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Date: 17 November 2021

Rushcliffe Borough Council

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To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 25 November 2021 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

This meeting will be accessible and open to the public via the live stream on YouTube and viewed via the link: https://www.youtube.com/user/RushcliffeBC Please be aware that until the meeting starts the live stream video will not be showing on the home page. For this reason, please keep refreshing the home page until you the see the video appear.

Yours sincerely

Sanjit Sull
Monitoring Officer

AGENDA

1. Apologies for Absence

2. Declarations of Interest

3. Minutes of the meeting held on 23 September 2021 (Pages 1 - 8)

4. Actions from meeting held on 23 September 2021 (Pages 9 - 10)

5. Internal Audit Progress Report - September 2021 (Pages 11 - 26)

   Report of the Director – Finance and Corporate Services.

6. Annual Audit Report 2020/21 (Pages 27 - 70)

   Report of the Director – Finance and Corporate Services.

7. Statement of Accounts 2020/21 (Pages 71 - 220)

Report of the Director – Finance and Corporate Services.

8. Streetwise Annual Report (Pages 221 - 252)

Report of the Chief Executive.

9. Capital and Investments - Mid-Year Review (Pages 253 - 266)

Report of the Director – Finance and Corporate Services.

10. Review of Investment Assets - 25 November 2021 (Pages 267 - 276)

Report of the Director – Finance and Corporate Services.

11. Work Programme (Pages 277 - 278)

Report of the Director – Finance and Corporate Services.

Membership

Chairman: Councillor D Virdi
Vice-Chairman: Councillor B Gray
Councillors: R Adair, K Beardsall, L Healy, L Howitt, K Shaw, D Simms and J Stockwood

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble at the far side of the plaza outside the main entrance to the building.

Toilets: are located to the rear of the building near the lift and stairs to the first floor.

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Rushcliffe Borough Council

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 23 SEPTEMBER 2021

Held at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford

PRESENT:

Councillors D Virdi (Chairman), B Gray (Vice-Chairman), R Adair, K Beardsall, L Healy, L Howitt, K Shaw, D Simms and J Stockwood

ALSO IN ATTENDANCE:

OFFICERS IN ATTENDANCE:

C Caven-Atack	Service Manager - Corporate Services
T Coop	Democratic Services Officer
S Whittaker	Service Manager - Finance
Heald	Finance Business Partner

APOLOGIES:

None

11 **Apologies for Absence**

There were no apologies.

12 **Declarations of Interest**

There were no declarations of interest reported.

13 **Minutes of the Meeting held on 24 June 2021**

The minutes of the meeting held on 24 June were approved and signed by the Chairman.

14 **Risk Management**

The Service Manager – Corporate Services presented the Risk Management Report of the Council's risk activity following the 4 February 2021 update to the Group. The report summarises the risks that have changed over that period including the risks identified by the Covid-19 pandemic.

The Service Manager – Corporate Services asked the Group to note the changes to the code of some risks following the staffing restructure in May 2021, the new codes are:

CED – Chief Executives Department
DEG – Development and Economic Growth
FCS – Finance and Corporate Services
NS – Neighbourhood Services

The Service Manager – Corporate Services continued to advise that there are currently 45 corporate risks and 32 operational risks and explained that the number of risks within the register will fluctuate throughout the year as active risk management is undertaken.

Appendix A within the report, presents the Council's Risk Register containing corporate, operational and Covid-19 related risks. There are six new risks and five have been removed as a result of recent reviews. Additionally there are five increases and ten reductions to risk ratings. These were detailed at paragraph 4.4, on pages 10 to 12 of the report.

The standard risk register was presented from pages 15 of the report. This contained information about each of the risks identified as well as explanations where changes have been made since the last review if the risk register.

The Service Manager – Corporate Services for the first time, was pleased to draw Councillors attention to Appendix B on page 31 of the report, which contains details relating to the Council's first identified opportunity risk, which is something the Risk Management Group have been working towards since September 2020. The Service Manager – Corporate Services explained this opportunity risk is related to the development of the Crematorium at Stragglethorpe. Adding that the Council strives to balance opportunity with risk, which in the case of the Crematorium, this process requires officers to think more carefully about the missed opportunity of not taking a risk.

Members asked a specific question relating to the Crematorium and whether this development should be considered as a major financial risk due to possible disruptions in the supply chain and increases in costs of building materials. The Service Manager - Finance explained that there are contingencies within the project to mitigate some risk and that the development is continuously being monitored.

Members questioned the risks relating to planning and development, and whether there were still staff shortages within the planning department. The Service Manager – Corporate Services advised that the vacant roles had now been filled and that this risk is no longer as likely as it appears in the report.

