Pre-Audit Statement of Accounts

2025/2026

BOROUGH
RUGBY
COUNCIL

Contents

Narrative Report

Narrative Report of the Chief Finance Officer (S151 Officer)

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2025/26 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2025/26 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, councillors and other interested parties.

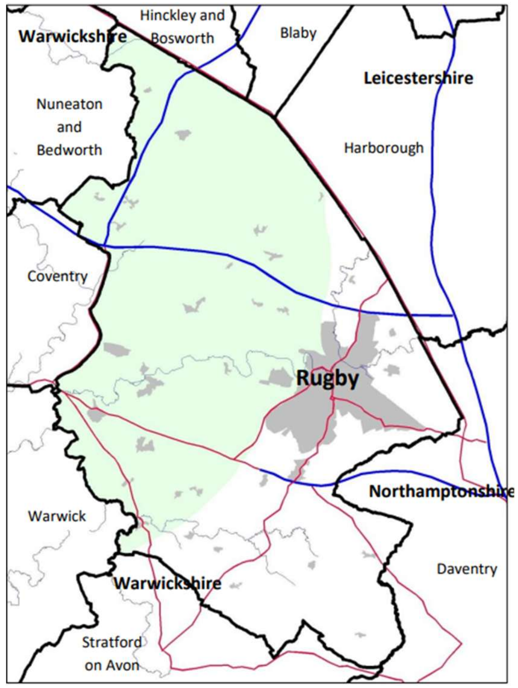
The style and format of the Accounts complies with Chartered Institute of Public Finance and Accountancy (CIPFA) standards and the presentation is designed to make them user-friendly and accessible.

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position as at 31 March 2026 and is structured as follows:

- About Rugby Borough Council
- Governance
- Corporate Strategy 2025-2035
- Outturn position
- Future Financial Outlook and Financial Resilience
- Financial Statements
- Further Information

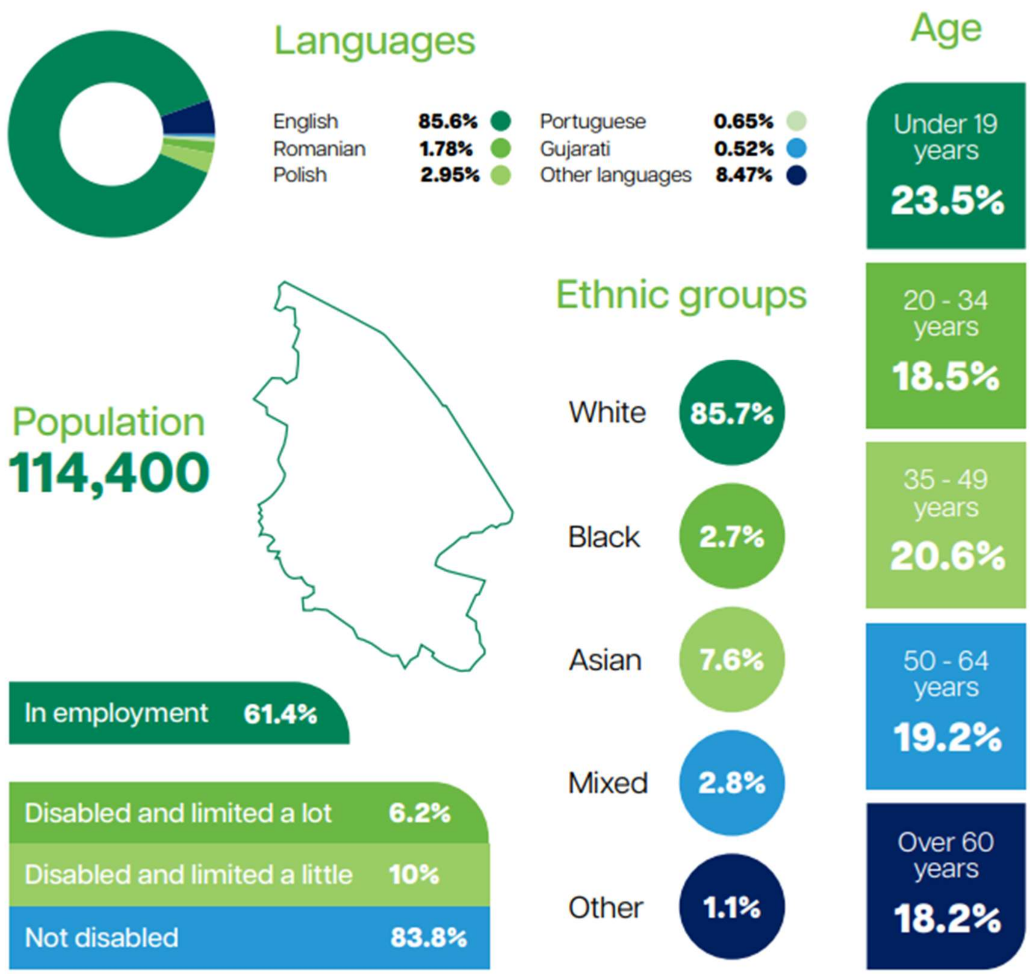
Mathew Crosby FCCA
Interim Chief Finance Officer (S151)
14th September 2026

About Rugby



- The Borough of Rugby covers an area of 138 square miles and is on the eastern edge of the West Midlands region
- Taken from the 2021 census, Rugby had a total of 114,835 usual residents residing in 47,016 households, indicating an average household size of 2.4.
- Rugby has a track record of being an innovative and entrepreneurial area and currently has a higher than UK average start-up rate by small businesses.
- Rugby also sits within the inner 'Golden Triangle', on the strategic road network (M6/M1/M69/A5/A14)
- At 3.1% unemployment in Rugby is lower than the West Midlands at 4.3% and Great Britian at 4.4% (ONS2024)
- Immediately adjacent to Rugby's southwestern boundary is DIRFT (Daventry International Rail Freight Terminal) which provides rail goods links to the deep seaports.

Rugby Borough demographics



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

Political Structure

For the 2025/26 financial year, Rugby Borough Council was under no overall control, with the following composition:

- Conservative – 17 seats
- Labour – 15 seats
- Liberal Democrats – 10 seats

The Leader of the council was Cllr Michael Moran, who was also Leader of the Labour group.

Leadership Team

From March 2026 the Council's leadership team is comprised of a Chief Executive, three Strategic Directors (for Operations and Transformation; Place; Communities), the Chief Officer for Legal and Governance (Monitoring Officer) and Chief Officer for Finance and Performance (Section 151 Officer). In addition, there are Assistant Directors for:

- Communities and Homes
- Growth and Investment
- Regulation and Safety
- Leisure and Wellbeing
- Digital and Communications
- Operations and Traded Services

Governance

Each local authority operates a governance framework that brings together a set of legislative requirements, governance principles, corporate strategies and policies, systems, management processes, culture and values. The quality of these arrangements underpins the level of trust in public services and is fundamental to the Council's statutory and democratic obligations. A framework of good governance allows the Council to be clear about how it discharges its responsibilities. Further information on the Council's governance arrangements across all its activities is provided in the Annual Governance Statement which, in line with our commitment to continuous improvement, this also includes a description on how we plan to further strengthen our arrangements.

Corporate Strategy 2025-2035

The Corporate Strategy 2025-2035 was launched in January 2025 and outlines the plan to achieve a better, fairer and greener borough. The mission of the Rugby Borough Council Corporate Strategy 2025-2035 is to 'develop policy and work in collaboration to protect the vulnerable, reduce inequalities, improve skills and access to skilled jobs, increase affordable housing, boost our infrastructure such as health services and education, and protect and nurture the natural environment.'

The vision for 2035 is to achieve a more sustainable economy for all, where our natural environment, people and businesses are thriving. This will be achieved by looking at the following areas:

- A healthier Rugby – to support people to live healthier, longer and more independent lives.
- A thriving Rugby – to deliver a thriving economy which brings borough-wide investment and regenerates Rugby town centre.
- A greener Rugby – to protect the environment and ensure the borough adapts to climate change.
- A fairer Rugby – to reduce inequalities and improve housing across the borough.

Outturn Position

Financial Overview 2025/26

The budget presented to Council met the statutory obligations of a balanced budget. Highlights from the 2025/26 Council Tax Setting and Rent Setting Reports include:

General Fund

- £3.900m investment in services using retained business rates growth being used to offset Portfolio expenditure.
- A £1.300m budget for delivering the aspirations of the Corporate Strategy delivery plan.
- The Fees and Charges budgets were set at £7.254m for 2025/26.
- A £1.000m investment in the operations and traded portfolio to stabilise the service and cover the projected additional cost of the Sherbourne Recycling Facility.
- A 2% efficiency target was identified across all services, which was to be monitored during the year and rated Red, Amber or Green based on how much had been achieved.
- The 2025/26 Capital Continuation Programme totals £1.752m for the General Fund.

Housing Revenue Account

- The 2025/26 Capital Continuation Programme totals £17.474m for the Housing Revenue Account.
- Rent was increased by 2.7% on all dwellings, generating £0.922m of additional income.

General Fund

Portfolio expenditure and Financing

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

Portfolio	Revised Budget £000	2025/26 Spend £000	Net Variance £000
Communities, Homes, Regulation and Safety	5,421	5,904	482
Finance, Performance, Legal and Governance	4,666	6,313	1,647
Growth and Investment, Digital and Communications	5,466	4,860	(606)
Partnership and Wellbeing	4,150	4,858	708
Operation and Traded Services	4,408	5,106	698
Chief Executive	335	393	58
Change and Transformation	360	344	(16)
Net Portfolio Expenditure	**24,806**	**27,778**	**2,972**
Corporate Items	(3,970)	(5,111)	(1,141)
Total Net Revenue Expenditure	**20,836**	**22,667**	**(1,831)**
Funding (Collection Fund and Grants)	(22,823)	(24,603)	(1,780)
Net position before transfers to/from reserves	**(1,987)**	**(1,936)**	**51**
Total Transfers to/from Corporate Reserves and Balances	1,987	1,936	(51)
Net position	**0**	**0**	**0**

The 2025/26 total Portfolio expenditure was £27.778m against a revised budget of £24.806m, resulting in a pressure of £2.972m. After adjusting for the net cost of borrowing and other corporate items totalling (£5,111m), the net pressure on Revenue expenditure is £22,667m. Taking into account the transfers to/from reserves of £1.936m and Funding items of (£24.603m), the overall net position of the Council for 2025/26 is a balanced position.

The Council has identified 88 KPIs that not only impact on Portfolio performance but are also aligned to the Corporate Strategy. 56 (64%) of all KPIs reported against in 2025/26 either met or exceeded the set target.

There have been a number of instances throughout 2025/26 where performance has improved. They include:

- Council tax collection rates reached 96.5%, an increase of 1.5% since the previous year.
- Business rates collection achieved 99.5%, the council's highest ever performance.
- Within the Planning Service, 93.75% of major planning applications were determined within the national government target of 13 weeks.
- Green Flag awards have been retained for 2025/26 for all 5 areas.
- Community outreach in deprived areas reached an average of 2,923 contacts significantly exceeding the target of 1,000.

Reserves Balances and Future Strategy – General Fund

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

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

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

The risk assessment completed for reserve usage identifies that the known risks are mitigated with the current balances of reserves. However, analysis takes place on a quarterly basis to assess this. If the use of reserves is overlayed with the potential risks facing the organisation the impact is that the council can cover 100% of this risk for a period of 4 years. Although this is an unlikely occurrence this is a positive position.

Housing Revenue Account (HRA)

Housing Rents were set by Council on 4 February 2025. Council agreed to a rent uplift of 2.7% for 2025/26 in line with government guidance.

The year-end position for 2025/26 on the HRA is per the table below.

	Revised Budget £000	Actual £000	Variance £000
Expenditure	17,788	16,882	(906)
Income	(20,784)	(20,300)	484
Net cost of HRA Services	**(2,996)**	**(3,418)**	**(422)**
Contributions to (+) / from (-) reserves	2,996	3,418	422
Surplus (-) / Deficit for year	**0**	**0**	**0**

The variance on expenditure is largely related to the increased use of external contractors to deliver specialist and complex repairs works, together with capacity constraints within the in-house service, which reduced the requirement for materials supplied directly by the Council.

The variance on income is due to the assumption that there was a continued level of external repair activity and sufficient operational capacity to deliver income-generating works. However, the need to prioritise a significant volume of compliance-critical and complex remedial works arising from stock condition surveys and tenancy health checks constrained income-generating capacity throughout the year.

Reserve Transfers and Balances – Housing Revenue Account

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

In summary, there was an in-year movement of (£4.961m) on overall HRA reserves (including Capital Receipts and the Major Repairs Reserve) after the surplus for the year of (£3.784) was allocated to the Capital Reserve and the overall balance held as at 31 March 2026 is (£42.927m).

Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £19.962m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget £000	Actual £000	Year-end reprofiling £000	Variance £000
Communities, Homes, Regulation and Safety	1,378	1,106	(284)	12
Finance, Performance and Governance	137	56	(81)	0
Digital and Communications	738	171	(488)	(79)
Partnership and Wellbeing	2,033	570	(1,426)	(37)
Operation and Traded Services	3,394	1,449	(1,907)	(38)
Total General Fund	**7,680**	**3,352**	**(4,186)**	**(142)**
HRA	22,756	16,610	(7,065)	919
Total	**30,436**	**19,962**	**(11,251)**	**777**

The Capital programme was financed as follows:

	Direct Revenue Financing & Reserves	Borrowing	Section 106 & Government Grant	Capital Receipts & Major Repairs	Total
	£000	£000	£000	£000	£000
Communities, Homes, Regulation and Safety	-	168	938	-	1,106
Finance, Performance and Governance	-	46	-	10	56
Digital and Communications	-	82		89	171
Partnership and Wellbeing	13	105	452	-	570
Operation and Traded Services	87	979	24	359	1,449
Total General Fund	**100**	**1,380**	**1,414**	**458**	**3,352**
HRA	615	5,241	4,830	5,874	16,560
Total	**715**	**6,621**	**6,244**	**6,332**	**19,912**

Collection Fund

Council Tax

The amount accounted for within the General Fund in 2025/26 is fixed to the budgeted amount of council tax billed during the year, not the actual cash collected. Any difference between the actual amount collected and the initial forecast will generate a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2025/26 the actual cash position for council tax was an overall deficit of £6.573m. This will be distributed between us, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares, as detailed in the Collection Fund Statement Note 3. Our share of the deficit is £0.689m and this will be materialise in a reduction in council tax income within the General Fund in 2027/28.

Business Rates

The Council sets its business rates income budget on 31 January each year and it was anticipated that the Council would generate (£70.210m) net business rates income during 2025/26 with Rugby Borough Council retaining (£28.084m).

Under the scheme that was established in 2013/14, the Council retains 50% of any growth in business rates over its baseline value which is £2.669m in 2025/26.

As a high growth borough this has been a significant advantage to Rugby with retained growth of (£9.035m) in 2025/26 and since 2017 this growth has been contributed to the Business Rates Equalisation Reserve (BRER).

Future Financial Outlook and Financial Resilience

2026/27 General Fund budget

The budget was approved by Council on 18 February 2026 and meets all the statutory obligations. As part of the Section 25- Statement of the Chief Financial Officer on Reserves, Robustness of Estimates and Affordability and Prudence of Capital Investments the Chief

Financial Officer's view was that the estimates for 2026/27 have been made with realistic assumptions in the current environment and that it represents a robust budget which will be used to stabilise services and support the delivery of the ambitious corporate strategy.

Looking at the expected opening balance of c(£14.300m) for the corporate reserves for 2026/27 and the forecast movement, our risk-based approach has identified potential significant financial burdens that the Authority could be exposed to in the medium term. To manage the medium-term risk, work will continue to deliver the savings target for the remainder of the 4 years of the MTFP. The Council is in a positive position to hold significant balances, but they have significantly reduced due to repurposing and commitments. Through the work of delivering transformation and or the Corporate Strategy for the remainder of the MTFP, there may be a requirement to continue to use these balances which does increase the risk profile.

It is important that the organisation does not become complacent with the financial position as although 2026/27 is balanced, there are significant savings to be delivered before LGR. The new Corporate Strategy has some exciting and significant projects included which will use reserve balances but with no plans to replenish them it is critical that officers understand the importance of sound financial controls.

Although there is an adequate level of reserves for the forthcoming year there are challenges in delivering a balanced budget from 2027/28 onwards especially with the changes to the final Local Government Finance Settlement for 2026/27. Therefore, it is imperative that service budget pressures that we have witnessed over the last two financial years do not continue. With corporate reserves being rediverted and/or used, the flexibility available to mitigate against risk will reduce.

As a result of Local Government Reorganisation, the MTFP has been reduced from ten to four years. This covers the period up to vesting day of the new authority plus a further year to take into account any delays in the programme.

Medium Term Financial Plan

The 2026-30 Medium Term Financial Plan (MTFP) presented to Council at council tax determination is illustrated in the table below:

	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
Base Budget	**25,992**	**25,981**	**24,500**	**24,732**
Total Net Base Budget	**25,980**	**26,990**	**25,831**	**25,782**
Government Grants	(11,714)	(9,606)	(9,043)	(3,924)
Business Rates	(3,300)	(3,300)	(3,400)	(3,468)
Council Tax	(10,967)	(11,593)	(12,288)	(13,012)
Total Financed by	**(25,981)**	**(24,499)**	**(24,731)**	**(20,404)**
Cumulative savings/transformation required	**0**	**2,492**	**1,101**	**5,379**

Budget Position and Savings – key points

- The 2026/27 budget is balanced with minimal savings needed due to retained business rates growth.

- 100% of 2025/26 savings have been delivered.
- A £2.492m savings target is set for 2026/27. This is as a result of the transitional arrangements following the spending review beginning to reverse.
- Strategic Directors are accountable for delivering savings and identifying future efficiencies.

Risks and Budget Pressures

- **Inflation**: £0.458m set aside for inflationary pressures. Pay award assumed at 3.0%; any excess will create in-year pressure, anything lower will be an in-year benefit.
- **Pay benchmark budget:** The organisation is undertaking a pay benchmarking review for a number of hard to appoint roles, an allowance 5% was built into the budget.
- **Service Pressures**: Monthly monitoring and exception reporting will continue. Budget managers are expected to provide robust forecasts.
- **Capital Projects**: Schemes not started within two years will be removed from the capital programme.
- **Local Government Funding reform:** the late changes in the final settlement led to a £1.500m a year reduction in core spending power. Although protected in 2026/27 with the Adjustment Support Grant, this increases the savings target for the remainder of the three year settlement period.
- Local Government Reorganisation – The “minded to” decision from the Secretary of State will be announced in July 2026. Work on the transition to the new model has started. The Council has set aside £3.000m in a reserve to support the work with a budget of £1.000m in the 2026/27 budget.

Treasury Management and Investment

- Treasury returns and borrowing costs are subject to market volatility.
- The Treasury and Capital Strategies ensure prudent risk management and align with the MTFP and economic outlook.

Transformation and Workforce

- Transformation and commercialisation are essential for long-term savings. 2025/26 is a transition year with low savings pressure.
- Workforce risks include recruitment and retention challenges, especially in Planning and Finance.
- High sickness absence and potential LGR impacts add to workforce uncertainty.
- Town Centre Regeneration - The Council has an ambitious plan to regenerate the town centre and to further support this £5.000m from the Business rates equalisation reserve is proposed to be transferred to the town centre reserve. The council needs to ensure that any acquisitions are subject to rigorous scrutiny, with full consideration of procedural compliance, best value, long-term financial implications, and risk exposure including public interest.

Medium-Term Financial Plan (MTFP)

- The MTFP has been reduced from ten years to four as a direct result of LGR. This includes the certainty in core spending power as a result of the three-year spending review. There are savings of £3.594m to be achieved in the years leading up to vesting day of the new authority model (1 April 2028).

Addressing the budget gaps

As part of the spending review for 2026/27 a 3-year assessment of the funding for Local Government will provide the clarity needed for future planning. The MTFP approved by council in February is based on intelligence and data known at the time of publication.

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

Financial Resilience Conclusion

Looking at the expected opening balance of c(£14.300m) for the corporate reserves for 2026/27 and the forecast movement, our risk-based approach has identified potential significant financial burdens that the Authority could be exposed to in the medium term. To manage the medium-term risk, work will continue to deliver the savings target for the remainder of the 4 years of the MTFP. The Council is in a positive position to hold significant balances, but they have significantly reduced due to repurposing and commitments. Through the work of delivering transformation and or the Corporate Strategy for the remainder of the MTFP, there may be a requirement to continue to use these balances which does increase the risk profile.

It is important that the organisation does not become complacent with the financial position as although 2026/27 is balanced, there are significant savings to be delivered before LGR. The new Corporate Strategy has some exciting and significant projects included which will use reserve balances but with no plans to replenish them it is critical that officers understand the importance of sound financial controls.

Although there is an adequate level of reserves for the forthcoming year there are challenges in delivering a balanced budget from 2027/28 onwards especially with the changes to the final Local Government Finance Settlement for 2026/27. Therefore, it is imperative that service budget pressures that we have witnessed over the last two financial years do not continue. With corporate reserves being rediverted and/or used, the flexibility available to mitigate against risk will reduce.

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

Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2026. It is comprised of core and supplementary statements, together with disclosure notes. The format and content of the Financial Statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 which in turn is underpinned by International Financial Reporting Standards; A Glossary of key terms can be found at the end of this publication.

The Primary Financial statements

The Comprehensive Income and Expenditure Statement (CIES) records all our income and expenditure for the year, in accordance with generally accepted accounting practices (GAAP) rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

The top half of the statement provides an analysis by portfolio, in-line with our organisational structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

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

The Movement in Reserves Statement (MIRS) shows the movement from the start of the year to the end on the different reserves we hold, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves which are set aside for specific reasons and cannot be spent as they are not backed by cash resources. The statement shows how the movements in year of on our reserves is broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net (increase)/decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments. Usable reserve levels reflect the need to maintain a prudent level of reserves. Unusable reserves include reserves for unrealised gains and losses where amounts only become available to provide services if the assets are sold.

The Balance Sheet statement is a “snapshot” of our assets (including cash balances), liabilities and reserves at the year-end date. Our net assets (assets less liabilities) are matched by the usable and unusable reserves as shown in the Movement in Reserves Statement.

The Cash Flow Statement shows the reason for changes in our cash balances during the year and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities). The amount of net cash flows arising from operating activities is a key indicator of the extent to which our operations are funded by way of taxation and grant income or from the recipients of services we provide. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to our future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows to repay our borrowing.

The Expenditure and Funding Analysis (included in a prominent place in the notes) shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES.

Notes to support the primary statements

Notes are presented after the core statements and provide more detail about the Council's accounting policies and individual transactions.

Supplementary Statements

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

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

The Annual Governance Statement

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

Further Information

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

Email: contact.centre@rugby.gov.uk
Telephone: (01788) 533533
Address: Town Hall, Evreux Way, Rugby, CV21 2RR.

Statement of Responsibilities

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility of those affairs. In Rugby Borough Council, this is the Chief Finance Officer (S151).
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

Responsibilities of the Chief Finance Officer (S151 Officer)

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

In preparing this Statement of Accounts, the Chief Finance Officer(S151 Officer) has:

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

Certificate of the Chief Finance Officer (S151 Officer)

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31 March 2026 and its expenditure and income for the year then ended.

Mathew Crosby FCCA
Interim Chief Finance Officer (S151)
Date: 14 September 2026

The Primary Financial Statements

Comprehensive Income and Expenditure Statement

2024/25 Restated					2025/26		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
7,198	(2,539)	4,659	Communities and Homes		8,225	(3,314)	4,911
3,897	(21)	3,876	Digital and Communications		4,031	(3)	4,028
1,785	(76)	1,709	Chief Executive		2,050	(82)	1,968
16,218	(12,807)	3,411	Finance and Performance		15,443	(11,114)	4,329
4,567	(3,486)	1,081	Growth and Investment		4,869	(2,485)	2,384
19,135	(19,602)	(467)	Housing Revenue Account		36,665	(20,300)	16,365
2,261	(436)	1,825	Legal and Governance		2,088	(275)	1,813
5,578	(1,567)	4,011	Leisure and Wellbeing		5,968	(1,590)	4,378
7,799	(3,813)	3,986	Operations and Traded		8,936	(5,183)	3,753
3,871	(2,314)	1,557	Regulation and Safety		4,431	(2,235)	2,196
(3,453)	**(13)**	(3,466)	Corporate Items		(3,199)	(7)	(3,206)
68,856	**(46,674)**	**22,182**	**Total Cost of Services**		**89,507**	**(46,588)**	**42,919**
		1,442	Other Operating Expenditure	9			(354)
		(2,679)	Financing and Investment Income and Expenditure	10			(2,471)
		(30,668)	Taxation and Non-specific Grant Income	11			(40,952)
		(9,723)	**(Surplus)/Deficit on Provision of Services**				**(858)**
			Other Comprehensive Income and Expenditure				
		(65)	(Surplus)/Deficit on revaluation of non-current assets				(9,906)
		-	(Surplus)/Deficit on financial assets measured at fair value				(61)
		(173)	Remeasurement of the net defined benefit liability/(asset)				(811)
		(238)	**Total Other Comprehensive Income and Expenditure**				**(10,778)**
		(9,961)	**Total Comprehensive Income and Expenditure**				**(11,636)**

The prior year comparators have been restated for two changes which are as follows:

- The Housing Benefits Service was transferred from Communities and Homes to Finance and Performance; this included the transfer of the income and expenditure budgets for Housing Benefits.
- The Council stopped processing internal recharges between individual services and just processed a single recharge for the net value of the services provided to the ringfenced Housing Revenue Account by General Fund services. The recharge to the Housing Revenue account now appears as a credit in the expenditure column of the Corporate Items line.

