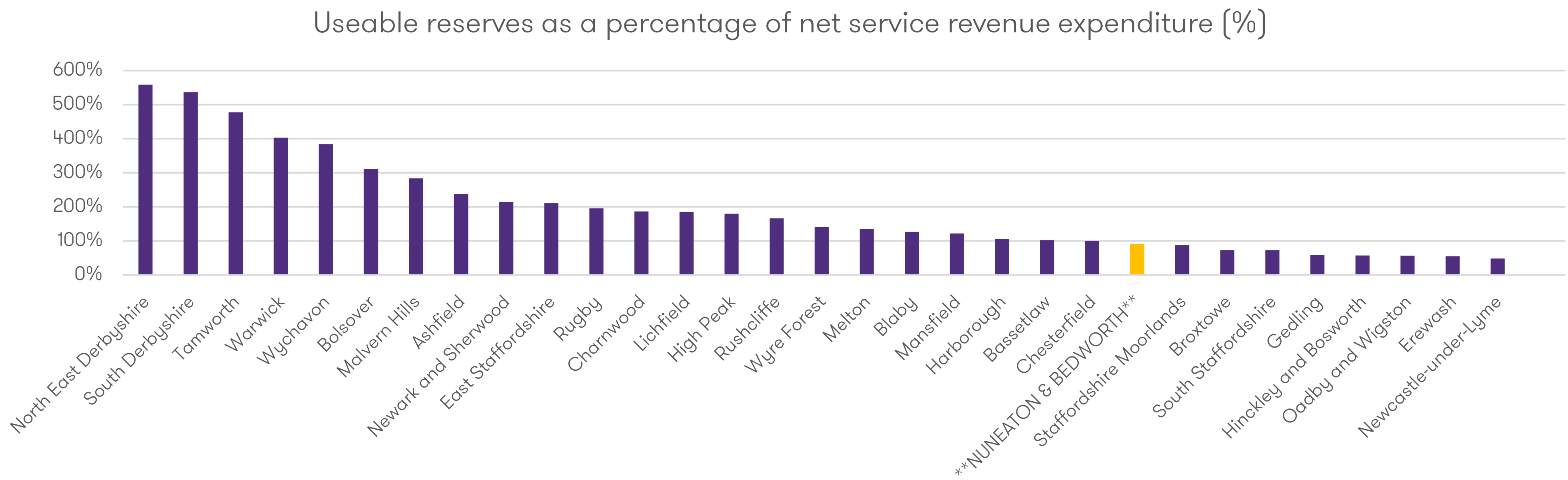
Bridging the funding gap

The MTFP set out approved planned savings of £1.305m to be delivered during 2021/22. The Council had a minor reduction in its useable reserves position during 2021/22 but an increase of £45k in unusable reserves, giving an overall balance increase of £41k at 31/03/2022. Reserves are used to manage slippage in savings delivery and to manage uncertainties in the medium term. The Council presented a savings plan to Cabinet in Dec 2021 relating to 2022-23, alongside the budget.

Our review of the CIPFA Financial Resilience Index for 21-22, did not highlight any significant risks for the Council. This year's analysis of the data from the Resilience Index has shown that generally reserves have grown between 2020/21 and 2021/22; however, this hides a very complicated picture where short term must not deflect attention from medium and longer-term concerns.

Financial sustainability (Cont'd)

The Local Government Association (LGA) analysis (used by the Council) shows that the Council's General Fund unallocated balance is less than half the average level of their nearest neighbours and the overall level of reserves is also lower than that same comparative group. Whilst the level of reserves that the Council holds is still considered reasonable by the Council in relation to the budget risk assessment, they are at the lower end of the prudent level. This has been taken into account as part of the budget setting process for 2022/23 and the Medium-Term Financial Plan update. The £61k surplus in 2021/22 has been added to General Fund balances, however, no contribution was made in 2022/23.



Financial sustainability (Cont'd)

Financial Planning

Our review of budget planning documents highlights that the Council understands the cost of delivering core statutory services as distinct from discretionary areas of spend. This is not, however, clearly differentiated in the financial planning reports which underlie the budget and MTFP; all spend is directed towards the delivery of core services and achievement of Council Plan priorities. An improvement recommendation has been made in relation to this.

For 2021/22, the outcomes for the Council were set out in the MTFP 2018-22. The MTFP included the corporate aims for the Council which linked to the corporate plan. These were:

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

- To work in partnership to reduce the level of crime and disorder so that the community is and feels safer
- To provide a pleasant environment for those living, working and visiting the Borough
- To provide quality services which represent value for money

The MTFP is updated as part of the budget process. The budget linked to the objectives in the MTFP.

In November 2022, the MTFP was refreshed to cover 2022-2027. The principles that formed the basis for the MTFP included the following:

- An estimate on the level of funding that can be made available for service delivery and reports the gap of which income generation, savings and efficiencies needs to address
- The Council's resources will be directed to achieve the key priorities and objectives outlined in the Corporate Plan – Build a Better Borough
- Focus on delivering value for money – managing people and money more efficiently, streamlining processes and systems whilst seeking to minimise the impact of budget savings on priority services
- The Council will look for opportunities to work in collaboration, partnerships and new ways of working where this supports the overall objectives of the Council. This may include different service delivery models and sourcing external funding
- Maintain unallocated reserves at a level to mitigate risks and will be reviewed annually as part of the budget setting process. Earmarked reserves for specific purposes which are consistent with achieving key priorities will also be reviewed at least annually.

This plan refers to the corporate plan to 'Build a Better Borough' and that the strategy directs the resources to achieve these objectives. The budget links to the objectives in the MTFP. The Council's MTFP is not dependent on the reduction or removal of any services currently being offered.

Capital Strategy

The Capital Strategy was approved at Council in February 2021 (a refresh will be presented in February 2024 as part of the three-year cycle). The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

The capital strategy includes planned capital expenditure over the period from 2020-25 by year. It also provides details on how projects link to Corporate Plan and Capital Strategy outcomes. The capital budget 23/24 is linked to the corporate plan priority of 'Work'.

The financing of the capital programme is referred to in the MFTP via the Treasury Management Strategy, approved alongside the budgets in February each year.