Members asked whether the report and associated risk registers detailed in the appendices were a complete list or part of a more comprehensive list. They also requested assurances on when and in what period of time is the risk register reviewed and who decides what risks are reported to Governance Scrutiny Group. The Service Manager – Corporate Services advised that the Council's Risk Management Strategy, is reviewed on a 3 yearly cycle and confirmed that Zurich the Council's external risk advisors completed a health check last year. In respect of the Risk Register reported today the Service Manager – Corporate Services advised that risks are reviewed on a continual basis by lead specialists and Service Managers and by the Risk Management

Group every six months. Risk Management is reported to Governance Scrutiny Group on a 6 monthly cycle. The Service Manager – Corporate Services advised the Group that she would come back to them regarding the extent of the risks reported to the Group.

The Chairman asked specific questions relating to the New Homes Bonus (NHB) and what would be replacing it, the impact of decommissioning the power station at Ratcliffe on Soar on the business rate revenue and whether the Council is continuing to support the Leisure Centre operator during the Covid-19 recovery. The Service Manager - Finance advised that in respect of the NHB this is due to end in 2022/23 but the Government have consulted on a possible replacement scheme. Any developments will be adjusted during the budgeting process and will be reported to Council in March 2022. The Ratcliffe on Soar site is an ongoing development and it is not anticipated with the development of the Freeport that the Council will be any worse off with the decommissioning of the power station. With regards to the Leisure Centre Operative, the Service Manager - Finance explained that no further support is anticipated at this stage as things return to a pre-Covid-19 status.

Councillor Beardsall and Councillor Simms insisted that a more detailed Risk Register and process for scrutiny be considered when reporting Risk Management to the Governance Scrutiny Group. The Chairman suggested that officers provide further detail and clarity on some of the issues raised at this meeting.

It was **RESOLVED** that the Group

a) Notes the content of the report in relation to existing risks subject to observing a full comprehensive register at Governance Scrutiny Group in February

b) Note the progress on the risks identified in response to the global Covid-19 pandemic

c) Note the recommendations provided for risks that have a red alert status

15 **Going Concern Assessment Linked to Covid-19**

The Service Manager – Finance presented the Council's assessment by the Council's Section 151 officer of the Council's Going Concern Status. Adding, that given the exceptional times due to Covid-19, the requirement for a separate report to confirm the Council's position as an authority, can continue in operational existence for the foreseeable future.

The Service Manager - Finance highlighted the main factors which underpin the going concern:

- The Council's current financial position
- The Council's projected financial position
- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority.

In respect of the Council’s current financial position the Service Manager - Finance reported that the Section 151 officer has assessed that the optimum level of general reserves required by the Council need to be held at or above £1.5m or equal to 5% of the Council’s net operating expenditure. At the 31 March 2021, general reserves held by the Council were at £2.6m.

The Service Manager - Finance reported that as at 31 March 2021 the Council held £34m in the form of cash or short term investments maturing within the next financial year.

In addition, the year end Capital Programme provision totalled £16.13m and the actual expenditure in relation to this provision totalled £9.3m (71% of spend), giving rise to a variance of £6.8m to be carried forward into 2021/22.

It was noted that the balance sheet showed a net worth of £29m which is significantly reduced by the pension liability of £63.2m. However, statutory arrangements for funding the pension deficit assessed by and independent actuary are in place. Overall the Council’s financial position remains healthy.

The Service Manager - Finance provided the Group with the Council’s projected financial position and balanced budget for 2021/22 as approved at its Council meeting in March 2021.

The Group noted the Council’s Medium Term Financial Strategy (MTFS) which is updated annually and reflects a five-year assessment of the Council’s spending plans and associated funding, including the ongoing implications of approved budgets and service levels and the revenue costs of the Council’s Capital Programme as well as the management of debt and investments. The Service Manager - Finance advised that the Council continues to monitor and report on the impact of Covid-19 on the Council’s finances, and will take any necessary action.

In respect of the Council’s governance arrangements, it was reported that the Council has a well established and robust corporate governance framework which was provided within the Annual Governance Statement within the Statement of Accounts presented to the Group at its meeting on 24 June 2021.

The Service Manager - Finance explained that as a local authority the Council has to operate within highly legislated and controlled environments. Adding that as well as the legal framework and central government control, there are other factors including the role undertaken by External Audit as well as statutory requirements for compliance with bet practice and guidance published by CIPFA and other relevant bodies.

Members of the Group requested that more attention to the detail of given concerns would be helpful and asked whether comparisons to previous years figures could be provided so that the Group could see if there were emerging trends for concern. The Service Manger – Finance reminded the Group that the draft 2020/21 Statement of Accounts is available to members on the Council’s website.