Movement in Reserves

2025/26	General Fund Balance £000	General Fund Earmarked Reserves £000	Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2025	**(2,250)**	**(33,531)**	**(4,085)**	**(19,816)**	**(6,126)**	**(12,499)**	**(55)**	**(78,362)**	**(216,964)**	**(295,326)**
Movement in Reserves during 2025/26										
(Surplus)/Deficit on provision of services	(9,144)	-	8,286	-	-	-	-	**(858)**	-	**(858)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(10,778)	**(10,778)**
Total Comprehensive Income and Expenditure	**(9,144)**	**-**	**8,286**	**-**	**-**	**-**	**-**	**(858)**	**(10,778)**	**(11,636)**
Adjustments between accounting basis and funding basis under regulations (note 7)	(1,237)	-	(10,576)	-	275	(2,805)	(62)	**(14,405)**	14,405	**-**
Net (Increase)/Decrease before appropriations	**(10,381)**	**-**	**(2,290)**	**-**	**275**	**(2,805)**	**(62)**	**(15,263)**	**3,627**	**(11,636)**
Appropriations to/from Reserves	10,381	(10,381)	2,290	(2,290)	-	-	-	**-**	-	**-**
(Increase)/Decrease in 2025/26	**-**	**(10,381)**	**-**	**(2,290)**	**275**	**(2,805)**	**(62)**	**(15,263)**	**3,627**	**(11,636)**
Balance at 31 March 2026	**(2,250)**	**(43,912)**	**(4,085)**	**(22,106)**	**(5,851)**	**(15,304)**	**(117)**	**(93,625)**	**(213,337)**	**(306,962)**

e	General Fund Balance £000	General Fund Earmarked Reserves £000	Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2024	**(2,250)**	**(31,196)**	**(4,085)**	**(16,323)**	**(5,802)**	**(14,571)**	**(22)**	**(74,249)**	**(211,116)**	**(285,365)**
Movement in Reserves during 2024/25										
(Surplus)/Deficit on provision of services	(6,438)	-	(3,285)	-	-	-	-	**(9,723)**	-	**(9,723)**
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	**-**	(238)	**(238)**
Total Comprehensive Income and Expenditure	**(6,438)**	**-**	**(3,285)**	**-**	**-**	**-**	**-**	**(9,723)**	**(238)**	**(9,961)**
Adjustments between accounting basis and funding basis under regulations (note 7)	4,103	-	(595)	-	63	2,072	(33)	**5,610**	(5,610)	**-**
Net (Increase)/Decrease before appropriations	**(2,335)**	**-**	**(3,880)**	**-**	**63**	**2,072**	**(33)**	**(4,113)**	**(5,848)**	**(9,961)**
Appropriations to/from Reserves	2,335	(2,335)	3,880	(3,493)	(387)	-	-	**-**	-	**-**
(Increase)/Decrease in 2024/25	**-**	**(2,335)**	**-**	**(3,493)**	**(324)**	**2,072**	**(33)**	**(4,113)**	**(5,848)**	**(9,961)**
Balance at 31 March 2025	**(2,250)**	**(33,531)**	**(4,085)**	**(19,816)**	**(6,126)**	**(12,499)**	**(55)**	**(78,362)**	**(216,964)**	**(295,326)**

Balance Sheet

	Note	31 March 2026 £000	31 March 2025 £000
Property, Plant and Equipment	13	282,115	283,161
Heritage Assets	14	36,334	36,899
Investment Property	15	1,025	780
Intangible Assets	16	445	707
Long Term Investments	18	783	5,734
Long Term Debtors and Advances	20	6,716	6,793
Long Term Assets		**327,418**	**334,074**
Short Term Investments	18	70,411	61,511
Assets Held for Sale	17	-	86
Inventories		260	338
Short Term Debtors	20	15,927	17,639
Cash and Cash Equivalents	19	15,611	6,259
Current Assets		**102,209**	**85,833**
Short Term Borrowings	18	(1,139)	(1,446)
Short Term Creditors	21	(24,148)	(21,573)
Grants Receipts in Advance	12	(1,906)	(1,472)
Short Term Provisions	22	(3,042)	(1,098)
Current Liabilities		**(30,235)**	**(25,589)**
Long Term Provisions	22	(1,313)	(4,065)
Long Term Creditors	21	(638)	(871)
Long Term Borrowing	18	(81,633)	(82,333)
Pension Liabilities	36	(2,692)	(4,843)
Grants Receipts in Advance	12	(6,154)	(6,880)
Long Term Liabilities		**(92,430)**	**(98,992)**
Net Assets		**306,962**	**295,326**
Usable Reserves	23	(93,627)	(78,365)
Unusable Reserves	25	(213,335)	(216,961)
Total Reserves		**(306,962)**	**(295,326)**

Mathew Crosby FCCA
Interim Chief Finance Officer (S151 Officer)
Date: 14th September 2026

Cash Flow Statement

	Note	2025/26 £000	2024/25 £000
Net Surplus or (deficit) on the provision of services		858	9,723
Adjustment to net surplus or deficit on the provision of services for non-cash movements	26	31,743	12,374
Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	26	(12,255)	(7,752)
Net cash flows from Operating activities		**20,346**	**14,345**
Investing activities	27	(11,152)	(6,744)
Financing activities	28	158	(1,525)
Net increase or (decrease) in cash and cash equivalents		**9,352**	**6,076**
Cash and Cash equivalents at the beginning of the reporting period		6,259	183
Cash and Cash equivalents at 31 March	**19**	**15,611**	**6,259**

Notes to the Accounting Statements

1. General Principles

The statement of accounts summarises the authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

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

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

The Council is required to disclose information relating to the impact on its financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). The Code of Practice on Local Authority Accounting in the United Kingdom 2026/27 has introduced some changes to the accounting policies which will be required from 1 April 2026 and will be adopted by Rugby Borough Council from this date.

The standards introduced by the 2026/27 Code are:

a) Amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (amendments to heritage assets) issued in March 2024.
b) Amendments to the Classification and Measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7) issued in May 2024.
c) Annual improvements to IRS accounting standards – Volume 11 issued in July 2024.
d) Contracts Referencing Nature-dependent Electricity (amendments to IFRS 9 and IFRS 7) issued in December 2024.

It is not expected that these standards will have any impact on the Council's accounts.

3. Critical judgements in applying accounting policies.

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

Going Concern

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

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

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

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

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

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

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

Pension Liability

The Council's actuary has revalued the future liabilities owed by the Warwickshire Pension Fund on behalf of the Council and matched this with the current fair value of assets held by the pension Fund on behalf of the Council. This resulted in a surplus of £39.427m. This surplus is not an asset that is available to the Council. the Council has assessed that there is no opportunity to get a reduction in future contributions or a refund from the fund. Under IFRIC 14, the accounting standard applicable to defined pension schemes, the Actuary has considered the asset ceiling restriction amount at 31 March 2026 and this has been considered in relation to the surplus calculation and applied to show a liability of £2.692m.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Other land and buildings £38.585m Council Dwellings £219.701m	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets.	An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. The Council's external valuers provided valuations as at 31 March 2026 following a full review of the operational portfolio. There are uncertainties with regard to comparable properties when using the beacon approach to the valuation of Council dwellings, where there is a lack of similar properties recently sold on the open market. The expertise of the professional external valuer is relied on. A 1% downward movement in the market prices of houses would result in a £2.165m reduction in the value of the Council dwellings.
Financial instruments	The Council holds £4.6m (nominal) of units in both Property and Diversified Income Funds. The funds own retail, industrial, office, and other non-residential property holdings.	The value of Financial Instruments will be subject to review, so there may be changes to the values in the Balance Sheet in the future. Fair value gains and losses are recognised as they arrive in the Surplus/Deficit on the Provision of Services. The Council uses the statutory override introduced by the Government to transfer these gains/losses to the Financial Instruments Revaluation Reserve.
Provision for Business Rate Appeals £2.780m	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2026 is £6.950m, of which the Council's share is 40% (£2.780m). Should the success of appeals differ from the governments expectation by 1% the effect on the Council's net assets would be £0.028m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension liability £2.692m	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Warwickshire County Council with expert advice about the assumptions to be applied. At 31 March 2026 the Council's share of the Pension Fund liability is an asset of £39.427m, which means that, should the assumptions come to fruition as estimated, the Council would realise a cash surplus. However, as explained in note 3, the asset has had the asset ceiling restriction applied and has been converted to a liability of £2.692m.	The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in an increase in the pension asset of £1.714 million before the asset ceiling is applied. A sensitivity analysis upon other variables affecting the net pension liability is set out in Note 36 Defined Benefit Pension Schemes.

5. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at 31 March 2026 – the Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the 31 March 20265 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

No such events have been identified.

6. Expenditure and Funding Analysis

	2025/26					
		Adjustments between the Funding and Accounting Basis				
	Net Expenditure in the CIES £000	Adjustments for Capital Purposes £000	Pensions Adjustments £000	Other Differences £000	Total Adjustments £000	Net Expenditure Chargeable to the General Fund & HRA £000
Communities and Homes	4,911	(1,974)	145	7	**(1,822)**	**3,089**
Digital and Communications	4,028	(325)	106	(4)	**(223)**	**3,805**
Chief Executive	1,968	-	87	(2)	**85**	**2,053**
Finance and Performance	4,329	-	254	6	**260**	**4,589**
Growth and Investment	2,384	(750)	112	(2)	**(640)**	**1,744**
Housing Revenue Account	16,365	(17,100)	217	(3)	**(16,886)**	**(521)**
Legal and Governance	1,813	(11)	55	(3)	**41**	**1,854**
Leisure and Wellbeing	4,378	(1,322)	124	(4)	**(1,202)**	**3,176**
Operations and Traded	3,753	(948)	352	21	**(575)**	**3,178**
Regulation and Safety	2,196	(670)	121	(5)	**(554)**	**1,642**
Corporate Items	(3,206)	2,195	-	-	**2,195**	**(1,011)**
Cost of Services	**42,919**	**(20,905)**	**1,573**	**11**	**(19,321)**	**23,598**
Other income and expenditure	(43,777)	7,125	(234)	617	**7,508**	**(36,269)**
(Surplus) or Deficit	**(858)**	**(13,780)**	**1,339**	**628**	**(11,813)**	**(12,671)**

Opening General Fund & HRA Balances	**(59,683)**
(Surplus)/Deficit on General Fund & HRA in Year	(12,671)
Closing General Fund & HRA Balances	**(72,354)**

	2024/25					
	Net Expenditure in the CIES (Restated)	Adjustments between the Funding and Accounting Basis				Net Expenditure Chargeable to the General Fund & HRA
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences	Total Adjustments	
	£000	£000	£000	£000	£000	£000
Communities and Homes	4,659	(1,424)	87	(6)	(1,343)	3,316
Digital and Communications	3,876	(399)	55	1	(343)	3,533
Chief Executive	1,709	-	49	(4)	45	1,754
Finance and Performance	3,411	-	48	(1)	47	3,458
Growth and Investment	1,081	(12)	50	(4)	34	1,115
Housing Revenue Account	(467)	(3,142)	116	(17)	(3,043)	(3,510)
Legal and Governance	1,825	(8)	30	(1)	21	1,846
Leisure and Wellbeing	4,011	(851)	61	(8)	(798)	3,213
Operations and Traded	3,986	(799)	181	(15)	(633)	3,353
Regulation and Safety	1,557	(421)	61	(11)	(371)	1,186
Corporate Items	(3,466)	1,448		-	1,448	(2,018)
Cost of Services	**22,182**	**(5,608)**	**738**	**(66)**	**(4,936)**	**17,246**
Other income and expenditure	(31,905)	3,374	(250)	5,319	8,443	**(23,462)**
(Surplus) or Deficit	**(9,723)**	**(2,234)**	**488**	**5,253**	**3,507**	**(6,216)**

Opening General Fund & HRA Balances	**(53,854)**
Surplus/(Deficit) on General Fund in Year	(6,216)
Appropriation to Major Repairs Reserve	387
Closing General Fund & HRA Balances	**(59,683)**

See the foot of the Comprehensive Income and Expenditure Statement for details of the restatement to the prior year figures.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

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

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2025/26	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable reserves £000	Total unusable reserves £000
Adjustments to Revenue Resources							
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
Pension costs (transferred to/from the Pensions Reserve)	1,154	185	-	-	-	**1,339**	**(1,339)**
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	(152)	-	-	-	-	**(152)**	**152**
Council Tax and NDR (transfers to/from the Collection Fund)	769	-	-	-	-	**769**	**(769)**
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	15	(3)	-	-	-	**12**	**(12)**
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(5,277)	(20,746)	-	-	-	**(26,023)**	**26,023**
Total Adjustments to Revenue Resources	**(3,491)**	**(20,564)**	**-**	**-**	**-**	**(24,055)**	**24,055**
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-	5,945	-	(5,945)	-	**-**	**-**
Transfer of unattached capital receipts	-	157	-	(157)	-	**-**	**-**
Transfer of unconditional grants and contributions	62	-	-	-	(62)	**-**	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,354	-	-	-	-	**1,354**	**(1,354)**
Capital expenditure charged against revenue balances	838	1,128	-	-	-	**1,966**	**(1,966)**
Total Adjustments between Revenue and Capital Resources	**2,254**	**7,230**	**-**	**(6,102)**	**(62)**	**3,320**	**(3,320)**

2025/26 continued	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable reserves £000	Total unusable reserves £000
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	3,297	-	**3,297**	**(3,297)**
Use of the Major Repairs Reserve to finance capital expenditure	-	-	3,033	-	-	**3,033**	**(3,033)**
Transfer of HRA depreciation costs to Major Repairs Reserve	-	2,738	(2,738)	-	-	**-**	**-**
Total Adjustments to Capital Resources	**-**	**2,738**	**295**	**3,297**	**-**	**6,330**	**(6,330)**
Total Adjustments	**(1,237)**	**(10,596)**	**295**	**(2,805)**	**(62)**	**(14,405)**	**14,405**