The 21-22 Capital outturn was reported to Cabinet in September 2022 - The General Fund Capital Programme for 2021/22 was reprofiled in February 2022 due to slippage on some projects within the financial year. Although there was an underspend on the General Fund of £369,922 against the budget overall, there were projects that overspent due to the profiling of the specific budgets in February 2022. All projects were fully funded within the year and have not exceeded the original approved project budgets. The overspends noted are detailed below:

- Bridge to Living – The original budget of £5,884,700 was reprofiled to £0 in February 2022 but £2,381,221 was incurred during the year. Reprofiling of the whole budget into future years was an oversight as expenditure was known to have been incurred. The budget however was already set-aside and can be drawn down from 2022/23.

Financial sustainability (Cont'd)

- Towns Fund – a number of projects fall under this category with expenditure totalling £290,233. The budget as with the Bridge to Living was reprofiled to £0 during the 2022/23 budget round in February although costs have been incurred in year. The expenditure has been contained within the original approved budget for the schemes.
- Vicarage Street – A Memorandum of Understanding was agreed with Warwickshire County Council to passport £500,000 of CWLEP Funding to the Council to aid Transforming Nuneaton projects within 2020/21. The understanding was that this money would be repaid and was included within the budget for 2022/23 although the payment occurred in March 2022, slightly earlier than forecast.

The capital budget for 2022/23 of £84,535,816 was approved in February 2022 at Council, with an updated budget requirement reported of £40,485,887 to Cabinet in February 2023. The budget profile for 2023/24 was altered, due to slippage, to give a three-year plan for capital spend rather than an annual update to prevent large movements in the budget in year.

The capital programme is fully funded and there has been slippage on projects in 2022/23. Capital projects have underspent by £3.811m with £3.86m proposed to be carried forward to 2023/24. Although large underspends were seen in year, two large projects overspent. These however were fully funded by grants received in advance.

Risks to the Council are the current economic landscape with soaring inflation, price increases for building supplies and continuing raises to interest rates. Some of the capital projects are in the process of a tender exercise. Although contingencies are built into the projections, they may not be high enough once final submissions are reviewed. The Council are undertaking further options appraisals if any projects fall outside the budgetary provision and where prudential borrowing is required, they are considering affordability before progressing with works. The only project paused at present is the Bedworth Physical Activity Hub.

Financial plan consistency with other operational planning

The MTFP sets the framework for how the Council plans to use its financial resources to deliver activity on the Council aims and priorities. Our work highlighted that the MTFP is fully integrated with the Corporate plan acting as the foundation to deliver the vision and priorities within it and the workforce plan (the framework to develop the workforce to achieve Council Priorities).

Capital project proposals are considered by the Cabinet, which considers how each proposal will help to deliver corporate priorities, savings and the revenue implications of the project (e.g., on-going maintenance costs). For example, the 'Vehicle replacement procurement' was presented to the December 2022 Cabinet meeting. Our work found no evidence of major capital investment being cancelled but there was slippage in the capital programme (as detailed above).

The Council's Treasury Management Strategy sets out the balance sought between optimising return and mitigating risk. The Council follows the CIPFA Code of Practice on Treasury Management, which sets out the reporting requirements, to ensure best practice is followed. The minimum reporting requirements are for three main reports to be presented, as follows:

- An annual Treasury Strategy in advance of the new financial year which covers the annual Treasury and Investment Strategies, the Treasury and Capital Prudential Indicators and the Minimum Revenue Provision Policy Statement. The Cabinet were presented with annual strategies in February 2021 for 2021-22, in February 2022 for 2022-23 and in February 2023 for 2023-24.
- A mid-year Strategy Review – This will update Members with the progress of the capital programme, amending prudential indicators as necessary, and will discuss whether the Treasury Strategy is still appropriate or requires revision. (e.g., Council received the 2020/21 Half-Year Update Report in November 2020). The Cabinet received a mid-year review for 2021-22 in November 2021 and a mid-year review for 2022-23 in November 2022.
- An annual review following the end of the year comparing actual activity to the strategy. The Cabinet received the Annual Review for 2021-22 in October 2022 and for 2022-23 in July 2023.

The Council have been and continue to be risk averse in their investment strategy.

The budget and MTFP clearly identify priorities and resulting cost pressures. The budget is developed focusing on delivery of key service areas and priorities, and budget plans are centrally collated to avoid conflicting or competing elements. Our work highlighted no evidence of inconsistencies between the budgetary and the financial position reported in financial statements.

Financial sustainability (Cont'd)

Risk Management

Risks are incorporated into the MTFP. There was a section within the Council's 2018-22 MTFP entitled *'Risks'*. This section of the MTFP discussed key risks to delivery of the MTFP and the actions to mitigate of each risk identified. The refreshed MTFP (2022-27) reported in November 2022, describes the revenue resources challenges facing the Council, the principles underpinning the strategy and the future plan and assumptions. The 2023/24 budget, presented in February 2023, contained an update to the MTFP and contains a risk analysis with mitigating actions in an appendix to the report. The MTFP highlights the important role that reserves play in managing the challenges. It is difficult to forecast past a twelve-month period due to the uncertainty of funding, but the Council consider there to be sufficient reserves to cover known issues and potential risks. However, there needs to be a robust plan put in place around future service delivery with reduced resources to ensure financial stability.

On 31st March 2022, the Council held £14.2m in specific earmarked reserves and there was an expected drawdown of approximately £4.7m from reserves during 2022/23. This was due to commitments already approved, funding that was set-aside for specific purposes plus the anticipated overspend during 2022/23. The 2022/23 outturn detailed that the Council did not need the full £4.7m, as predicted, and only drew down £3.1m. The Council hold both revenue and capital reserves as well as an unallocated balance. They hold a 'financial planning reserve' to cover budget risks and fluctuations such as income reductions or higher inflation. A general fund reserve minimum working balance of £1m is also maintained. The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process, as part of the budget development; this is however not formally reported to members. The 2023/24 budget, presented in February 2023, explained that the Council expects earmarked reserves to fall over the MTFP forecast to £3.547m by March 2027. They are working to mitigate this risk, but the Council urgently need to review their costs, income generation and savings plans.