The Chairman requested some clarity with regards to the minimum General Fund Reserve balance of £1.5m and whether this was a statutory amount He also asked whether some assurance could be provided in respect of the pension deficit, adding that the previous year's balance sheet would be helpful as a comparison.

The Service Manager - Finance explained that the report provided an assessment at a given point in time in the current financial year.

Councillor Stockwood reminded members that they were looking at the assessment of the Council's Going Concern and that the Statement of Accounts reported at the next meeting of Governance Scrutiny in November will provide more clarity. In addition, members noted that the Council's financial position was healthy before the pandemic, and still shows a healthy position coming out of the pandemic.

The Chairman established that the information provided in the officer's report does provide the Group with a positive position in respect of the Council's Going Concern Status.

Councillor Beardsall and Councillor Simms expressed that they did not support the Officer recommendation.

It was **RESOLVED** that the Group note the positive outcome of the assessment of the Council's going concern status for the purposes of the statement of accounts 2020/21.

16 **Asset and Investment Management Outturn**

The Group were asked to consider the Council's Capital and Investment Strategy Outturn report, which summarised the transactions undertaken during 2020/21 financial year. The report also provided information on the Council's commercial investments and highlighted issues linked to the legacy of Covid-19, which impacted the Council's year end investment position and overall budget in 2020/21.

The Finance Business Partner presented the Council's Treasury Management and the approved capital programme provision for 2020/21 at £16.130m. The actual expenditure against the approved programme was £9.306m (58%) giving rise to a variance of £6.824m. The Group noted a carry forward of £6.682m approved by Cabinet in the Final Outturn Report and the increase in the investments balance between years reflecting a slippage in the Capital Programme and additional S106 deposits.

The Finance Business Partner advised the Group that in 2019/20 the Council decided to set its Minimum Revenue Provision (MRP) at £1m. This comprises of £0.250m MRP to finance the Arena based on £10m borrowing over a 40 year life. A further £0.750m was provided by way of Voluntary Revenue Provision (VRP) to meet the Council's commitment to repay the borrowing early. The Group noted that the Council's Capital Financing Requirement (CFR) for 2020/21 represents a key prudential indicator and in a table provided this showed that no additional borrowing was needed in 2020/21.

The Finance Business Partner advised the Group of the Council's debt and investment position to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks. The Group were provided with details of the Counterparties that the Council had placed investments with at the end of the financial year 2020/21. The Group noted that in March 2020, the Bank of England decreased the base rate from 0.25% to 0.10% which continues to have a significant impact on investment income. However, Covid-19 grants from the Government, additional S106 monies and underspends on the capital programme resulted in an increase in the amounts available to invest resulting in an increase on the Council's net return.

The Finance Business Partner explained that overall the Council had successfully achieved its objectives given the constraints placed upon the Council, adding that the risks associated with Covid-19 continue to be closely monitored as the economy enters its recovery phase.

The report advised the Group that the Council's investment policy is governed by the annual Capital and Investment Strategy approved by Council at its meeting on 5 March 2020 and prior to this approved by the Governance Scrutiny Group on 6 February 2020.

The Service Manager - Finance presented the Council's Asset and Investment Strategy and reminded the Group that the Council had allocated £20m to the Asset Investment Strategy within the Capital Programme to support commercial investment and advised the Group that the balance at the start of 2020/21 was £8.382m.
The Service Manager - Finance explained that 2020/21 had been a very uncertain year with both Brexit negotiations and Covid-19 affecting the economy and the changing risk meant that some investments were not pursued and a balance of £3.828m of the asset investment fund was removed from the programme. A table was provided to show how the Asset Investment Strategy funds have been allocated and their returns, showing differing rates of return and risk and providing a balanced and proportionate approach to investments.

The Service Manager - Finance reminded the Group of the additional assets acquired this year at Edwalton Business Units, which were reported in the 6 monthly update report to Governance Scrutiny Group. In addition, Cabinet at its meeting in February 2021 approved the MTFS, which included the Capital Programme and the return of the unallocated balance on the Asset Investment strategy (AIS).

In concluding, the Services Manager - Finance advised that all Council investments, whether treasury or commercial remain fluid. Adding that risks remain in both the treasury and property markets, and also in the Council's Capital Programme and the legacy of Covid-19 is still to be determined and failure to deliver additional income streams will increase the requirement to identify further efficiencies in the short to medium term.