2024/25	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable reserves £000	Total unusable reserves £000
Adjustments to Revenue Resources							
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:							
Pension costs (transferred to/from the Pensions Reserve)	411	77	-	-	-	**488**	**(488)**
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)		-	-	-	-	**-**	**-**
Council Tax and NDR (transfers to/from the Collection Fund)	5,319	-	-	-	-	**5,319**	**(5,319)**
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	(50)	(17)	-	-	-	**(67)**	**67**
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,227)	(6,143)	-	-	-	**(9,370)**	**9,370**
Total Adjustments to Revenue Resources	**2,453**	**(6,083)**	**-**	**-**	**-**	**(3,630)**	**3,630**
Adjustments between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	13	2,378	-	(2,391)	-	**-**	**-**
Transfer of unattached capital receipts	31	-	-	(31)	-	**-**	**-**
Transfer of unconditional grants and contributions	33	-	-	-	(33)	**-**	**-**
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,230	-	-	-	-	**1,230**	**(1,230)**
Capital expenditure charged against revenue balances	343	118	-	-	-	**461**	**(461)**
Total Adjustments between Revenue and Capital Resources	**1,650**	**2,496**	**-**	**(2,422)**	**(33)**	**1,691**	**(1,691)**

2024/25 continued	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total usable reserves £000	Total unusable reserves £000
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	4,494	-	**4,494**	**(4,494)**
Use of the Major Repairs Reserve to finance capital expenditure	-	-	3,055	-	-	**3,055**	**(3,055)**
Transfer of HRA depreciation costs to Major Repairs Reserve	-	2,992	(2,992)	-	-	**-**	**-**
Total Adjustments to Capital Resources	**-**	**2,992**	**63**	**4,494**	**-**	**7,549**	**(7,549)**
Total Adjustments	**4,103**	**(595)**	**63**	**2,072**	**(33)**	**5,610**	**(5,610)**

8. Expenditure and Income Analysis by Nature

	2025/26 £000	2024/25 £000
Expenditure		
Employee benefits expenses	25,244	24,308
Other service expenses	36,342	32,709
Depreciation	6,586	6,673
Amortisation	343	348
Revaluation & Impairment	19,316	3,067
Interest payments	1,590	1,636
Net interest on the net defined benefit liability	234	250
Precepts and levies	1,156	1,100
REFCUS	1,676	1,751
Gain / Impairment of financial assets	152	-
Loss on the disposal of assets	-	373
Total expenditure	**92,639**	**72,215**
Income		
Fees, charges and other service income	(11,838)	(11,018)
Gain on the disposal of assets	(1,352)	-
HRA dwelling rents	(18,919)	(18,113)
Interest and investment income	(4,152)	(4,455)
Income from council tax, non-domestic rates	(18,403)	(19,443)
Government grants and contributions	(38,380)	(28,768)
Other income	(453)	(141)
Total income	**(93,497)**	**(81,938)**
(Surplus)/Deficit on the Provision of Services	**(858)**	**(9,723)**

9. Other Operating Expenditure

Other Operating Expenditure	2025/26 £000	2025/26 £000
Parish Council Precepts	1,156	1,100
Other Income - Unattached Receipts	(157)	(31)
(Gains)/Losses on the disposal of non-current assets	(1,353)	373
Total	**(354)**	**1,442**

10. Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2025/26 £000	2024/25 £000
Interest Payable and similar charges	1,590	1,636
Net interest on the net defined benefit liability	234	250
Interest Receivable and similar income	(4,151)	(4,455)
Income and expenditure in relation to investment properties and changes in their fair value	(296)	(110)
(Gains)/Impairment of financial assets	152	-
Total	**(2,471)**	**(2,679)**

11. Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income	2025/26 £000	2024/25 £000
Council Tax Income	(9,810)	(10,043)
Retained Business Rates	(24,972)	(25,420)
Business Rates Tariff Payment	16,380	16,168
Non-ring-fenced Government grants and contributions	(17,186)	(7,716)
Capital grants and contributions	(5,364)	(3,657)
Total	**(40,952)**	**(30,668)**

12. Grant Income

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

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

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

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

Total Grants Credited to Taxation and Non-Specific Grant Income	2025/26 £000	2024/25 £000
New Homes Bonus	(1,132)	(736)
Business Rates Section 31 Grants	(4,706)	(4,951)
Other Non-Specific Revenue Grants	(1,285)	(2,029)
Section 106 Funding Non-Conditional	(10,063)	-
Revenue Grants	(17,186)	(7,716)
Capital Grants Non-Conditional	(62)	(33)
Capital Grants Conditional	(4,912)	(3,499)
Capital Section 106 Funding Conditional	(389)	(125)
Capital Grants	(5,363)	(3,657)
Total	**(22,626)**	**(11,373)**

Grants included as income in the Net Cost of Services	2025/26 £000	2024/25 £000
Credited to Services		
Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(10,582)	(12,214)
Other DWP grants	(120)	(128)
MHCLG grants	(1,279)	(2,027)
Business Rates Cost of Collection	(137)	(136)
Extended Provider Responsibility Grant	(1,526)	-
Contributions & Donations	(234)	(194)
Section 106 Contributions	(198)	(290)
Other Revenue Grants & Section 106 Funding	(710)	(881)
Revenue Grants and Contributions	(14,786)	**(15,870)**
MHCLG - Disabled Facilities Grant	(938)	(829)
Section 106 & Other Capital Conditional and Non-Conditional Funding	-	(844)
Capital Grants and Contributions	(938)	**(1,673)**
Total Grants Credited to Services	**(15,724)**	**(17,543)**

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

	2025/26 £000	2024/25 £000
Revenue Section 106 Funding	(5,009)	(5,726)
Other Revenue grants	(1,906)	(1,472)
Revenue Receipts Held in Advance	**(6,915)**	**(7,198)**
Other Capital grants	(1,145)	(1,154)
Capital Receipts Held in Advance	**(1,145)**	**(1,154)**
Total Receipts Held in Advance	**(8,060)**	**(8,352)**

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

Grants received where the Council acts as an Agent	31 March 2025 £000	Income £000	Expenditure £000	31 March 2026 £000
Dept of Business, Energy and Industrial Strategy - Creditor	(115)	-	-	(115)
Total	**(115)**	**-**	**-**	**(115)**

13. Property, Plant and Equipment

2025/26 Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Non-Operational Assets £000	Assets under Construction £000	Total £000
At 1 April 2025	**201,928**	**41,402**	**14,456**	**8,970**	**967**	**3,557**	**23,005**	**294,285**
Adjustments to Opening Balance Techforge	(216)	2,087	(118)	9	-	(1)	128	**1,889**
Adjustments to Opening Balance Unit4	3,043	(1,160)	73	(9)	-	8	(128)	**1,827**
Restated Opening Balance	**204,755**	**43,329**	**14,411**	**8,970**	**967**	**3,564**	**23,005**	**298,001**
Additions	7,323	371	1,162	30	-	-	9,936	**18,822**
Derecognition - disposals	(3,122)	-	-	-	-	(150)	-	**(3,272)**
Derecognition - componentisation	(1,272)	-	(98)	-	-	-	-	**(1,370)**
Reclassification	28,847	-	24	56	-	-	(28,927)	**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	8,221	(2,096)	-	-	-	5	-	**6,130**
Revaluation decreases recognised in the Provision of Services	(18,468)	(1,099)	-	-	-	(75)	--	**(19,642)**
Other movements in cost or valuation	(1,349)	1,545	99	-	-	4	3,709	**4,008**
At 31 March 2026	**224,935**	**41,050**	**15,598**	**9,056**	**967**	**3,348**	**7,723**	**302,677**
Depreciation and impairment								
At 1 April 2025	**(44)**	**-**	**(7,353)**	**(3,727)**	**-**	**-**	**-**	**-11,124**
Adjustments to Opening Balance Techforge	**44**	**(159)**	**115**	**18**	**-**	**-**	**-**	**18**
Adjustments to Opening Balance Unit4	**(2,871)**	**(766)**	**(71)**	**(18)**	**-**	**(7)**	**-**	**18**
Restated Opening Balance	**(2,871)**	**(925)**	**(7,039)**	**(3,727)**	**-**	**(7)**	**-**	**(11,106)**
Charge for 2025/26	(2,582)	(1,547)	(1,387)	(382)	-	(5)	-	**-5,816**
Derecognition - disposals	36	-	-	-	-	-	-	**36**
Derecognition - other	-	-	98	-	-	-	-	**98**
Impairment losses recognised in the revaluation reserve	-	331	-	-	-	5	-	**336**
Reclassification	-	-	-	-	-	-	-	**-**
Depreciation written out to the Revaluation Reserve due to revaluation	1,916	1,524	-	-	-	-	-	3440
Depreciation written out to the Provision of Services due to revaluation	627	30	-	-	-	-	-	**657**
Impairment (losses)/reversals due to revaluation recognised in the Surplus or Deficit on the Provision of Services	-	(331)	-	-	-	-	-	**-331**
Other movements in cost or valuation	2,360	(1,547)	(145)	-	-	(4)	-	**(4,056)**
At 31 March 2026	**(5,234)**	**(2,465)**	**(8,743)**	**(4,109)**	**-**	**(11)**	**-**	**(20,562)**
Balance Sheet at 31 March 2026	**219,701**	**38,585**	**6,855**	**4,947**	**967**	**3,337**	**7,723**	**282,115**

Right of Use Assets are not shown separately due to their low value, they are incorporated in Vehicles, Plant and Equipment. See Note 35 for more detail.

2024/25 Cost or Valuation	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Non-Operational Assets £000	Assets under Construction £000	Total £000
At 1 April 2024	**206,707**	**43,065**	**13,293**	**8,190**	**967**	**3,490**	**4,846**	**280,558**
Additions	4,981	-	1,707	766	-	-	17,984	**25,438**
Derecognition - disposals	(1,251)	-	(680)	(183)	-	-	-	**(2,114)**
Derecognition - componentisation	(1,426)	-	-	-	-	-	-	**(1,426)**
Reclassification	(688)	-	138	197		-	175	**(178)**
Revaluation Increases recognised in the Revaluation Reserve	(260)	197	-	-	-	127	-	**64**
Revaluation decreases recognised in the Provision of Services	(6,135)	(1,862)	-	-	-	(60)	-	**(8,057)**
Other movements in cost or valuation	-	2	(2)	-	-	-	-	**-**
At 31 March 2025	**201,928**	**41,402**	**14,456**	**8,970**	**967**	**3,557**	**23,005**	**294,285**
Depreciation and impairment								
At 1 April 2024	**(44)**	**(620)**	**(6,712)**	**(3,546)**	**-**	**-**	**-**	**(10,922)**
Charge for 2024/25	(2,844)	(1,518)	(1,304)	(364)	-	(8)	-	**(6,038)**
Derecognition - disposals	-	-	663	183	-	-	-	**846**
Impairment losses recognised in the revaluation reserve	-	-	-	-	-	-	-	**-**
Reclassification	-	-	-	-	-		-	**-**
Depreciation written out to the Provision of Services due to revaluation	2,844	1,518	-	-	-	8	-	**4,370**
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	620	-	-	-	-	-	**620**
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**
At 31 March 2025	**(44)**	**-**	**(7,353)**	**(3,727)**	**-**	**-**	**-**	**(11,124)**
Balance Sheet at 31 March 2025	**201,884**	**41,402**	**7,103**	**5,243**	**967**	**3,557**	**23,005**	**283,161**

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

	Council dwellings £000	Other land and buildings £000	Total non-current assets carried at current value £000	Assets carried at other value £000	Total Valuation (All Assets) £000
Valued at historical cost	-	11	11	23,941	23,952
Valued at current cost in:					
2025/26	216,498	40,611	257,109	3,336	260,445
2024/25	-	-	-	-	-
2023/24	-	-	-	12	12
2022/23	-	-	-	-	-
Total	**216,498**	**40,622**	**257,120**	**27,289**	**284,409**

14. Heritage Assets

	Art and Social History Collections £000	Monuments and Statues £000	Historic Sites/Buildings £000	Civic Regalia £000	Intangible £000	Total Assets £000
Cost or Valuation						
At 1 April 2025	**5,921**	**571**	**31,433**	**213**	**15**	**38,153**
Revaluations	-	-		-	-	**-**
Additions	70	-	-	-	-	**70**
At 31 March 2026	**5,991**	**571**	**31,433**	**213**	**15**	**38,223**
Depreciation						
At 1 April 2025	**(4)**	**(30)**	**(1,208)**	**-**	**(12)**	**(1,254)**
Revaluations	-	-		-	-	**-**
Charge for year	-	(10)	(622)	-	(3)	**(635)**
At 31 March 2026	**(4)**	**(40)**	**(1,830)**	**-**	**(15)**	**(1,889)**
Net book value at 31 March 2026	**5,987**	**531**	**29,603**	**213**	**-**	**36,334**