The Council has an ongoing planned savings programme, which will also help in addressing future variances. Monitoring of savings delivery is one of the key areas of focus for the Cabinet. Reporting the Council's delivery of MTFP planned savings highlights a very confusing picture. The information is difficult to assess and determine whether the savings plan has been achieved, as the council does not separately distinguish progress on delivering savings plans in the outturn/budget monitoring reports. Finance commentary reports detail that the Council has found delivery of their saving target to be a challenge. This suggests that the Council's targets are ambitious and require further monitoring to ensure delivery.

The 2023/24 budget outlined a £2.5m deficit position, however, savings and income generation, accompanied by the Local Government Finance Settlement have resulted in a balanced budget position being forecast.

Borrowing

The Council's treasury position over the two reported years was as follows:

Debt Portfolio	31/3/2022 Principal £m	Rate/ Return	31/3/2023 Principal £m	Rate/ Return
Fixed-rate funding - PWLB	70.71	3.15%	62.21	3.20%
Fixed-rate funding - Market	2.00	4.10%	2.00	4.10%
Total Debt	**72.71**	**3.17%**	**64.21**	**3.22%**
Capital Financing Requirement	103.28		99.54	
Over / (Under) Borrowing	-30.57		-35.33	
Total Investments	40.12	0.53%	26.62	3.67%
Net Debt	**32.59**		**37.59**	

The Council has taken a cautious approach to investing. Investment balances have been kept to a minimum, in-line with the agreed strategy of using reserves and balances to support internal borrowing, as opposed to borrowing from the external financial markets. This has saved costs, due to the differential between borrowing and investment rates and has also brought the benefit of reducing counterparty risk exposure by having limited investments placed in the financial markets.

During 2021/22, no repayments of principal were made and interest of £2.3m was paid across both the General Fund and HRA. During 2022/23, £8.5m in repayments of principal were made and interest of £2.2m was paid across both the General Fund and HRA. In 2021/22 the Council maintained an average balance of £40.88m of internally managed funds which earned an average rate of return of 0.53% and total investment income was £655k compared to the budget of £100k. In 2022/23 the Council maintained an average balance of £38.10m of internally managed funds which earned an average rate of return of 1.24% and total investment income was £1.082m compared to the budget of £497k.

Minimum Revenue Provision was £0.49m in 2021/22 and £0.50m in 2022/23.

Financial sustainability (Cont'd)

The Council's financial position has not altered greatly in the last few years with a need to generate savings and income being key. The 2023/24 budget expects reserves to fall over the medium term and the Council is working hard to mitigate this risk. The uncertainty of funding and the overspends in 2022/23, place additional pressure on the longer-term financial position of the Council. Proposed savings for 2023/24 must be monitored to ensure that these are achieved for sustainability.

After a period of non-reporting of budget monitoring figures, the Council now understand their budget position and budgetary pressures. The Council has provisions and insurance policies in place to provision for any potential impact of legal and regulatory proceedings.

Conclusion

Generating savings and income is key for the Council. Their 2023/24 budget expects reserves to fall over the medium term and the Council is working hard to mitigate this risk. The uncertainty of funding and overspends place additional pressure on the longer-term financial position of the Council. Proposed savings for 2023/24 must be monitored and reported for transparency and to ensure that these are achieved for sustainability.

At the end of 2022/23, the Council had £11.2m of earmarked reserves to call upon, these cannot be relied upon in the medium term to maintain financial sustainability. The Council should continue to acknowledge the importance of seeking ways other than use of reserves to manage the financial budget gap in the medium term, given the finite nature of reserves. The Council should develop a longer-term reserves strategy to focus on building up funds for investment as well as mitigating short-term budget pressures.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council, but we have identified some further improvements to strengthen the Medium-Term Financial Plan and monitoring of the delivery of savings and capital plan.

Improvement recommendations

Financial sustainability

Improvement Recommendation 1	**Carry forward of recommendation 3 from 2020/21:** Refine existing arrangements for identifying and monitoring MTFP saving plans to ensure planned savings are fully delivered. Where circumstances change to affect delivery, these are clearly reported, especially for those in relation to early intervention and demand management.
Audit year	2021/22 and 2022/23
Why/impact	Sufficient and appropriate arrangements to monitor, manage and address slippages will improve savings delivery and reduce pressure on the Council's useable reserves. Further analysis would enable the Council to provide assurance that the Council's targets are not unrealistic.
Auditor judgement	There is a risk that MTFP savings become harder to identify and deliver over the medium-term.
Summary findings	Our experience in the sector is that in sustained periods of austerity, savings become harder to deliver over time. This is likely to be the case for the Council, given the impact of 10 years of funding reductions, the scale of savings already delivered and continuing impact of the pandemic. It is difficult to determine whether the savings plan has been achieved. The Council should separately distinguish progress on delivering savings plans in the outturn/budget monitoring reports. For more information, see page 12.
Management Comments	Monthly monitoring is included within the budget monitoring timetable and will be included as a summary in the quarterly forecasted outturn reports during 23/24. A report will be taken to OSP during the year if targeted measures are not being achieved.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations

Financial sustainability

Improvement Recommendation 2	The Council should continue to acknowledge the importance of seeking ways other than use of reserves to manage the financial budget gap in the medium term, given the finite nature of reserves. The Council should develop a longer-term reserves strategy to focus on building up funds for investment as well as mitigating short-term budget pressures.
Audit year	2021/22 and 2022/23
Why/impact	A prudent level of reserves needs to be maintained to mitigate large anticipated deficits in the future.
Auditor judgement	The current level of reserves does not afford the Council much protection if there were to be significant future cost pressures.
Summary findings	Our benchmarking work has highlighted that the Council's Reserves as a percentage of net service revenue expenditure is at 90% for 2021/22. This is low compared to a lot of Districts in the Country. For more information, see page 26.
Management Comments	It has been noted that the use of reserves is not sustainable, and a transformation programme is underway to ensure efficiencies and savings can be achieved. To enable forward planning and new ways of working, £800k was set-aside as part of the budget process for 2023/24 for one off costs associated with embedding new working styles plus £500k was earmarked for financial resilience purposes in case of issues in year. The outturn for 2023/24 was positive increasing general reserves by just over £250k.

The range of recommendations that external auditors can make is explained in Appendix C.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Monitoring and assessing risk

The Strategic Risk Register is clearly set out, with a risk owner, concise description and key controls to manage each risk. The Council has a Risk Management Policy and Process Guide to ensure consistent scoring of risks across all Directorates. The Council's risk appetite was unchanged throughout 2021/22 and 2022/23.