Members asked specific questions in relation to the spread of investment funds and in particular how long they had been there, who decides where to invest, and whether there was any financial risk to these investments. In addition, members wanted the assurance that the Council were investing in financial markets from an ethical point of view and requested a more detailed approach to reporting this information. The Service Manager - Finance explained, the Council's investment decisions are supported by external treasury advisors and in making investment decisions the Treasury team operate within the Council's Treasury Strategy boundaries. The Service Manager – Finance also reminded members that the main priority in making investment decisions is the security of the funds followed by liquidity then yield (SLY). Whilst the Strategy includes a commitment for the Council to not knowingly invest in certain markets, the Council must consider security as a priority and 'Green Investments', as they are still relatively new to the market, do not always have sufficient performance data.

Cllr Stockwood expressed that the Council has an excellent Treasury Management record and thanked officers for a positive report in light of the challenges the Council has faced. Members were also reminded that a Treasury Management training session is scheduled for 22 November 2021, which may provide the Group with some answers to their concerns.

The Chairman thanked officers for the overall performance reported and agreed with members that more transparency on where investments are being made would be helpful.

Members requested that more detail be provided when reporting in future and requested more consideration for greener investments.

It was **RESOLVED** that the Group agree the Capital and Investment Strategy Outturn 2020/21 report.

17 **Work Programme**

The Financial Services Manager presented the report that detailed the proposed Governance Scrutiny Group Work Programme for 2021/22.

Members of the Group requested that a more detailed Risk Management report be brought to the meeting on 3 February 202, to clarify some of the concerns highlighted at this meeting.

It was **RESOLVED** that:

25 November 2021

- Internal Audit Progress Report
- Annual Audit Report 2020/21
- Value for Money Statement
- Statement of Accounts
- Streetwise Annual Report
- Treasury Asset Investments – 6 month update
- Asset Management Plan
- Work Programme

3 February 2022

- Internal Audit Progress Report
- Internal Audit Strategy
- External Audit Annual Plan
- Annual Audit Letter
- Risk Management
- Treasury and Investment Strategy – update
- Work Programme

ACTIONS – 23 September 2021

Minute No.	Action	Officer Responsible
14	Members requested clarity on how risks are selected and reported to Governance Scrutiny Group	Service Manager - Corporate Services
15	Members requested that comparative figures from previous years reports be provided, so that members have something more substantive to measure the assessment against	Service Manager - Finance
15	The Chairman asked for confirmation on whether the £1.5m General Fund Reserve figure was a statutory requirement	Service Manager - Finance
16	Members asked for more information on the investment portfolios of the list of financial institutions provided in the reports	Service Manager - Finance

The meeting closed at 8.38 pm.

CHAIRMAN

ACTIONS from the meeting held on 23 September 2021

Minute No.	Action	Officer Responsible	Response
14	Members requested clarity on how risks are selected and reported to Governance Scrutiny Group	Service Manager - Corporate Services	This will be covered in the next Risk Management Update at Governance Scrutiny Group on 3 February 2022
15	Members requested that comparative figures from previous years reports be provided, so that members have something more substantive to measure the assessment against	Service Manager - Finance	The Going Concern report is forward looking and comparative data would not assist in scrutinising the assessment. However, the statement of accounts 2019/20 contains previous years data.
15	The Chairman asked for confirmation on whether the £1.5m General Fund Reserve figure was a statutory requirement	Service Manager - Finance	This information was provided in an email to Group Members on 7 October 2021
16	Members asked for more information on the investment portfolios of the list of financial institutions provided in the reports	Service Manager - Finance	Further explanation will be provided at the Member training on Treasury Management on 22nd November which is prior to the next Group meeting.

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Governance Scrutiny Group

Thursday, 25 November 2021

Internal Audit Progress Report - Sept 2021

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. The attached report has been prepared by the Council's internal auditors BDO. It reflects the progress made against the annual Internal Audit programme along with any significant recommendations with regard to the audits completed during this period.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2021/22 (**Appendix A**) prepared by the Council's Internal Auditor.

3. Reasons for Recommendation

To conform to best practice and Public Sector Internal Audit Standards and give assurance to the Governance Scrutiny Group regarding the Council's internal control environment.

4. Supporting Information

4.1. The Internal Audit Plan for 2021/22 was approved by the Governance Scrutiny Group at its meeting on 4 February 2021 and includes 10 planned reviews.

4.2. The attached report highlights the completion and issuing of three reports from the 2021/22 Internal Audit Annual Plan. In terms of findings:

- The Planning and S106 audit received a Moderate rating for both Design and Operational Effectiveness – three medium level recommendations were made, and management actions have been agreed.
- The Main Financial Systems audit received a Substantial rating for both Design and Operational Effectiveness no high or medium level recommendations were made.
- The Corporate Governance audit received a a Moderate rating for both Design and Operational Effectiveness – two medium level recommendations were made and management actions have been agreed.