	Art and Social History Collections £000	Monuments and Statues £000	Historic Sites/Buildings £000	Civic Regalia £000	Intangible £000	Total Assets £000
Cost or Valuation						
At 1st April 2024	**5,921**	**571**	**31,298**	**213**	**15**	**38,018**
Revaluations	-	-	135	-	-	**135**
At 31st March 2025	**5,921**	**571**	**31,433**	**213**	**15**	**38,153**
Depreciation						
At 1st April 2024	**(4)**	**(20)**	**(451)**	**-**	**(8)**	**(483)**
Revaluations	-	-	(135)	-	-	**(135)**
Charge for year	-	(10)	(622)	-	(4)	**(636)**
At 31st March 2025	**(4)**	**(30)**	**(1,208)**	**-**	**(12)**	**(1,254)**
Net book value at 31 March 2025	**5,917**	**541**	**30,225**	**213**	**3**	**36,899**

Revaluations of Heritage Assets

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

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

Art Collections

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

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

15. Investment Properties

	2025/26 £000	2024/25 £000
Balance at 1 April	780	721
Net gains/(losses) from fair value adjustments	245	59
Balance at 31 March	**1,025**	**780**

16. Intangible assets

	2025/26 £000	2024/25 £000
Balance at 1 April	707	788
Additions	80	172
Amortisation	(342)	(348)
Reclassifications	-	95
Balance at 31 March	**445**	**707**

17. Assets Held for Sale

	2025/26 £000	2024/25 £000
Balance at 1 April	86	72
Assets Sold	(84)	(69)
Revaluation gains/(losses)	-	(1)
Reclassification	(2)	83
Balance at 31 March	**-**	**86**

18. Financial Instruments

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

	31 March 2026		31 March 2025	
	Long Term £000	Short Term £000	Long Term £000	Short Term £000
Financial Assets				
At Amortised Cost	-	66,236	5,000	57,061
At Fair Value through Profit and Loss	155	4,175	95	4,359
Total Investments	**155**	**70,411**	**5,095**	**61,420**
Loans and Receivables	**6,602**	**-**	**6,659**	**-**
Cash and Cash Equivalents	-	15,611	-	6,259
Total Cash and Cash Equivalents	**-**	**15,611**	**-**	**6,259**
Trade Receivables	-	4,250	-	4,953
Included in Short term debtors	**-**	**4,250**	**-**	**4,953**
Total Financial Assets	**6,757**	**90,272**	**11,754**	**72,632**
Financial Liabilities				
Loans at Amortised Cost	(81,600)	(1,139)	(82,300)	(1,446)
Finance Lease	(6)	(42)	(48)	(42)
Short term creditors	-	(843)	-	(554)
Total Financial Liabilities	**(81,606)**	**(2,024)**	**(82,348)**	**(2,042)**

Income, Expense, Gains and Losses

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

	2025/26			2024/25		
	Financial Liabilities Measured at Amortised Cost £000	Financial Assets Measured at Amortised Cost £000	Financial Assets Measured at Fair Value through Profit and Loss £000	Financial Liabilities Measured at Amortised Cost £000	Financial Assets Measured at Amortised Cost £000	Financial Assets Measured at Fair Value through Profit and Loss £000
Interest Expense	(1,590)	-	-	(1,636)	-	-
Net loss on financial assets at fair value through profit and loss	-	-	(151)	-	-	(227)
Total Expense in Surplus/Deficit on the Provision of Services	**(1,590)**	**-**	**(151)**	**(1,636)**	**-**	**(227)**
Net gain on financial assets at fair value through profit and loss	-	-	-	-	-	-
Interest Income	-	3,972	179	-	4,210	245
Total Income in Surplus/Deficit on the Provision of Services	**-**	**3,972**	**179**	**-**	**4,210**	**245**
Gains on revaluation	-	-	61	-	-	227
Net Gain/(Loss) for the year	**(1,590)**	**3,972**	**89**	**(1,636)**	**4,210**	**245**

Fair Values of Assets and Liabilities

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

There were no transfers between input levels during the financial year 2025/26. There has been no change in valuation technique used during the year for financial instruments.

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

	31 March 2026		31 March 2025	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Assets for which Fair Value is not disclosed				
Long Term Debtors and Advances	6,602	-	6,659	-
Long Term Investments	-	-	5,000	-
Short Term Investments	66,236	-	57,056	-
Cash and Cash Equivalents	15,611	-	6,259	-
Short term debtors	4,250	-	4,953	-
Sub-total	**92,699**	**-**	**79,927**	**-**
Total Financial Assets	**92,699**	**-**	**79,927**	**-**
Financial Liabilities at amortised cost				
Borrowing				
Public Works Loans Board	(68,600)	(20,897)	(69,890)	(23,269)
Other	(13,700)	(8,570)	(13,855)	(8,924)
Total Borrowing	**(82,300)**	**(29,467)**	**(83,745)**	**(32,193)**
Finance Lease	(21)	(21)	(87)	(87)
Short term creditors	(843)	(846)	(554)	(554)
Total Financial Liabilities	**(83,164)**	**(30,334)**	**(84,386)**	**(32,834)**

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

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

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

The fair values are calculated as follows:

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans at a lower rate than was available for similar loans in the market at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2026) arising from a commitment to pay interest to lenders below current market rates.

The fair value of PWLB loans of £20.897m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early, it would benefit from a discount, based on redemption interest rates for premature repayment of £47.990m. The exit price for the PWLB loans including the discount would be £20.610m.

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

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

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

19. Cash and Cash Equivalents

	31 March 2026 £000	31 March 2025 £000
Cash held by the Council	47	54
Bank current accounts	(96)	(962)
Call Accounts	15,660	7,167
	15,611	**6,259**

20. Debtors

	31 March 2026 £000	31 March 2025 £000
Amounts due within one year		
Central Government Bodies	2,574	2,274
Other local authorities	216	169
Homelessness	93	55
Rent payers	1,255	1,211
Collection Fund Debtors (taxpayers & preceptors)	9,442	10,527
Housing Benefit overpayments	149	618
Other entities and individuals	2,198	2,785
	15,927	**17,639**
Amounts due in more than one year		
Employee vehicle loans	14	33
Work in default	100	100
Loans to third parties	6,602	6,660
	6,716	**6,793**
Total	**22,643**	**24,432**

Loss on Collection Allowances included in balances above:

	31 March 2026 £000	31 March 2025 £000
Amounts due within one year		
Homelessness	(388)	(397)
Rent payers	(851)	(822)
Collection Fund Debtors (taxpayers & preceptors)	(1,401)	(119)
Housing Benefit overpayments	(1,329)	(885)
Other entities and individuals	(1,251)	(139)
Total	**(5,220)**	**(2,362)**

21. Creditors

	31 March 2026 £000	31 March 2025 £000
Amounts due within one year		
Central Government Bodies	(601)	(1,021)
Other local authorities	(896)	(1,222)
Rent payers	(563)	(498)
Collection Fund Creditors (taxpayers & preceptors)	(16,320)	(13,858)
Other entities and individuals	(5,768)	(4,974)
	(24,148)	**(21,573)**
Amounts due in more than one year		
Funds held on behalf of third parties	(628)	(639)
Retention payment held until scheme completion	(10)	(232)
	(638)	**(871)**
Total	**(22,897)**	**(22,444)**

Finance Lease Liabilities are included within this note but are not identified separately due to their low value. See Note 18 & 35 for more information.

22. Provisions

	2025/26			2024/25		
	Business Rates Appeals £000	Other £000	Total £000	Business Rates Appeals £000	Other £000	Total £000
Short-Term Provisions						
Balance at 1 April	(539)	(559)	(1,098)	(274)	(559)	(833)
Additional Provision made in year	-	(1,017)	(1,017)	-	-	-
Amounts used in year	539	-	539	229	-	229
Transfer between Long Term and Short Term	(1,466)	-	(1,466)	(494)	-	(494)
Balance of Short-Term Provisions at 31 March	**(1,466)**	**(1,576)**	**(3,042)**	**(539)**	**(559)**	**(1,098)**
Long Term Provisions						
Balance at 1 April	(4,065)	-	(4,065)	(6,305)	-	(6,305)
Additional Provision made in year	(99)	-	-	(1,357)	-	(1,357)
Unused amounts reversed in year	1,107	-	-	3,103	-	3,103
Amounts used in year	278	-	-	-	-	-
Transfer between Long Term and Short Term	1,466	-	-	494	-	494
Balance of Long-Term Provisions at 31 March	**(1,313)**	**-**	**(1,313)**	**(4,065)**	**-**	**(4,065)**
Total Provision	**(2,779)**	**(1,576)**	**(4,355)**	**(4,604)**	**(559)**	**(5,163)**

Provision for Business Rate App

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. Billing authorities acting as agents on behalf of the major preceptors (10%), central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

23. Usable reserves

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

	31 March 2026 £000	31 March 2025 £000
General Fund balance	(2,250)	(2,250)
General Fund Earmarked reserves	(43,912)	(33,531)
Housing Revenue Account	(4,085)	(4,085)
Housing Revenue Account Earmarked reserves	(22,106)	(19,816)
Housing Revenue Account – Major Repairs Allowance	(5,852)	(6,127)
Usable Capital Receipts reserve	(15,305)	(12,500)
Unapplied Capital Grants reserve	(117)	(55)
Total Usable Reserves	**(93,627)**	**(78,364)**

24. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2025/26 and future years.

	31 March 2024 £000	Movement 2024/25 £000	31 March 2025 £000	Movement 2025/26 £000	31 March 2026 £000
General Fund					
Budget Stability Reserve	**(3,013)**	603	**(2,410)**	(19)	(2,429)
Business Rates Equalisation Reserve	**(16,740)**	(4,320)	**(21,060)**	(37)	(21,097)
Direct Revenue Financing Reserve	**-**	-	**-**	(2,391)	(2,391)
Climate emergency reserve	**(1,000)**	104	**(896)**	302	(594)
Revenue Grants & Contributions from Third Parties	**(197)**	(349)	**(546)**	202	(344)
Section 106 (Developer) Contributions - Revenue	**(2,057)**	218	**(1,839)**	(9,046)	(10,885)
Town Centre Strategy Reserve	**(4,810)**	208	**(4,602)**	1,348	(3,254)
Transformation Reserve	**(1,801)**	323	**(1,478)**	141	(1,337)
Waste Service Reserve	**-**	-	**-**	(627)	(627)
Welfare Support Reserve	**(350)**	-	**(350)**	-	(350)
Other smaller reserves	**(1,228)**	878	**(350)**	(253)	(603)
Total General Fund Earmarked Reserves	**(31,196)**	**(2,335)**	**(33,531)**	**(10,380)**	**(43,911)**
HRA					
HRA - Climate Change Reserve	**(1,513)**	-	**(1,513)**	1,059	(454)
Housing Revenue Account Capital Balances	**(14,326)**	(3,294)	**(17,620)**	(3,373)	(20,993)
Sheltered Accommodation	**(407)**	(49)	**(456)**	(50)	(506)
HRA – Transformation Reserve	**(77)**	(150)	**(227)**	74	(153)
Total HRA Earmarked Reserves	**(16,323)**	**(3,493)**	**(19,816)**	**(2,290)**	**(22,106)**
Total Earmarked reserves	**(47,519)**	**(5,828)**	**(53,347)**	**(12,670)**	**(66,017)**

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

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

Direct Revenue Financing Reserve
This reserve is established to cover costs of planned capital investments.

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

Revenue Grants and Contributions from 3rd Parties
These are specific grant payments and contributions from 3rd parties which will be used to fund expenditure in the following year.

Section 106 Developer Contributions
These represent amounts of money paid to the Council during development for specific projects and agreements with developers for the provision of additional facilities as and when land or schemes become available to provide those facilities.

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

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

Enhanced Producer Responsibility Reserve
This reserve holds funds received from Pack UK which are to cover the costs incurred in the management of household packaging waste.

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

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

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

25. Unusable Reserves

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

	31 March 2026 £000	31 March 2025 £000
Housing Act - Deferred Capital Receipt	(30)	(30)
Donated asset reserve	(60)	(60)
Revaluation Reserve	(94,765)	(87,868)
Capital Adjustment Account	(119,477)	(132,840)
Pooled Investment Funds Adjustment Account	432	281
Financial Instruments Revaluation Reserve	(61)	
Pension Reserve	2,692	4,842
Collection Fund Adjustment Account	(2,278)	(1,510)
Accumulated Absences Account	212	224
Total Unusable Reserves	**(213,335)**	**(216,961)**

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

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

	2025/26			2024/25
	General Fund £000	HRA £000	Total £000	Total £000
Opening Balance	**(52,917)**	**(34,951)**	**(87,868)**	**(90,051)**
Upward Revaluation of assets	(1,623)	(10,389)	**(12,012)**	(3,826)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,011	95	**2,106**	3,762
Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**388**	**(10,294)**	**(9,906)**	**(64)**
Difference between fair value depreciation and historical cost depreciation	1,366	634	**2,000**	1,917
Accumulated gains on assets sold or scrapped	-	1,009	**1,009**	330
Balance as at 31 March	**(51,163)**	**(43,602)**	**(94,765)**	**(87,868)**

Capital Adjustment Account

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

	2025/26 £000	2024/25 £000
Opening Balance	**(132,840)**	**(130,724)**
Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
General Fund charges for depreciation of non-current assets	5,193	3,681
HRA charges for depreciation of non-current assets	3,116	2,992
Revaluation and impairment loss: Property, Plant and Equipment	17,593	3,067
Amortisation of Intangible Assets	343	348
Changes in the Fair Value of investments	(245)	(60)
Revenue Expenditure funded from Capital under Statute	1,676	1,751
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	4,592	2,764
	32,268	**14,543**
Adjusting Amounts written out of the Revaluation Reserve	(3,009)	(2,247)
Net written out amount of the cost of non-current assets consumed in the year	**29,259**	**12,296**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,297)	(4,494)
Capital expenditure charged against the General Fund and HRA balances	(1,966)	(461)
Use of the Major Repairs Reserve to finance new capital expenditure	(3,033)	(3,055)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(6,246)	(5,173)
Provision for the financing of capital investment charged against the General Fund and HRA	(1,354)	(1,229)
	(15,896)	**(14,412)**
	(119,477)	**(132,840)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits become payable.