The Council's highest rated corporate risks in 2021/22 were in relation to:

- Potential failure to provide adequate accommodation to meet the needs of the borough with consequent impact on the lives of residents.
- Failure to maintain the economic vibrancy of the borough / town centres.
- Failure to reduce the fear of crime and disorder.
- Arson or an accidental fire in NBBC corporate buildings, General Purpose flats and Independent Living Complexes.
- Failure to effectively manage Health, Safety & welfare arrangements to limit the potential for accidents and financial penalties.
- Failure to effectively manage the Council's finances.
- Inadequate information management resulting in penalties applied by the Information Commissioner's Office / Non-compliance with General Data Protection Regulations (GDPR).
- "Cyber" crime or attack.
- The impact of COVID-19 on the provision of Council services and the social and economic implications.

Many of these risks continued to be high rated in 2022/23 namely:

- Failure to effectively manage Health, Safety & welfare arrangements to limit the potential for accidents and financial penalties.
- Failure to effectively manage the Council's finances.
- "Cyber" crime or attack.
- The impact of COVID-19 on the provision of Council services and the social and economic implications.
- Noncompliance with s10(1) of the Freedom of Information Act 2000 / General Data Protection Regulations (GDPR) resulting in penalties applied by the Information Office.

The Council has an established risk management framework in place. The arrangements include reports to Cabinet, reports to Service and Directorate Management Team meetings. The Council Corporate Risk Register is reviewed quarterly by Cabinet via the 'Finance and Public Service Overview and Scrutiny Panel' (OSP). The Audit and Assurance Committee review the 'Risk Management Policy & Strategy' regularly (in November 2021 and January 2023). The corporate risk register is a focus document, and we are satisfied that it includes a proportionate number of risks.

The Corporate Risk Register is clearly set out, with a risk owner, concise description and key controls to manage the risk. The Council has a Risk Management Policy and Process Guide to ensure consistent scoring of risks across the Council. Each reported risk is RAG-rated and allocated to a senior officer.

The Strategic 'Integrated Performance reports', presented to OSPs, includes a description of actions that the Council undertook and performance measures which provide an indication of how well the Council is performing against its priorities.

Governance (Cont'd)

Assurance over the effective operation of internal controls

In developing its 2021/22 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. The Council reviews the Local Code of Corporate Governance on a regular basis; the latest version was approved in June 2019 and can be found on the Council's website. This is consistent with the principles set out in the CIPFA/Solace Delivering Good Governance in Local Government Framework 2016. The Council carried out a comprehensive review of the effectiveness of its governance framework including its system of internal control. The review of the effectiveness of the system of internal control was informed by:

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

Assurance statements were received from the Chief Executive 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 2021-22 statement was carried out by the Management Team and the final statement was approved on 28th October 2022 via group e-mail.

This robust exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021/22 year. This was corroborated by the 2021/22 financial statements audit and review of the 2021/22 Annual Governance Statement.

The 2022/23 AGS had not been drafted at the date of writing this report but there is no evidence of pervasive and significant weaknesses in internal controls to date.

Internal Audit

The Council has Internal Audit arrangements in place. Internal Audit services are provided by an in-house team. Despite the lingering impacts of Covid-19, sufficient work was carried out across the Council's directorates to support the opinion given.

The Head of Audit and Governance, was off work on long-term absence for most of 2021/22 year and was not replaced. This, combined with delays resulting from staff home-working due to COVID-19, has had a knock-on effect on the delivery of the 2021/22 plan, meaning that five audits were deferred to 2022/23.

The temporary Internal Audit Manager provided "satisfactory assurance" over the effectiveness of the Council's arrangements for governance, risk management and internal control. 79% of planned 2021/22 audits were completed, 4 audit reviews in 2021/22 were given the lowest assurance level of 'limited'. This, together with the completed reviews in year, gave an appropriate level of coverage across the Council to provide this Head of Internal Audit opinion.

The Head of Internal Audit's annual opinion has been produced in line with mandatory Public Sector Internal Audit Standards (PSIAS). The annual report also refers to Internal Audit's Quality Assurance and Improvement Programme, which ensures work is compliant with PSIAS. The PSIAS require an external assessment of the internal audit service at least once every 5 years; the last external assessment at NBBC was in 2019.

The 2022/23 IA plan was presented to AC in March 2022. The Head of Audit and Governance returned to work in January 2023. In January 2023, the 2022/23 IA Audit Plan was revised due to limited IA resources available, thus five audits were being deferred to 2023/24. These audits were chosen due to their lower risk and were:

- Customer feedback
- Electoral Services
- General Ledger
- Leaseholder Management
- Licencing

The Council must ensure that their internal audit function has the appropriate skill mix and capacity to deliver the full approved IA Audit Plan. There is a risk that the small in-house Internal Audit team do not have the appropriate skill mix and capacity to cope with long-term absences, to deliver the approved IA Audit Plan to support the Council in assessing their control environment. See improvement recommendation 3.

Governance (Cont'd)

Monitor compliance with legislation and regulatory standards

Compliance with legislative and regulatory standards falls within the remit of the Director for Planning & Regulation who is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Council, or in any case where they consider that such action is necessary to protect the Council's interests. The annual governance statement sets out that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The statement is included in the annual review of the Constitution undertaken each year. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016. The Annual Governance Statement is approved by the Audit and Standards Committee.

This exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021/22 year. This was corroborated by our 2021/22 financial statements audit and review of the 2021/22 Annual Governance Statement.

No significant breaches or issues have been raised with or reported to committees. The only incident of note relates to the disclosure of an exempt item onto social media. This was investigated, but no action was taken in connection with it and we are satisfied that the arrangements to review the risk were reasonable. Nothing significant has occurred during the year.

Counter Fraud

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption polices are kept under review. The Council also participates in the National Fraud Initiative (NFI). The Council has a Whistleblowing policy and a Speak Up statement, which complements the Whistleblowing policy and encourage individuals to raise issues of concern in a safe environment. The Council has not been subject to any material frauds in year. In addition to national initiatives, the Council produces and reviews its own anti-fraud and corruption measures as it aims for the highest standards of conduct and integrity to protect public funds. The relevant policies are contained within the Council's Constitution - Financial and Contract Procedures Rules; Members Code of Conduct; Employee Code of Conduct; Anti-Fraud, Corruption and Bribery Strategy); Anti Money Laundering Framework - Rules and Procedures, Confidential Reporting Code (i.e., Whistleblowing Policy), Gifts & Hospitality Policy.