4.3. The audit plan is progressing well and is anticipated to be completed on target.

5. Risks and Uncertainties

5.1. If recommendations are not acted upon there is a risk internal controls are weakened and the risk materialises.

6. Implications

6.1. Financial Implications

There are no direct financial implications to the report. Indirectly a better internal control environment suggests risk has reduced and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

The recommendation supports good risk management.

6.3. Equalities Implications

There are no equalities implications identified for this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no such implications.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	
The Environment	

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the final progress report for 2021/22 (**Appendix A**) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Internal Audit Plan 2021/22 Governance Scrutiny Group 4 February 2021
List of appendices:	Appendix A - Internal Audit Progress Report – BDO

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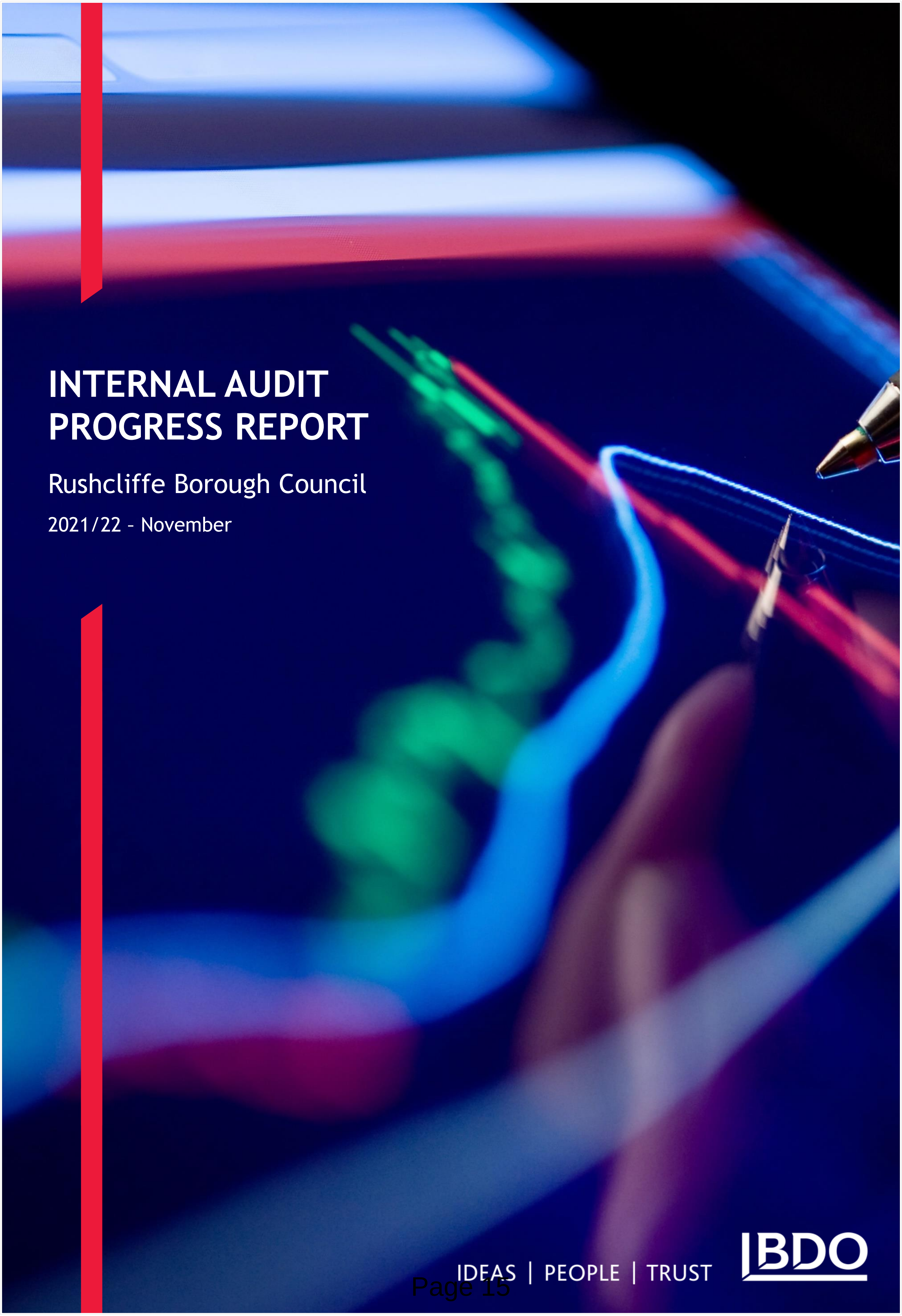


INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council

2021/22 - November

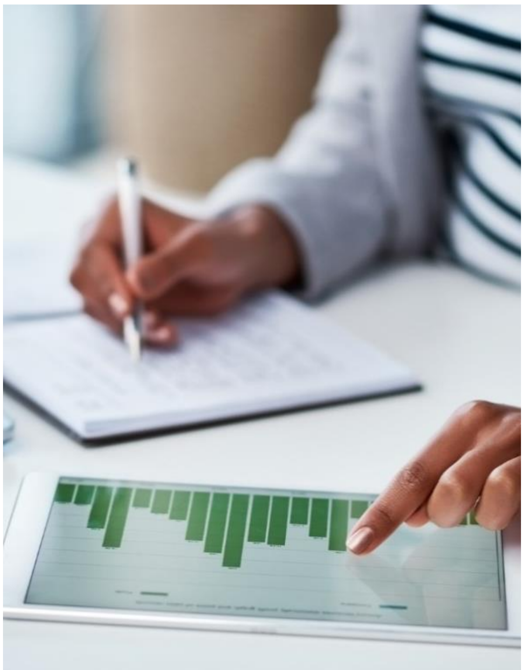
IDEAS | PEOPLE | TRUST

CONTENTS

SUMMARY OF 2021/22 - NOVEMBER

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2021/22 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2021/2022 INTERNAL AUDIT PLAN

Three audits have been completed and we are pleased to present the following reports to this Audit Committee:

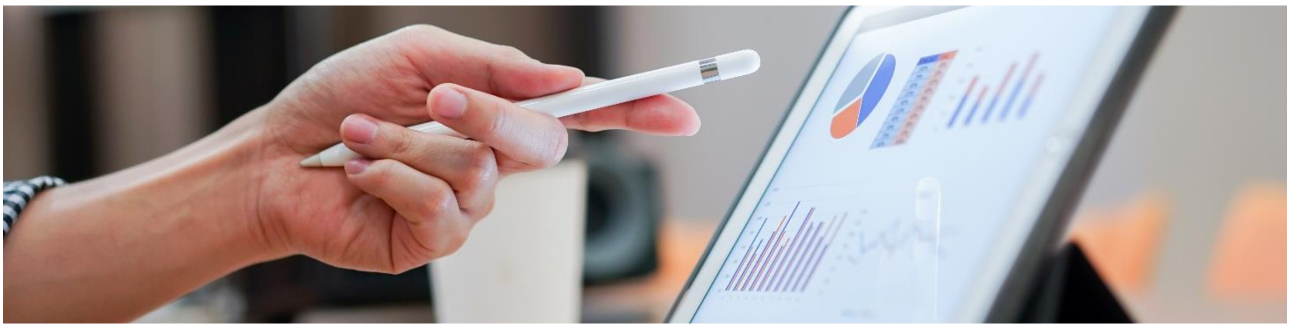
- Main Financial Systems
- Planning & s106
- Corporate Governance.

Fieldwork is underway or is due to begin on a further three audits which we hope to present at the next Audit Committee:

- Business Continuity & Disaster Recovery
- Housing Benefits
- Hybrid Mail Review.

REVIEW OF 2021/22 - NOVEMBER

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Fraud Report	June 2021	✓	✓	✓	N/A	N/A
Main Financial Systems	November 2021	✓	✓	✓		
Planning & s106	November 2021	✓	✓	✓		
Corporate Governance	November 2021	✓	✓	✓		
Business Continuity & Disaster Recovery	February 2021	✓	✓			
Housing Benefits	February 2021	✓	✓			
Hybrid Mail Project Review	February 2021	✓	✓			
GDPR	June 2022					
Contract Management & Procurement	June 2022	✓				
Homelessness & Temporary Accommodation	June 2022					



MAIN FINANCIAL SYSTEMS

Design Opinion	Substantial	**Design Effectiveness**	Substantial
Recommendations	0 0 1		

SCOPE

AREAS REVIEWED

- Review of users with access to the revenues system and for a sample of 20 users, check to ensure their access is appropriate for their role
- Check to ensure that there are reconciliations between the Council's lists of domestic and business properties and the information from the Valuation Office, that the reconciliations are completed on a timely basis and appropriately approved, with corrective action taken where necessary
- Review of the steps taken to ensure implementation of recommendations raised in previous Budget Management audit
- For a sample of investments, confirm that they comply with the Council's treasury management policy and are appropriately approved
- Review of the last payroll run to ensure there was appropriate review and approval as well as review and action of exception reports
- Review of a sample of monthly reconciliations to ensure they were completed, actioned and reviewed in a timely manner