	2025/26 £000	2024/25 £000
Balance at 1 April	**4,842**	**5,502**
Remeasurement of the net defined benefit liability	(812)	(172)
Reversal of items relating to retirement benefits included in the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(1,338)	(488)
Balance as at 31 March	**2,692**	**4,842**

Collection Fund Adjustment Account

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

	2025/26 £000	2024/25 £000
Balance at 1 April	**(1,510)**	**3,809**
Difference between Council Tax and Business Rates income is accounted for in the Comprehensive Income and Expenditure Statements and the Collection Fund.	(768)	(5,319)
Balance as at 31 March	**(2,278)**	**(1,510)**

Accumulated Absences Account

This represents the holiday pay unpaid at 31 March 2026 but included in Gross expenditure for the year.

	2025/26 £000	2024/25 £000
Balance at 1 April	**224**	**158**
Settlement or cancellation of accrual made at the end of the preceding year	(224)	(158)
Amounts accrued at the end of the current year	212	224
Balance as at 31 March	**212**	**224**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2025/26 £000	2024/25 £000
Interest received	3,934	4,683
Interest paid	(1,597)	(1,793)

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

	2025/26 £000	2024/25 £000
Depreciation	6,310	6,673
Impairment & Revaluation movements charged to the net surplus or deficit on the provision of services	19,593	3,067
Amortisation of Intangible Assets	343	348
Increase/(Decrease) in Creditors	1,310	2,878
(Increase)/Decrease in Debtors	1,746	(713)
Increase/(Decrease) in Provisions	(808)	(1,974)
(Increase)/Decrease in Inventories	78	(121)
Movement in Pension Liability	(1,339)	(488)
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	4,592	2,764
Other non-cash items charged to the net surplus or deficit on the provision of services	73	(60)
Net cash flows from operating activities	**31,898**	**12,374**

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

	2025/26 £000	2024/25 £000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,102)	(2,391)
Capital Grants and other Capital Income recognised in the provision of services	(6,308)	(5,361)
	(12,410)	**(7,752)**

27. Cash Flow Statement – Investing Activities

	2025/26 £000	2024/25 £000
Purchase of property, plant and equipment, investment property and intangible assets	(18,903)	(25,327)
Purchase of short-term and long-term investments	(4,000)	(5,000)
Long Term Loans advanced and capital grants repaid	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	6,102	2,391
Proceeds from short-term and long-term investments	-	16,389
Capital Grants and other Capital Income received	5,649	4,803
Net cash flows from investing activities	**(11,152)**	**(6,744)**

28. Cash Flow Statement – Financing Activities

	2025/26 £000	2024/25 £000
Cash receipts/repayments of short-term and long-term borrowing	(1,000)	(7,000)
Repayments of short- and long-term borrowing	-	-
Collection Fund net movements	1,158	5,475
Net cash flows from financing activities	**158**	**(1,525)**

29. Councillors Allowances

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

	2025/26 £000	2024/25 £000
Allowances	420	405
Employers' National Insurance	30	8
Expenses	2	20
Total	**452**	**433**

30. Officers' Remuneration

Benefits payable during employment

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

2025/26 Post Holder	Salary, Fees & Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contributions £	Total £
Chief Executive	115,476	245	-	23,095	138,816
Interim Deputy Chief Executive [1]	97,208	81	-	19,442	116,731
Strategic Director for Operations and Transformation [2]	8,444	-	-	1,689	10,133
Strategic Director for Place [2]	8,214	-	-	1,643	9,857
Strategic Director for Communities [2]	8,214	-	-	1,643	9,857
Chief Officer Finance & Performance	80,508	-	-	16,102	96,610
Chief Officer Leisure & Wellbeing [4]	68,143	52	-	13,629	81,824
Chief Officer Growth & Investment [3]	68,143	41	-	13,629	81,813
Chief Officer Legal & Governance [5]	10,872	-	-	1,552	12,424
Chief Officer Legal & Governance [6]	46,963	-	-	9,393	56,356
Chief Officer Communities & Homes [3]	68,143	-	-	13,629	81,772
Chief Officer Regulation & Safety [4]	68,143	-	-	13,629	81,772
Chief Officer Operations & Traded [4]	68,143	89	-	13,629	81,861
Chief Officer Digital and Communications [4]	68,143	193	-	13,629	81,965

1. Postholder started on 19th May 2025 and moved to Strategic Director - Operations and Transformation on the 1st March 2026
2. Following a restructure of senior leadership this Postholder was promoted from a Chief Officer post on the 1st March 2026
3. Following a restructure of senior leadership this Postholder was promoted to a Strategic Director role
4. Following a restructure of senior leadership as of the 1st March this Postholder no longer reports directly into the Chief Executive
5. The Postholder left the authority on the 6th May 2025
6. The Postholder started this role on the 1st September 2025

2024/25 Post Holder	Salary, Fees, & Allowances £	Expenses Allowances £	Compensation for Loss of Office £	Pension Contributions £	Total £
Chief Executive (01/04/2024 to 31/01/2025)	137,829	-	48,590	19,436	205,855
Interim Chief Executive (14/02/2025 to 31/03/2025)	23,281	-	-	4,656	27,937
Deputy Chief Executive 01/04/2024 to 13/02/2025)	80,994	117	-	16,199	97,310
Chief Officer Finance & Performance	78,012	-	-	15,602	93,614
Chief Officer Legal & Governance	78,012	-	-	15,602	93,614
Chief Officer Regulation & Safety	72,033	-	-	14,407	86,440
Chief Officer Growth & Investment	72,033	43	-	14,407	86,483
Chief Officer Communities & Homes	72,033	-	-	14,407	86,440
Chief Officer Leisure & Wellbeing	72,033	-	-	14,407	86,440
Chief Officer Operations & Traded	72,033	89	-	14,407	86,529
Chief Officer Digital and Communications	71,107	185	-	14,221	85,513

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

Remuneration Band	2025/26 Number of employees	2024/25 Number of employees
£70,000 - £74,999	1	-
£65,000- £69,999	1	1
£60,000 - £64,999	3	3
£55,000 - £59,999	4	4
£50,000 - £54,999	27	8

Exit Packages

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

Rugby Borough Council terminated the contracts of 5 employees in 2025/26 (9 in 2024/25), incurring liabilities of £0.093m (£0.146m in 2024/25). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table following:

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of agreed other departures		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
							£	£
£0 - £20,000	2	-	2	6	4	6	52,788	20,342
£20,001- £40,000	-	-	-	1	-	1	-	30,000
£40,001- £60,000	1	-	-	2	1	2	40,005	95,386
Total	**3**	**-**	**2**	**9**	**5**	**9**	**92,793**	**145,728**

31. Audit Fees

The Council's external auditors are appointed through Public Sector Audit Appointments Limited (PSAA), who also agree the fees to be charged by the auditor. The Council separately appoints a reporting accountant for the certification of grant claims and returns, which is a different firm of auditors.

	2025/26 £000	2024/25 £000
Fees payable for external audit services	191	181
Additional fees payable for external audit services in relation to previous years	46	56
Fees payable for the certification of grant claims and returns	67	40
Total	**304**	**277**

32. Joint Operations

The council jointly operates the Rainsbrook Crematorium with West Northamptonshire Council with each council recognising 50% of income and expenditure. In 2025/26 the turnover was £1.280m and the surplus before capital charges was £0.431m. At 31 March 2026 the council had a creditor of £0.318m with West Northamptonshire for their share of the surplus.

In addition, building assets valued at £2.616m are jointly owned by the two councils with each recognising 50% of the assets and associated capital charges.

Rainsbrook Crematorium	2025/26 £000	2024/25 £000
Turnover	1,280	1,277
Surplus (Before Capital Charges)	431	411

Rainsbrook Crematorium Building Asset Valuation	2025/26 £000	2024/25 £000
Rugby Borough Council (50% Share)	1,308	1,351
West Northamptonshire Council (50% Share)	1,308	1,351
Total	**2,616**	**2,703**

33. Related Party Transactions

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

Central Government

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

Councillors and Chief Officers

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

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

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

Senior council officers remuneration paid during 2025/26 is set out in Note 30 and Councillors allowances are stated in Note 29.

Other Public Bodies (subject to control by Central Government)

Based on a review of transactions made by the Council in 2025/26 the following transactions were made to or received from other public bodies.

- A total of £0.021m was paid to Nuneaton and Bedworth Borough Council (NBBC) to meet the shared IT officer salary costs to provide Civica APP Support and Development.

Shared Service Arrangements

The council has the following shared service arrangements.

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

Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2025/26; these are mainly local Government associations or local groups that the Council supports with grant aid and advice.

Rugby First Ltd - BID Division - An amount of £0.419m was paid to the BID Company in 2025/26. An additional £0.320m was used to provide a CCTV Monitoring and Town Centre Management Service and £0.159m for contributions to Town Centre events including Social and Sporting Activities. The BID scheme ended on 31 March 2026 and the Company has now ceased trading.

Queen's Diamond Jubilee Centre - Rugby Borough Council funded £0.766m in capital charges in 2025/26 and received (£0.340m) for the annual contract fee and profit share as per the contract agreement.

Other significant related parties

Sherbourne recycling – Sherbourne Recycling became operational in the summer of 2023 and provides a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and

Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council).

The Council holds 9% of the shares which are held as Long-Term Investments with a book value of £0.155m (historic cost of £0.095m). In addition, the Council has advanced loans to the company in line with a loan agreement, the outstanding balance of the advances and accrued interest was £6.571m at the end of the year. The Council made payments to the company of £1.201m for services provided during the year.

34. Capital Expenditure and Financing

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

Capital commitments

At 31 March 2026, the Council had capital commitments of £18.250m (31 March 2025: £7.809m).

Capital Financing Requirement (CFR)

	2025/26 £000	2024/25 £000
Opening Capital Financing Requirement	**106,718**	**93,768**
Capital Investment:		
Property, Plant, and Equipment and Assets Held for Sale	18,822	25,439
Heritage Assets	70	-
Intangible Assets	81	172
Revenue Expenditure Funded from Capital under Statute	1,676	1,751
Capital Investment Total	**20,649**	**27,362**
Sources of Financing:		
Capital Receipts	(3,297)	(4,494)
Government Grants and Other Contributions	(6,246)	(5,173)
Sums Set Aside from Revenue	(1,966)	(461)
Use of Major Repairs Reserve	(3,033)	(3,055)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,354)	(1,229)
Financing Total	**(15,896)**	**(14,412)**
Closing Capital Financing Requirement	**111,471**	**106,718**
(Increase)/Decrease in underlying need to borrow	**(4,753)**	**(12,950)**

35. Leases

Change in Accounting Policy and Transition to IFRS 16 Lease Accounting
In 2024/25, the Council applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements was that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability) a right-of-use asset and a lease liability were brought into the Balance Sheet at 1 April 2024. Leases for items of low value (value less than £5,000) and leases that expire on or before 31 March 2025 were exempt from the new arrangements.

IFRS 16 was applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities were calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients were applied as required or permitted by the Code:

- lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council's incremental borrowing rate at that date;
- the weighted average of the incremental borrowing rates used to discount liabilities was 2%;
- right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded; and
- all leases were assessed as to whether they were onerous at 31 March 2024 and it was determined that there were none.

This resulted in the following additions to the Balance Sheet:

- £0.127m Property, Plant and Equipment – land and buildings (right-of-use assets)
- £0.088m Non-current creditors (lease liabilities)
- £0.039m Current creditors (lease liabilities)

The Council as a Lessee

Right of Use Assets

Movement of Right of Use assets
Change in the value of the right-of-use assets held under lease by the Council:

	2025/26 £000	2024/25 £000
Opening balance at 1 April	**87**	**-**
Recognition of Right of Use Assets	-	127
Additions	-	-
Revaluation	-	-
Depreciation and Amortisation	(47)	(40)
Disposals	-	-
	40	**87**

Maturity analysis of lease liabilities
The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	2025/26 £000	2024/25 £000
Not later than one year	42	42
One to five years	6	48
More than five years	-	-
	48	**90**

Transactions under leases
The Council has acquired property and equipment by entering into leases. The expenditure charged across the Council in the CIES during the year in relation to leases was:

	2025/26 £000	2024/25 £000
Interest expense on lease liabilities	2	3
Expense relating to short-term leases	-	-
Expense relating to low-vale leases	-	-
	3	**3**

The Council as Lessor

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

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

	2025/26 £000	2024/25 £000
Not later than one year	78	101
One to five years	196	234
More than five years	2,413	2,454
	2,687	**2,789**

36. Defined Benefit Pension Scheme

Pension Benefits

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

Transactions relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax and HRA rents is based on the sums specified on the actuary certificate published as part of the valuation as at 1 April 2022, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement.