Gifts and Hospitality and Declaration of Interests arrangements were reviewed as part of our work for both 2021/22 and 2022/23. A record of the gifts and hospitality and declaration of interests is published on the Council's website for transparency. New employees receive induction training on a range of policies in the first 3 months; they are then required to undertake a mandatory training/or refresher training on these policies (reading and understanding) through the Training system (Delta), which records the relevant courses undertaken by individual employee (e.g., Anti-fraud and Corruption policy etc.) and prompts refresher when due.

Leadership and committee effectiveness/decision making

The Council operates a Leader and Cabinet governance model. Governance arrangements include a number of scrutiny committees which hold the Cabinet to account and the work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated; the last version being reviewed in July 2022. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Council's AGS sets out how the Council operates, how decisions are made and the policies and are followed to ensure that these are efficient, transparent and accountable to local people.

Our review of minutes of Audit and Standards Committee and review of other committee minutes indicates that key strategic decisions are subject to challenge and are supported by detailed papers. Senior officers engage with members and there appears to be an open discussion during committee meetings. Senior officers attend to present their own area items and to field any questions on key matters. The Audit and Standards Committee provides challenge of financial and non-financial items. The members of the Committee have a good mix of experience and expertise. The Committee is well attended with minimal absences. The quality of dialogue between senior officers and members and the way that key strategic issues are presented in public papers demonstrates that there is an appropriate "tone from the top".

Throughout 2021/22 and 2022/23, as well as the period since, there has been a significant change to key staff who oversee the financial performance of the Council. This included the Head of Financial Services and the Director of Finance. The changes in key staff lead to a delay in financial reports being reported to the Council's Committees. Arrangements were put in place to ensure statutory posts were filled relatively promptly. We are satisfied that the recent changes to the leadership team have maintained capacity, continuity and has corporate knowledge retention where possible. However, there has been difficulty in maintaining the Head of Financial Services role and this has caused delays to the accounts process.

Governance (Cont'd)

Register of Interests/ Gifts Hospitality

The Council maintains a record of member interests and gifts and hospitality on its website. There is a requirement for members to reconfirm their interest within 28 days of becoming a member or on re-election/ re-appointment to office. The constitution is also clear that member must ensure that their register of interests is kept up-to-date, and updates should be notified within 28 days of becoming aware of any new interest.

We acknowledge that the Council does an annual exercise to inform the related party disclosures in the financial statements, this is not integrated into other central or departmental registers. We have highlighted that further action is needed to the 2020/21 improvement recommendation 5, in relation to the Council's arrangements for maintaining a register of interest and gifts/ hospitality for senior managers and officers.

Budgetary Setting Process

There is an established process for developing the annual budget and MTFP. The development of the budget commences with the rolling forward of the Budget Model from the prior year. The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base. Our work demonstrates engagement from budget holders, divisional leadership and executive leadership in the annual budget setting process.

The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The MTFP sets out the range of key assumptions that the Council has made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income. Risks are incorporated into the MTFP for both 2021/22 and 2022/23, there are sections entitled 'Future Plan & assumptions' which present the rationale for key assumptions and risks.

For both years, the budget outlines the key financial risks (in an appendix), together with the costs and mitigations. The potential impact of changes of various estimates and assumptions is discussed with Cabinet as part of the briefing process in the development of the budget. However, this is not formally reported to members. We recommend that the Council introduce formal reporting to members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. This will provide transparency on the sector wide uncertainties the Council is subject to and the potential impact of these on its financial sustainability. The Budget links to the MTFP.

There is a 'Council Tax Setting Committee' which allows the Council to set the aggregate Council Tax amounts for each part of the of its area and issue Council tax bills in accordance with legislative timescales. Finance officers, budget holders and portfolio holders have been consulted on draft budgets.

Budgetary control

We have raised a significant weakness in 2021/22 that carries part way through 2022/23, relating the lack of reporting of the financial position to members during this period. There was a lack of accurate and timely profiled financial monitoring reports for budget holders. We also noted limited evidence that budget performance was regularly reviewed and challenged on a corporate basis (other than within the individual directorates). The Council's Constitution states that '...A quarterly budget monitoring report will also be submitted to Cabinet, along with any requests for approval to vire budgets.' This did not happen in 21-22, so there was a breach of constitution.

The lack of budget reporting continued into 2022/23, until October 2022 under a new management structure, when Cabinet were presented with the results of quarter one. From this point onwards, the systems in place for oversight of the budget improved over the 2022/23 year, with quarter two following in November 2022 and quarter three in March 2023. The reporting for 2022/23 is now up-to-date. The outturn for 2021/22 indicates that this deficiency did not have significant consequences in that year, however we note that by the time that reporting arrangements were re-established, this was in time to show a significant slippage against budget for 2022/23.

Governance (Cont'd)

During the second half of 2022/23, the Finance Department engaged monthly with budget holders. There is monitoring at a service, directorate and corporate level. Budget monitoring reports taken to Cabinet include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on reserves. An update is also provided against the Capital Programme, with revisions also communicated.

Accountants meet with Budget Managers, and Service Accountants meet with Assistant Directors to discuss service budgets and forecasts monthly. The Finance Team, in consultation with budget managers, review budgets monthly and look in detail at cost centres and nominal codes.

From October 2022 ,the Council's Cabinet received quarterly monthly financial monitoring reports. The financial monitoring reports and minutes demonstrated that in year forecast variances were being picked up promptly, and budget holders are being held to account for delivering to budget.

The financial impact of the pandemic is still being felt by the Council, together with the adverse current economic climate. The 2022/23 outturn detailed a £nil balance outturn, no contribution to reserves and an HRA overspend of £463k. The Capital Programme underspent by £3.811m against a revised budget, with £3.86m proposed to be carried forward to 2023/24.

Review of budget monitoring reports indicate that they are appropriate to allow for effective review at Cabinet. Accrued financial information is received by cabinet, which is appropriate. We are satisfied that, with the new arrangements in place, the Council now has robust financial planning arrangements and there is evidence of it being scrutinised at Cabinet and Council.