AREAS OF STRENGTH

- All recommendations from the 2020/21 Budget Management audit have been implemented by the Council which we have reported in previous follow-up reports
- A treasury dealing spreadsheet is in place to monitor all deals undertaken. On this spreadsheet the Council have created a form for each individual deal which is sent to the Finance Services Officer to approve. Formulas embedded into the form identify whether the counterparty is approved by the Council's credit rating agencies and whether the investment is within the Council's limits
- Procedure notes cover the payroll reconciliation process, adding expense/mileage/overtime to payroll and notifying GBC of new starter/leavers from the payroll and they are regularly reviewed. These procedure notes are clearly presented using narrative and screenshots to advise staff on how to undertake the process.
- All users were given appropriate role/authorisations on the One Revenues system depending on their job roles. When staff are added to the system they are added to a user group based on their job role which will either allow them to edit the data in the system or read only access
- For residential properties the VOA provide a report to the Council stating the number of each properties in each band in the Council's jurisdiction. This is reconciled on a report generated on the One Revenues system which shows the same information.

AREAS OF CONCERN

- No high or medium findings were identified

PLANNING & S106

Design Opinion	Moderate	**Design Effectiveness**	Moderate
Recommendations	0 / 3 / 0		

SCOPE

AREAS REVIEWED

- Review the strategies in place supporting the effective operation of planning and S106
- Review a sample of planning applications and assess whether they were processed within statutory time limits
- Review governance structures within the relevant teams
- Review the controls in place regarding the management and oversight of s106 funds
- Review the management information produced and confirm sufficient levels of monitoring.

AREAS OF STRENGTH

- There was oversight of the Planning Team's performance through robust bi-monthly reporting of KPIs to the Communities Clinic and then latterly the Development & Economic Growth Clinic. There were a variety of KPIs which included the timeliness of processing planning applications and the percentage of appeals that had been allowed.
- The Council provide guidance on its website to support applicants to submit a planning application. These include: planning policies, fees and details of how the Council consider applications. Suitable guidance on whether planning permission is required is also available to prevent unnecessary applications being submitted
- The Council decided on a higher number of applications and agreed fewer extensions each month that the average of all local planning authorities
- Our sample test of six S106 Agreements identified that where the contributions had been spent, adequate documentary evidence had been obtained by the Council to confirm that expenditure complied with the S106 Agreement.

AREAS OF CONCERN

- The KPI reports identified that the Council were failing to meet its target of 85% of householder applications completed within statutory time limits. This appeared to be due to vacancies in the team and a focus on processing major applications
- Developers failed to notify the Council when S106 Agreement triggers had been met which led to delays in contributions being collected and the Council is not enforcing penalties for this, as it wants to maintain good relationships with developers. There was also one instance, now corrected, where a developer had been overcharged due to the incorrect indexation being applied
- 10/15 planning applications we tested were not processed within the statutory time limits and where extension of time agreements were made, in 8 cases these were agreed after the statutory time limit had elapsed.

VALUE ADDED

We reviewed data published by the government and identified the following themes in relation to the Council's performance:

- The Council decided on more applications than the average of all local authorities between January and May 2021, an improvement on June to December 2020, which coincided with an increase in minor and other applications which are less complex
- Between June 2020 and May 2021 the proportion of the Council's applications given an extension of time was considerably lower than the average of all local planning authorities.

CORPORATE GOVERNANCE

Design Opinion	Moderate		**Design Effectiveness**	Moderate
Recommendations	0	2	6	

SCOPE

AREAS REVIEWED

- Review whether an effective council, committee and reporting structure is in place that enables decisions to be taken whilst engaging Members and the public
- Confirm that committee roles are appropriate through Terms of Reference for each committee and group and have clear role descriptions for Lead Members
- Confirm workplans are maintained for Executive / Committees through minuting and action tracking
- Confirm that Members and staff possess the appropriate mix of skills and receive any required training and development to fulfil their roles
- Confirm if decision-making to directors and staff has been made appropriately through Financial Regulations, Scheme of Delegation
- Confirm if governance arrangements support an appropriate culture and ethos within the Council through policies relating to codes of conduct, gifts and hospitality, fraud and corruption, whistleblowing, etc. and therefore demonstrate a commitment to applying appropriate standards of business and compliance with the Local Government Transparency Code 2015
- Confirm if there is regular review of the performance of the governance structures (which may be via self-assessment) to identify ways to enhance them for the future.