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2025/26	2024/25	2025/26	2024/25
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current Service Costs	2,203	2,916	-	-
Past Service Costs	-	31	-	-
Employers contributions	(3,679)	(3,583)	(97)	(102)
Financing and Investment Income and Expenditure				
Net Interest Expense	188	207	46	43
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(1,288)**	**(429)**	**(51)**	**(59)**
Other post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
Actuarial (gains)/losses arising on changes in financial assumptions	(2,518)	(18,671)	(7)	(48)
Actuarial (gains)/losses arising on changes in demographic assumptions	(2,204)	(213)	(20)	(2)
Other experience	12,175	(1,177)	(6)	2
Return on Plan Assets (excluding the amount included in the net interest expense)	(6,849)	680	-	-
IFRIC 14 adjustment to reduce the credit ceiling	(1,383)	19,257	-	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(779)**	**(124)**	**(33)**	**(48)**

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(2,391)	(3,154)	(46)	(43)
Actual amount charged against the General Fund and HRA Balances for Pensions in the year:				
Employer's contributions payable to the scheme	3,679	3,583	-	-
Early payment transferred to pension liability	-	-	-	-
Retirement benefits payable to pensioners	-	-	97	102
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**1,288**	**429**	**51**	**59**

Pension Assets and Liabilities Recognised in the Balance Sheet
The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000
Present Value of the Defined Benefit Obligation	(156,059)	(146,616)	(757)	(841)
Fair Value of Plan Assets	154,124	142,614	-	-
Net Liability Arising from the Defined Benefit Obligation	**(1,935)**	**(4,002)**	**(757)**	**(841)**

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

	2025/26 £000	2024/25 £000
Opening Balance at 1 April	**142,614**	**137,930**
Interest Income on Plan Assets	8,259	6,675
Return on Plan Assets, excluding the amount included in the net interest expense	3,694	(680)
Contributions from Employer	3,679	3,583
Contributions from Scheme Participants	1,069	1,051
Benefits Paid	(5,191)	(5,945)
Closing Balance at 31 March	**154,124**	**142,614**

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

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2025/26 £000	2024/25 £000	2025/26 £000	2024/25 £000
Opening Balance at 1 April	(146,616)	(142,485)	(841)	(948)
Current Service Cost	(2,203)	(2,916)	-	-
Interest cost	(6,064)	(5,871)	(46)	(43)
Contributions by Scheme Participants	(1,069)	(1,051)	-	-
Re-measurement (Gain)/Loss:				
Actuarial (gains)/losses arising from changes in financial assumptions	2,518	18,671	7	48
Actuarial (gains)/losses arising from changes in demographic assumptions	2,204	213	20	2
Other experience	(9,020)	1,177	6	(2)
IFRIC 14 adjustment to reduce the credit ceiling	(1,000)	(20,268)	-	-
Benefits Paid	5,191	5,945	97	102
Past Service Costs	-	(31)	-	-
Closing Balance at 31 March	**(156,059)**	**(146,616)**	**(757)**	**(841)**

Scheme assets comprise of:

	Period Ended 31 March 2026			
	Quoted £000	Unquoted £000	Total £000	Percentage of total assets £000
Asset Category				
Equity Securities: Other	-	-	-	-
Debt Securities				
Corporate bonds (investment grade)	15,755	-	15,755	10%
Other	-	7,997	7,997	5%
Private equity	-	10,138	10,138	7%
Real Estate				
UK Property	9,871	-	9,871	6%
Overseas Property	959	-	959	1%
Investment Funds and Unit trusts				
Equities	60,842	-	60,842	39%
Bonds	27,855	-	27,855	0
Infrastructure	-	16,495	16,495	11%
Cash & cash equivalents	4,213	-	4,213	3%
Closing Balance at 31 March	**119,495**	**34,629**	**154,124**	**100%**

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

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31 March 2026.

The significant assumptions used by the actuary have been:

	2025/26	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.7	21.1
Women	24.5	23.9
Longevity at 65 for future pensioners (years):		
Men	22.1	21.5
Women	26.0	25.7
Financial assumptions		
Rate of increase in salaries	4.00%	3.75%
Rate of increase in pensions	3.00%	2.75%
Rate of discounting of scheme liabilities	6.20%	5.80%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analysis shown in the next table has been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

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

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

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	1%	1,714
1 year increase in member life expectancy	4%	4,588
0.1% Discount in the Salary Increase Rate	0%	59
0.1% increase in the Pension Increase Rate (CPI)	1%	1,654

Impact on the Council's Cash Flows

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

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

The council is anticipating to pay £3.612m in contributions to the scheme in 2026/2027.

37. Contingent Assets and 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.

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

The Council has no contingent assets or liabilities at 31 March 2026.

38. Accounting policies

1. Accruals of Income and Expenditure

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

In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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

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

4. Charges to Revenue for Non-current Assets

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

- depreciation attributable to the assets used by the relevant service.
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off.
- amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances (Scotland)]. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

5. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

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

6. Employee Benefits

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

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

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

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

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

Recognition and Measurement
The LGPS is accounted for as a defined benefit scheme:

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

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

Service Cost - comprising:

- Current year service cost – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increases in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurements - comprising:

- The return on plan assets – excluding amounts including in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

7. Events after the Reporting Period

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

- Those that provide evidence of conditions that existed at the end of 2025/26 – the Accounts are adjusted to reflect such events.
- Those that are indicative of conditions that arose after the 31 March 2026 – the Accounts are not adjusted to reflect such events, but where a category of events

would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

8. Financial Instruments

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

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

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

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

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

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

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

9. Government Grants and Contributions

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

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

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

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

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

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

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

10. Heritage Assets

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

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

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

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

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

11. Intangible Assets

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

12. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and currently it is not required to prepare group accounts.
The interests in companies and other entities are recorded as financial assets at cost, less any provision for losses in the authority's own single-entity accounts.

13. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.
Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

15. Joint Operations

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

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly

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

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

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

16. Leases

The authority as lessee

The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. This includes arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the authority excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

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.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

<u>Operating leases</u>
Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (eg 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.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

18. Property Plant and Equipment

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

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

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

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

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

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- Council dwellings – current value, determined using the basis of existing use for social housing, a reduction to 40% of current value (existing use value 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. This includes assets such as the Queen's Diamond Jubilee Leisure Centre, Benn Hall, and the John Barford Car Park.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and

- The cost of the item can be measured.

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

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

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund or HRA Balance in the Movement in Reserves Statement.

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

Assets Held for Sale

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

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

19. Provisions, Contingent Liabilities & Contingent Assets

Provisions

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

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

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

Contingent Assets
A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

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

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

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

22. Value Added Tax (VAT)

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

23. Fair Value Measurement of Non-Financial Assets

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

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

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

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

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

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

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

39. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The Council manages risk in the following ways:

- **by formally adopting** the requirements of the Code of Practice.
- **by approving annually** in advance prudential and treasury indicators for the following three years limiting
    - The Council's overall borrowing
    - Its maximum and minimum exposures to fixed and variable rates
    - Its maximum and minimum exposures to the maturity structure of its debt

- Its maximum annual exposures to investments maturing beyond a year
- **by approving an investment strategy** for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

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

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

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

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

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

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

	31 March 2026 £000	31 March 2025 £000
Less than one year	66,391	64,889
Between one and two years	-	-
Between two and three years	-	-
More than three years	-	-
Total	**66,391**	**64,889**

Refinancing and Maturity Risk

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

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

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

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

	Approved maximum limits	Approved minimum limits	Actual 31 March 2026	Approved maximum limits	Approved minimum limits
	%	%	£000	£000	%
Less than one year*	75	-	700	700	-
12 months to 2 years	75	-	-	-	-
Between 2 and 5 years	75	-	-	-	-
Between 5 and 10 years	75	-	-	-	-
Between 10 and 20 years	75	-	500	500	-
Between 20 and 30 years	75	-	500	500	-
Between 30 and 40 years	75	-	10,421	10,421	-
More than 40 years	75	-	70,179	70,179	-
Total			**82,300**		

* Excludes short-term borrowing less than 365 days.

Market risk

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

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

Investments measured at amortised cost and loans borrowed are not carried at fair value so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

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

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

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

Transition to IFRS 9 Financial Instruments

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

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

Statutory Override on pooled investments

The Council holds £4.432m (nominal) in pooled investment funds. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (DHLUC) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9, initially, for five years commencing from April 2018, with a two year extension announced in 2023. On 25 March 2025 the Government announced that the IFRS 9 statutory override in local government will be extended until 31 March 2029 for existing investments held at 1 April 2024. The Council uses the statutory override to account for any changes in the fair value on its pooled investments.

Housing Revenue Account (HRA)

Income and Expenditure Account

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

	2025/26 £000	2024/25 £000
Income		
Dwelling Rents	(18,919)	(18,113)
Non-dwelling rents	(98)	(118)
Charges for services	(1,108)	(1,133)
Contributions towards expenditure	(175)	(153)
Total Income	**(20,300)**	**(19,517)**
Expenditure		
Repairs and maintenance	7,243	5,761
Supervision and management	7,666	6,341
Rents, rates, taxes and other charges	65	248
Depreciation and impairment of non-current assets	20,984	6,252
Total Expenditure	**35,958**	**18,602**
Net (Income)/Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	**15,658**	**(915)**
HRA Share of Corporate and Democratic Core costs	374	353
Net (Income)/Expenditure of HRA Services	**16,032**	**(562)**
(Gain) or Loss on sale of HRA non-current assets	(1,510)	369
Interest payable and similar charges	1,864	1,104
Interest and investment income	(3,635)	(1,475)
Pension interest and expected return on pension assets	32	39
Capital grants and contributions receivable	(4,830)	(2,855)
Increase in Provision for Bad Debts	335	94
(Surplus)/Deficit for the year on HRA services	**8,288**	**(3,286)**

Movement on the HRA Statement

	2025/26 £000	2024/25 £000
HRA revenue balance brought forward	**(4,085)**	**(4,085)**
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	8,288	(3,285)
Adjustments between accounting basis and funding basis under statute	(10,577)	(595)
Net (increase) or decrease before transfers to or from reserves	**(2,289)**	**(3,880)**
Transfers to or (from) earmarked reserves	2,289	3,880
(Increase) or decrease in the HRA Revenue Balance	**-**	**-**
HRA revenue balance carried forward	**(4,085)**	**(4,085)**

Note to the Movement on the HRA Statement

	2025/26 £000	2024/25 £000
Adjustments between accounting basis and funding basis under statute		
Depreciation of non-current assets	(2,738)	(2,992)
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(18,015)	(3,096)
Amortisation of intangible assets	(211)	(164)
Amounts of non-current assets written off on disposal or sale	(4,592)	(2,746)
Sale proceeds credited as part of the gain/loss on disposal	5,944	2,378
Transfer to Accumulated Absences account	(3)	(17)
Capital expenditure financed from revenue balances	1,128	118
Capital grants and contributions applied	4,830	2,855
Transfer of Unattached Receipts to the Capital Receipts Reserve	157	-
Net charges made for retirement benefits (IAS 19)	185	77
Reversal of Major Repairs Allowance credited to the HRA	2,738	2,992
Statutory provision for the financing of capital investment	-	-
	(10,577)	**(595)**

	2025/26 £000	2024/25 £000
Transfers to or (from) earmarked reserves		
Transfer to or (from) HRA Capital Investment balances	3,672	3,294
Transfer to or (from) HRA Climate change reserve	(1,059)	-
Transfer to or (from) HRA Sheltered Housing reserve	50	49
Transfer to or (from) HRA Transformation reserve	(374)	150
Transfer to or (from) Major Repairs	-	387
	2,289	**3,880**

Notes to the Housing Revenue Account

Note 1 HRA Assets

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

	2025/26	2024/25
Houses/Bungalows (including part-ownerships)	2,137	2,116
Flats	1,400	1,342
	3,537	**3,458**

The change in the stock was as follows:

	2025/26	2024/25
Stock at 1 April	**3,458**	**3,457**
Less sales (including part-ownership)	(41)	(19)
Add: purchase of properties	20	20
Add: new build properties	100	-
Stock at 31 March	**3,537**	**3,458**

The balance sheet includes HRA assets as detailed below:

	2025/26 £000	2024/25 £000
Balance Sheet values as at 31 March		
Operational Assets: Dwellings	219,701	201,884
Operational Assets: Other Land and Buildings	343	287
Operational Assets: Equipment	567	644
Operational Assets: Infrastructure	707	743
Non-Operational Assets	833	983
Assets Under Construction	4,841	20,837
	226,992	**225,378**

Note 2. Vacant Possession

	2025/26 £000	2024/25 £000
Vacant Possession Value of Dwellings as at 31 March	536,067	496,737
Balance Sheet Value of Dwellings	(219,701)	(198,695)
Economic cost to Government	**316,366**	**298,042**

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

Note 3. Major Repairs Reserve

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

	2025/26 £000	2024/25 £000
Balance at 1 April	**(6,126)**	**(5,802)**
Amount transferred to Major Repair Reserve during the year	(2,759)	(2,992)
Appropriations to or (from) HRA Revenue	-	(387)
Capital financing	3,033	3,055
Balance at 31 March	**(5,852)**	**(6,126)**

Note 4(i). HRA Capital Expenditure and Financing

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

	2025/26 £000	2024/25 £000
Expenditure:		
Council dwellings	4,068	5,789
Other assets	55	28
Other expenditure	12,438	14,599
Subtotal:	**16,561**	**20,416**
Financed by:		
Direct Revenue Finance	(547)	(355)
Government Grant	(4,830)	(4,047)
Right to Buy Receipts	(2,841)	(1,866)
Major Repairs Reserve	(3,033)	(2,966)
Capital Reserves	-	(428)
Borrowing	(5,310)	(10,754)
Subtotal:	**(16,561)**	**(20,416)**

Note 4(ii). HRA Capital Receipts

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

	2025/26 £000	2024/25 £000
Sales of Council Houses under Right to Buy (RTB)	(945)	(2,378)
RTB Discounts repaid	-	-
Sale of miscellaneous HRA land	(564)	-
	(1,509)	**(2,378)**

Note 5. Depreciation of Property Plant and Equipment

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

	2025/26 £000	2024/25 £000
Operational Assets		
Dwellings, other land, buildings	2,604	2,842
Equipment	117	111
Non-operational assets	37	37
	2,758	**2,990**

A full valuation of the stock must be undertaken at least every 5 years. The latest one was carried out as at 31 March 2026.