Financial statements

Turnover of staff within the finance team has led to significant delays in the financial statements preparation process, and a number of highly material adjustments to the financial statements for the 2021/22 financial year.

The draft financial statements for the 2022/23 financial year were not published until 11 October 2024.

Significant Weaknesses in Arrangements

In line with NAO VfM guidance, as significant weaknesses were noted, two key recommendations have been raised for 2021/22, and one key recommendation has been raised for 2022/23. We acknowledge that by the end of 2022/23, the deficiency relating to the Council's budget monitoring and reporting had been resolved. We have therefore focused our key recommendation to highlight the importance of the role that senior officers and members must ensure that members are provided with adequate financial monitoring information to enable effective oversight, and where this is not the case, for members to recognise this and hold officers to account.

Conclusion

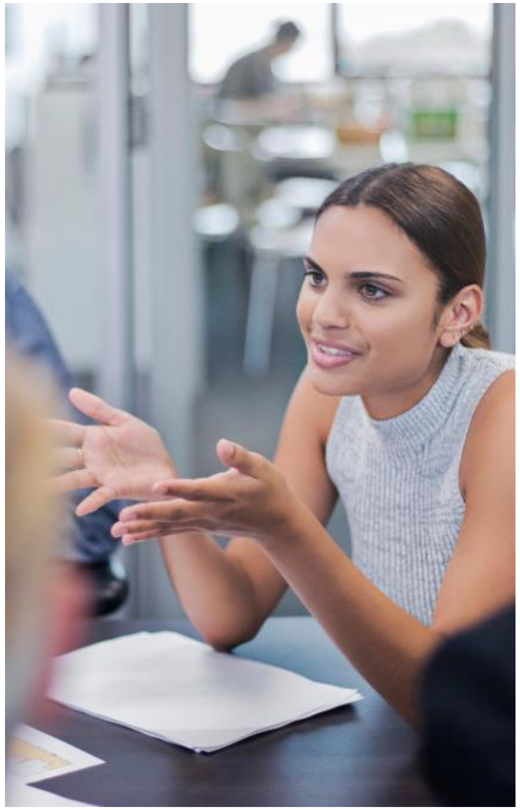
As noted, we found a significant weakness in the Council's budget monitoring controls, which has now been resolved, but we have raised a key recommendation with a view to preventing this re-occurring in future. We have also raised a significant weakness in relation to the delays in the preparation and audit of the financial statements for the 2021/22 and 2022/23 financial years.

We have not identified any other significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified some opportunities for further improvement, set out on the following pages.

Improvement recommendations

Governance

Improvement Recommendation 3	The Council must ensure that their internal audit function has the appropriate skill mix and capacity to deliver the full approved IA Audit Plan.
Audit year	2021/22 and 2022/23
Why/impact	To enable the Audit & Standards Committee to: • assess the internal audit function against the Public Sector Internal Audit Standards and quality assurance programme. • consider the summary and sufficiency of internal audit work done and whether it supports the Head of Audit and Governance opinion.
Auditor judgement	There is a risk that the small in-house Internal Audit team do not have the appropriate skill mix and capacity to cope with long-term absences, to deliver the approved IA Audit Plan to support the Council in assessing their control environment.
Summary findings	The Head of Audit and Governance, was off work on long-term absence for most of 2021/22 year and was not replaced. This, combined with delays resulting from staff home-working due to COVID-19, had a knock-on effect on the delivery of the 2021/22 plan, meaning that five audits were deferred to 2022/23. The situation continued into 2022/23 which meant that a further five 'lower-risk' audits were deferred to 2023/24. For more information, see page 19.
Management Comments	A period of sickness of the lead auditor was unforeseen but the S151 Officer engaged with partner organisations to look for solutions and mitigate the risk of control weaknesses. This has resulted in NBBC joining the Central Midlands Audit Partnership in April 2024 which provides a significant level of audit experience and limits any further risk posed with resource issues.



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The 'Strategic Performance Report' and Commentary provides an overview of the Council's position under the key categories of Finance, People and Service Delivery, Processes and Improvement. The Reports include a description of actions that the Council undertook and performance measures which provide an indication of how well the Council is performing against its priorities.

In line with the Council's Performance Management Framework, the reports are reviewed monthly by Management Team and quarterly by Cabinet/'Overview & Scrutiny Panels' (OSP). From Q3 2022-23, the Integrated Performance Reports are still reviewed monthly by the Management Team, but the executive summaries are submitted to individual OSPs, to look at the detailed performance measures under their remit, and any key messages from them are submitted to Cabinet.

The Council's performance outturn for 2021/22 was reported in the Quarter 4 Strategic Performance Report. This report was presented to the Cabinet in May 2022.

It was noted that the financial information was missing in the 2021/22 Strategic Performance Q4 report, in the 2022/23 Q1 Report and in the 2022/23 Q4 Report. The other quarterly performance reports contained all areas of reporting for 2021/22 and 2022/23. The Council needs to ensure that all areas of performance reporting are reported regularly to the Overview and Scrutiny Panels on a quarterly basis and to challenge if it is missing (see part of Key recommendation 1).

The Quarter 4 (2022/23) General Fund position was presented to the July 2023 Cabinet meeting and reported a £nil balance outturn. The Business, Regeneration & Planning OSP Q4 performance report, presented in July 2023, showed that 2 of the 7 key indicators had improved and 5 had declined in the performance indicator trend data.

Our work did not highlight any concerns over the accuracy of the data reported to Cabinet. There are multiple levels of review before reports are put together for committee meetings and there is a high confidence this data is accurate. Assurance around control framework is taken from the work of Internal Audit. Pre-briefs are held with Cabinet prior to formal meetings to ensure reports are understood.

Improving economy, efficiency and effectiveness (Cont'd)

Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. Effective partnerships at different levels are important to the council and it is focused on maintaining and nurturing these.

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

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

Nuneaton and Bedworth BC are a non-constituent member of the West Midlands Combined Authority, together with twelve local authorities and three Local Enterprise Partnerships. They work together to move powers from Whitehall to the West Midlands and the locally elected politicians, who know this region best. The Council still delivers services and retains their individual identity but on the big decisions they have the resources to work together.

Relationships with Warwickshire County Council (WCC) and NBBC's neighbours are positive and productive. For instance, the shared service arrangements with neighbouring North Warwickshire Borough Council (NWBC), including Private Sector Housing and Revenues & Benefits services, is noted as a particularly beneficial relationship in delivering shared aims, where NBBC is seen as a partner of choice. Additionally, following changes in political leadership at NBBC in 2021, relationships with WCC have improved and the council is an area which the County want to continue to work closely with, including on the delivery of the Transforming Nuneaton programme.

Nuneaton and Bedworth Community Enterprises Ltd (NABCEL) is the council's wholly owned delivery body which manages a portfolio of properties, temporary accommodation for homeless people and undertakes housing maintenance work. The impact of NABCEL's performance is reported in the 'Finance and Public Service OSP – Finance and Performance Reports. There is a NABCEL shareholder Committee, which was set up in 2019 but financial reporting was not presented here until June 2022 and all financial and performance reports are not publicly available from the Council's website.

The Council is also an active member of key economic partnerships including Coventry & Warwickshire Local Enterprise Partnership. Other key partnerships such as those invested in the Nuneaton Town Investment Plan and the HEART Partnership can be found on the Council website.

The recycling Facility at Sherbourne Resource Park (SRP) is a partnership that the Council are very excited to be a part of. SRP is owned by eight local authorities (including Nuneaton and Bedworth Borough Council). The new facility will set a precedent for sustainable recycling standards and practices internationally. SRP will not only be able to process a much wider selection of recyclable materials, but it will also have the capacity to handle a huge 175,000 tonnes of dry mixed recycling from kerbside collections annually.

For transparency, the work of significant partnerships are regularly presented to 'Overview and Scrutiny Panels' and any recommendations from them are submitted to the Cabinet.

Stakeholder Engagement

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council carries out a wide range of public consultation.

The Council has an Employment Committee. Senior managers are engaged through regular meetings of the Leadership Team and management development conferences.

Improving economy, efficiency and effectiveness (Cont'd)

The Council has received a significant amount of funding for projects to be delivered over the next few years. The Council have set up boards for the Towns Fund and the Future High Street Fund which enables engagement of key stakeholders.

The 'Budget Book' is published every year on the council website. This lists budget holders responsible for the budgeted figures. Finance officers, budget holders and portfolio holders have been consulted on draft budgets and integrated saving plans.

Benchmarking

Review of the Council's Strategic Performance monitoring reports indicates that currently the Council does not measure its performance with reference to national benchmarks. The Council has access to benchmarking information which covers financial sustainability and other service areas through the NAO Financial Sustainability and CIPFA's Financial Resilience index tools.

NBBC took part in the 'Local Government Association Corporate Peer Challenge' in September 2021. This considered the following five themes which form the core components of all Corporate Peer Challenges. These areas are critical to councils' performance and improvement. The recommendations have been acknowledged and applied to the new governance structure for the 'Transforming Nuneaton and Transforming Bedworth programmes'.

Our benchmarking work has highlighted that the Council's Reserves as a percentage of net service revenue expenditure is at 90% for 2021/22. This is low compared to a lot of Districts in the Country. The Council should continue to acknowledge the importance of seeking ways other than use of reserves to manage the financial budget gap in the medium term, given the finite nature of reserves.

The Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements. Benchmarking could be used to measure cost efficiency as part of the Council's reporting and financial planning agenda (e.g. benchmarked unit costs to help identify areas of high cost within the services, with the potential to make savings).

Procurement

The Council had a detailed Procurement Strategy covering 2017-22. The aims of the policy were to support the Council's long term financial sustainability and drive efficiencies, support local economic growth whilst responding to commissioning requirements and to optimise the opportunities for delivering social value opportunities through procurement. The Council spent approximately £23m per year on procurement of supplies, services and works, using around 1,000 suppliers.

The Council continued to improve its procurement processes and procedures and presented the new procurement strategy to the Finance OSP in January 2023. This outlined Compliance, Strategic Procurement & Purchasing, Value for Money, Collaboration & Social Value and incorporates aspects of Accounts Payable, as well as the National Procurement Strategy for Local Government in England.

Procurement is a strategic activity across the organisation helping to ensure compliance, value for money and effective delivery whilst achieving additional benefits such as efficiency, reduced waste and generating social value. The Council wishes to obtain and deliver social value throughout its supply chain such as unleashing opportunities for small and local businesses, charities, social enterprises and the wider society it serves.

One of the aims is to develop partnership working. The Council currently spends approximately £41m per year on procurement of supplies, services and works, using around 900 suppliers. The council is continually improving its procurement processes and procedures to achieve maximum efficiency.

NBBC has extensive contract management procedures in place. The Council has dedicated procurement and contract management teams to call upon. The Procurement team is supported by Finance and Legal to ensure compliance with relevant legislation, professional standards and internal policies. The Council maintains a detailed Commissioning and Procurement Pipeline register which effectively summarises key contract dates, values and terms. Waivers are listed in the contract register; each waiver is annotated with the date and name of the s151 Officer approval. Five waivers have been approved over 2021/22 and 2022/23. There have been no significant issues in year with service provides or sub-contractors.

Improving economy, efficiency and effectiveness (Cont'd)

Examples of larger procurement approvals that went to Cabinet over 2021/22 and 2022/23 were for the procurement of:

- Gas which was presented to the Nov 2021 Cabinet meeting.
- Electricity which was presented to the January 2023 Cabinet meeting.
- Vehicle replacement which was presented to the Dec 2022 Cabinet meeting.
- The CRM System which was presented to the Nov 2022 Cabinet meeting.

Procurement transparency reports and snapshots of the quarterly contracts register are publicly available to view on the Council's website under the 'Transparency Code'.

Regulatory Reports

There have been no reports from regulators which identify significant weakness and no specific areas requiring improvement recommendations.

Officers are subject to CPD requirements and undertake training within their professional discipline. Reports are submitted to management Team in connection with any significant legislative changes as well as to Cabinet & Council. The statutory officers receive all reports in draft and have the opportunity to comment upon them and to sense check the recommendations.