Note 6. Contribution to/from Pensions Reserve

The HRA share of IAS19 Employee Benefits pension adjustments is based on the number of employees charged to the HRA. Also see Note 36 Defined Benefit Pension Scheme and the Pensions Reserve information in Note.

Note 7. Tenant Arrears

During 2025/26 rent arrears as a proportion of gross rental income have changed from 6.00% of the amount due to 4.59%. The figures, excluding service charges and debts of up to three weeks are as follows:

	2025/26 £000	2024/25 £000
Arrears of current tenants (not including current weeks)	21	326
Arrears of former tenants	848	762
Total tenants' arrears at 31 March	**869**	**1,088**

Bad Debts

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

	2025/26 £000	2024/25 £000
Balance at 1 April	**(739)**	**(645)**
Provision made in the year - Tenant Rent	(19)	(94)
Provision made in the year - Sundry Debtors	(316)	-
Balance as at 31 March	**(1,074)**	**(739)**

Collection Fund Statement

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

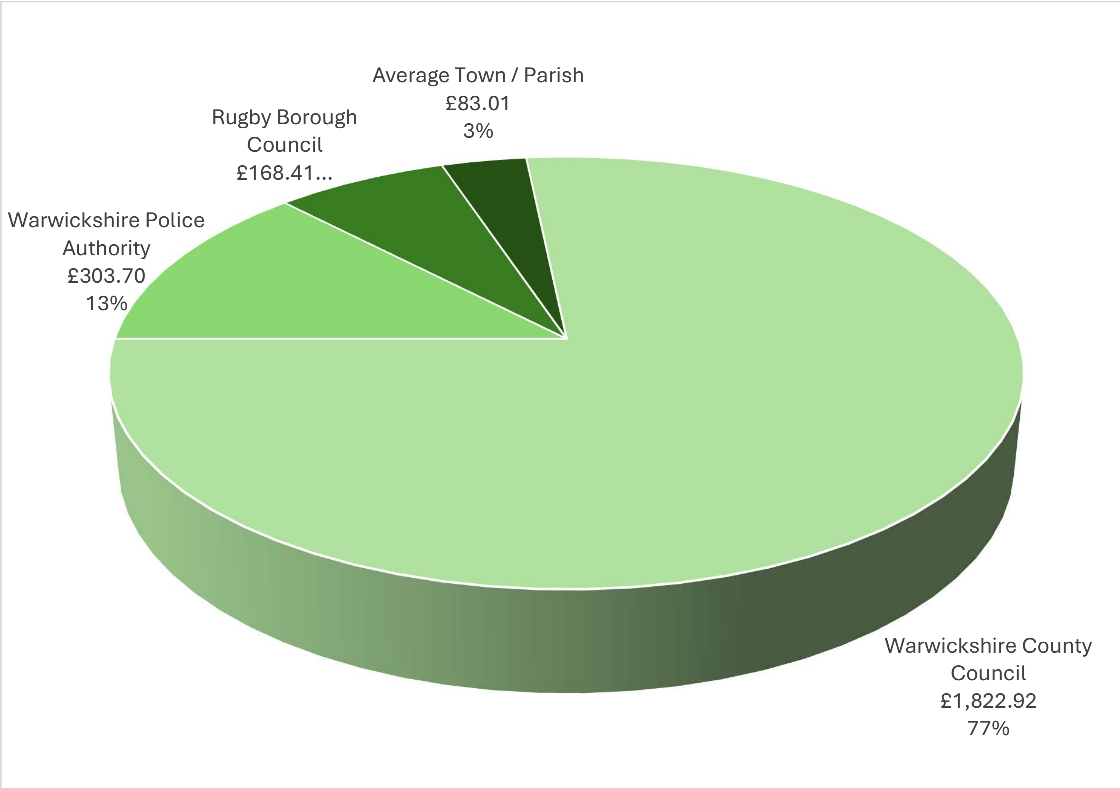
	2025/26			2024/25
	Business Rates £000	Council Tax £000	Total £000	Total £000
INCOME				
Council Tax Receivable	-	(100,089)	(100,089)	(93,764)
Business Rates Receivable	(69,913)	-	(69,913)	(67,838)
Transitional Protection Payments Receivable	(47)	-	(47)	(471)
	(69,960)	**(100,089)**	**(170,049)**	**(162,073)**
Contribution to Previous Year Estimated Deficit				
Central Government	(536)	-	(536)	(2,631)
Warwickshire County Council	(107)	-	(107)	(526)
Rugby Borough Council	(428)	-	(428)	(2,105)
	(1,071)	**-**	**(1,071)**	**(5,262)**
Total Income	**(71,031)**	**(100,089)**	**(171,120)**	**(167,335)**
EXPENDITURE				
Transitional Protection Payments		-	-	-
Distribution of Previous Year Estimated Surplus				
Central Government	-	-	-	-
Warwickshire County Council	-	559	559	185
Rugby Borough Council	-	78	78	26
Police and Crime Commissioner for Warwickshire	-	93	93	31
	-	**730**	**730**	**242**
Precepts, Demands and Shares				
Central Government	35,104	-	35,104	32,408
Warwickshire County Council	28,084	75,803	103,887	77,624
Rugby Borough Council	7,021	10,454	17,475	35,923
Police and Crime Commissioner for Warwickshire	-	12,629	12,629	11,871
	70,209	**98,886**	**169,095**	**157,826**

	2025/26			2024/25
	Business Rates £000	Council Tax £000	Total £000	Total £000
Charges to Collection Fund				
Write offs of uncollectible amounts	(103)	-	(103)	103
Less: Increase / (Decrease) in Bad Debt Provision	1,502	7,354	8,856	468
Less: Increase / (Decrease) in Provision for Appeals	(2,521)	-	(2,521)	(4,364)
Appeals and List Alterations	(2,040)	-	(2,040)	(572)
Cost of Collection Allowance	137	-	137	136
Disregarded Amounts	30	-	30	23
	(2,995)	**7,354**	**4,359**	**(4,206)**
Total Expenditure	**67,214**	**106,970**	**174,184**	**153,862**
Movement on Fund				
(Surplus)/ Deficit arising during the year	(3,817)	6,881	3,064	(13,473)
(Surplus)/ Deficit arising at 1 April	(3,744)	(308)	(4,052)	9,421
(Surplus)/ Deficit arising at 31 March	**(7,561)**	**6,573**	**(988)**	**(4,052)**

Notes to the Collection Fund Statement

Note 1. Council Tax

The Council is required to calculate a tax base each year, and this is divided into the total precept requirement for Warwickshire County Council, the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the average band D council tax figure of £2,378.04 for 2025/26.



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

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

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	11.887	5/9	6.60
A	6,206.53	6/9	4,137.68
B	9,529.08	7/9	7,411.50
C	10,662.89	8/9	9,478.12
D	6,782.94	9/9	6,782.94
E	5,024.71	11/9	6,141.31
F	3,389.98	13/9	4,896.64
G	1,815.75	15/9	3,026.25
H	75.032	18/9	150.06
			42,031.12
		Less allowance for non-collection	(588.44)
		Contributions in lieu (MOD properties)	140.40
		COUNCIL TAX BASE 2025/26	**41,583.08**

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

The tax base multiplied by the average band D council tax of £2,378.04 provided an original estimate of income of £98.886m for 2025/26. The actual income for 2025/26 was £100.089m thus above expectations by 1.22%.

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

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

The Council collects non-domestic rates for its area, based on local rateable values multiplied by a national rate. The total rateable value for the Rugby Borough area was £157.464m at 31 March 2026 (£153.591m at 31 March 2025). The non-domestic rating multiplier for 2025/26 was 55.5p (54.6p in 2024/25) and the small business non-domestic rating multiplier was 49.9p (49.9p in 2024/25).

Note 3. Collection Fund Balance Apportionment

The net surplus on the Collection Fund as at 31 March 2026 of £8.990m will be split between the authorities and recovered in 2026/27 in the following proportions:

	2025/26			2024/25
	Business Rates £000	Council Tax £000	Total £000	Total £000
Central Government	(3,781)	-	(3,781)	(1,873)
Warwickshire County Council	(756)	5,040	4,284	(609)
Police and Crime Commissioner for Warwickshire	-	844	844	(39)
Rugby Borough Council	(2,967)	689	(2,278)	(1,531)
	(7,504)	**6,573**	**(931)**	**(4,052)**

The Balance Sheet as at 31 March 2026 will include a net creditor/debtor for each of the precepting authorities' share of the Collection Fund (surplus)/deficit.

The Council's share of the net surplus on the Collection Fund of £0.931m (2024/25 £1.531m net surplus) is recognised in the Comprehensive Income and Expenditure Statement in 2025/26 but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

Note 4. Collection Fund Adjustment Account

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

	2025/26			2024/25
	Business Rates £000	Council Tax £000	Total £000	Total £000
Balance at 1 April	**(1,476)**	**(34)**	**(1,510)**	**3,809**
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements.	(1,491)	723	(768)	(5,319)
Balance at 31 March 2025	**(2,967)**	**689**	**(2,278)**	**(1,510)**

Note 5. Coventry and Warwickshire Business Rates Pool

The Council has been part of the Coventry and Warwickshire Business Rates Pool since the introduction of the Business Rates Retention scheme in 2013/14. The outturn performance of the Pool between 2013/14 – 2025/26 has resulted in an accumulated Safety Net Reserve balance of £2.036m of which the Council's share is £0.627m.

Annual Governance Statement 2025/26 to follow

Glossary

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Appointed Auditors
From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. Azets Audit Services is the Council's appointed Auditor.

Balances
The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

Business Rates
A local tax paid by businesses, based on the value of their premises as assessed by the Government Valuation Office Agency (VOA).

Capital Expenditure
This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Requirement
A measure of an authority's cumulative need to borrow to finance capital expenditure or to meet the costs of other long-term liabilities.

Capital Receipts
Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount
The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services.

Code of Practice (the Code)
The Code of Practice on Local Authority Accounting determines how Local Authorities should interpret all issued Accounting Standards in the light of statutory legislation and guidance, to present fairly the accounts of a public body.

Collection Fund
The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of council tax and Non-Domestic Rates (NDR) and its distribution to local Government bodies and the Government.

Community Assets
These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Accounts.

Creditors
Amounts owed by the Council for work done, goods received, or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value
The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors
These are sums of money due to the Council that have not been received at the date of the Balance Sheet

Defined Benefit Scheme
This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Depreciation
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition
Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves
The Council holds several reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit
The independent examination of the activities and accounts of Local Authorities to ensure the Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

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

Finance Lease
A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations
These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund
This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Asset
A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit
This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)
Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the General Fund.

Impairment
A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets
Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets
These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses, and patent

International Financial Reporting Standard (IFRS)
Defined Accounting Standards that must be applied by all reporting entities to all Financial statements to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial statements of the other entities.

Inventories
Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties
Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Liabilities
These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Market Value
The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality
Information is material if omitting it or misstating it could influence the decisions that users make based on financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)
This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

Medium Term Financial Plan (MTFP)
This is the detail and assumptions behind the MTFS and is referred to when the Council talk about the calculations in the MTFS.

Minimum Revenue Provision (MRP)
MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Ministry for Housing, Communities and Local Government (MHCLG))
MHCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Net Book Value (NBV)
The amount at which non-current assets are included in the balance sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

Net Debt
Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)
NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Domestic Rate (NDR) (also known as Business Rates)
NDR is the levy on business property, based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Operating Lease
This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Prior Period Adjustments
These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)
PPE are tangible assets (i.e., assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions
Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Related Parties
Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, elected Councillors, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reporting Standards
The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves
Reserves are reported in two categories:

<u>Usable Reserves</u>
Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

<u>Unusable Reserves</u>
Amounts that the Council is required to identify but which cannot be used to support the provision of services. The unusable reserves include unrealised gains and losses as identified in the Revaluation Reserve below and timing differences reflecting the statutory funding basis of Council expenditure compared to proper accounting practices.

Revaluation Reserve
The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value because of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure Funded from Capital Under Statute (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

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

Treasury Management
This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)
A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Unsupported (Prudential) Borrowing
This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life
The period over which the Council will derive benefits from the use of a non-current asset.