In terms of behaviours, the Council has a set of values that it expects officers to adhere to which form part of the recruitment and appraisal processes. Regular staff bulletins are issued to employees, which will reinforce expected behaviour and conduct, and a copy of the Annual Report from Standards Committee is circulated for reference. In addition, staff receive an annual reminder in connection with the Gifts and Hospitality policy.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

The Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements; this has been raised as an improvement recommendation.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 4	The Council should ensure it is taking full advantage of the benchmarking information it has available
Audit year	2021/22 and 2022/23
Why/impact	To identify potential areas for savings and service improvements
Auditor judgement	Benchmarking could be used to measure cost efficiency as part of the Council's reporting and financial planning agenda (e.g., benchmarked unit costs to help identify areas of high cost within the services, with the potential to make savings).
Summary findings	For more information, see page 26.
Management Comments	The recommendation is noted. Work is underway reviewing performance measures and reporting to scrutiny panels. A revised reporting mechanism is in the process of update and includes comparators with others and Government targets plus will remove KPIs that may no longer be relevant.

The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	**Governance:** The Council should continue to improve resilience in respect of accounts preparation and support of future audits by reviewing the arrangements for accounts preparation, including appropriately delegating and spreading the tasks between the finance team and providing training where necessary in order to reduce the key person risk going forward.	Improvement	January 2023	Initial Management Response (Jan 2023): The Finance team is currently in the process of being restructured, with the new structure expecting to be in place in April 2023. Training will be provided across the team to ensure they will be able to be actively involved in the preparation of the annual accounts and audit during 23/24 onwards. June 2023: The new structure went live on 1st May and improvements to processes are already being seen. Training is being undertaken through CIPFA and forums through LINK attended, timetables for budget monitoring are in place and have been communicated to senior management, a budget timetable for 24/25 is in the process of collation and the notes to the accounts for 22/23 are being updated by 7 members of the team with review and guidance being undertaken by the interim Head of Finance and S151 Officer.	Yes	No
2	**Financial Sustainability:** Introduce a formal mid-year review of current MTFP assumptions with appropriate reporting to Members. Refine formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP.	Improvement	January 2023	Initial Management Response (Jan 2023): For the 23/24 financial year onwards, monitoring of performance against savings put forward as part of the approved budget will be encompassed as part of the monthly budget monitoring process undertaken by the Accountancy team. June 2023: Monthly monitoring is included within the budget monitoring timetable and will be included as a summary in the quarterly forecasted outturn reports during 23/24. A report will be taken to OSP during the year if targeted measures are not being achieved.	Yes	No

Follow-up of previous recommendations (Cont'd)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
3	**Financial Sustainability:** Refine existing arrangements for identifying and monitoring MTFP saving plans to ensure planned savings are fully delivered. Where circumstances change to affect delivery, these are clearly reported, especially for those in relation to early intervention and demand management.	Improvement	January 2023	Initial Management Response (Jan 2023): For the 23/24 financial year onwards, monitoring of performance against savings put forward as part of the approved budget will be encompassed as part of the monthly budget monitoring process undertaken by the Accountancy team. June 2023: Monthly monitoring is included within the budget monitoring timetable and will be included as a summary in the quarterly forecasted outturn reports during 23/24. A report will be taken to OSP during the year if targeted measures are not being achieved.	Partially	Yes It is difficult to determine whether the savings plan has been achieved. The Council should separately distinguish progress on delivering savings plans in the outturn/budget monitoring reports.
4	**Governance:** Develop the Council's risk maturity and duality of risk by formally documenting consideration of opportunities to exploit, as well as a focus, on downside risks to build on how the Council is currently managing risk. Review the Strategic Performance Monitoring report to see if it can be streamlined.	Improvement	January 2023	Initial Management Response (Jan 2023): The Strategic Performance Monitoring Report is produced monthly for each of the three reporting areas, with an accompanying high-level finance report. The process will be reviewed and assessed going forward. June 2023: The reporting of risk and performance is to be reviewed with all OSP Chairs and a thorough review of the risk register undertaken as part of this. The Strategic Director - Finance & Governance alongside the Assistant Director - Governance & Democracy will be leading on this during the summer months. In the interim, the process will continue in the same form as previously.	Yes	No

Follow-up of previous recommendations

(Cont'd)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	**Governance:** Ensure that a Register of Interest and Gifts/Hospitality is maintained and regularly updated for all Directors, Assistant Directors and Senior Managers.	Improvement	January 2023	Initial Management Response (Jan 2023): The Register of Gifts and Hospitality for Members is regularly updated and published on the Council's website. Declarations of Interest for Members are included as part of monthly Cabinet. Management agrees to the principle of the recommendation for senior managers and consider it a proportionate and appropriate thing to do. However, to implement the recommendation will take a little time as it will require amendments to the Council's Code of Conduct for Employees which, in turn, will involve discussions with the recognised Trade Unions. The changes to the Employee Code of Conduct were considered by the Constitution Review Working Party in June 23. The Trades Unions raised no objection to the changes, it was approved at Audit & Standards Committee in July 2023 and due to be approved by Council in September 2023.	No	Yes The Council is yet to approve the change to the Constitution and implement a register of interest and gifts/ hospitality for all senior managers and officers

Opinion on the financial statements

To be added upon completion of the audit

Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.

Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Outcome
2021/22 and 2022/23	A potential significant weakness was identified in relation to the Council's financial sustainability, due to a lack of reporting and the Council's use of reserves.	To address this risk we reviewed the Council's savings plans and the performance of the equivalent plans over recent years to form a view over the likelihood that plans will be achieved in future years. We also reviewed the Council's use of reserves to determine whether this was in line with financial plans.	Appropriate arrangements in place no further action taken.
2021/22 and 2022/23	A potential significant weakness was identified in relation to the Council's governance arrangements, due to the significant staff turnover within key finance roles, and the delays that this caused to financial reporting.	To address this risk we gained an understanding of the Council's arrangements to replace key individuals, as well as considering the frequency and adequacy of the Council's internal and external reporting.	Two significant weaknesses have been identified in relation to the Council's budget monitoring in 2021/22, and the delays to the preparation and audit of the financial statements for both 2021/22 and 2022/23.

Appendix C – Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not issue statutory recommendations.	We did not issue statutory recommendations.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a Public Interest Report.	We did not issue a Public Interest Report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court.	We did not apply to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue an advisory notice.	We did not issue an advisory notice.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.	We did not apply for a judicial review.

Appendix D – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	5, 6
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Financial Sustainability: 16, 17 Governance: 23 Improving 3Es: 28