AREAS OF STRENGTH

- **Constitution -** There is a Constitution that outlines the Management Structure, Cabinet Structure and Scrutiny Structure and a list of Committees/Groups. Terms of reference are included for the scrutiny groups and detail membership, purpose and support and resources for each committee. Regulatory committee terms of reference outline their purpose
- **Scheme of Delegation** - The Council has defined a Scheme of Delegation, which is included in the Constitution
- **Councillor Induction -** The Council has a Councillor induction handbook that contains good levels of guidance
- **Scrutiny Group work programmes** - The Corporate Overview Group sets work programmes for the Scrutiny Groups on a rolling basis. We reviewed the work programmes for Communities Scrutiny Group (January, April and July 2021 meetings), Governance Scrutiny Group (February and June 2021 meetings), and Growth and Development Scrutiny Group (January, April, and July 2021 meetings). We compared these to the actual agenda and minutes of these meetings and noted that for all except two meetings, the agenda and items discussed matched the work programme. For exceptions, we confirmed that items were deferred to the following meeting
- **Anti-Money Laundering policy -** The Council's anti-money laundering policy forms part of the Anti-Fraud and Corruption Policy.

AREAS OF CONCERN

- **Ongoing confirmation of interests - Councillors -** At the time of our review, 86% of Councillors had not updated their declaration of interests in the last 12 months. It is recognised that this may have been affected by not having meetings in person due to COVID-19, where declarations of interest forms would have been filled out on paper
- **Councillor engagement in training -**There is not strong engagement from Councillors with the training programme provided by the Council, especially with the Regulatory committees where:
  - Two out of 11 Members (18%) on the Planning Committee have not completed relevant training for their committee since election in 2019
  - Three out of 15 Members (20%) on the Licensing Committee have not completed relevant training for their committee since election in 2019

VALUE ADDED

The Council has carried out a self-assessment against the CIPFA Financial Management Code. We have looked at the areas that align to the scope of this review, and include our assessment. For areas not looked at as part of this review, we will consider this in context of the rest of our internal audit plan for the year and incorporate relevant areas where applicable.

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members. Topics include Finance, Housing and Children.

Councils face £3bn budget shortfall

Councils across England, Wales and Scotland face a budget gap of over £3bn for the next financial year, research has found. Figures obtained via freedom of information requests and compiled by trade union Unison reveal that councils are expecting a record overall £3.09bn shortfall in 2022-2023. Unison said that given the scale of cuts councils have already had to make in recent years, “any further reductions would strip even more essential services to the bone or remove them completely”.

One of the largest shortfalls is Newcastle City Council, which must make up a £94m gap in the next financial year, on top of £305m the council has lost from its budget since 2010. Surrey CC is facing a £47.1m shortfall, and Hampshire CC must save £65.9m over the next year, having already made significant cuts to services. Hampshire has been forced to close eight libraries in the past year, losing 50 jobs in the process. Libraries which have remained open in the county have had their opening hours substantially reduced. Many councils are faced with budget gaps despite already significantly scaling back their services.

Councils face £3bn budget shortfall | Local Government Chronicle (LGC) (lgcplus.com)

£8.6bn funding allocated for affordable homes

The government has allocated £8.6bn of funding for affordable housing today, in what it claims is the largest single such investment for a decade. The affordable homes programme funding announced will deliver around 119,000 homes, about a quarter of which (29,600) will be made available for social rent.

The funding is part of a wider £11.5bn pot which will deliver more than 32,000 socially rented homes in all. The Ministry of Housing, Communities & Local Government claims the programme overall will deliver up to 180,000 new affordable homes, “should economic conditions allow”.

Nearly 90 new partnerships made up of councils, housing associations and private providers successfully bid for a share of programme funding. Almost £5.2bn of the package announced today will be delivered outside London by Homes England, the government body responsible for housing delivery. The Greater London Authority (GLA) will deliver homes within London.

£8.6bn funding allocated for affordable homes | Local Government Chronicle (LGC) (lgcplus.com)

New family hubs to open in £20m funding boost

Councils will be given £20m to spend on family hubs initiatives, half of which will be earmarked for opening new hubs. The government pledged in its election manifesto that it would champion family hubs to support vulnerable families and has so far spent £14m, including setting up a new national centre for family hubs earlier this year.

The latest funding announcement follows a report last week from the Institute for Fiscal Studies which argued that around 13,000 admissions of children to hospital each year were likely to have been prevented by the work of the Sure Start children's centres, which some see as predecessors of the family hubs model.

Family Hubs are designed to offer families, children and young people access to a range of support services, which may include early education and childcare, mental health support, meetings with health visitors and advice for victims of domestic abuse. Established in 1999 by the last Labour government, Sure Start children's centres similarly brought together health, parenting support, childcare and parental employment services into a one-stop shop for families with children under 5. At its peak in 2010, Sure Start received £1.8bn a year (a third of overall early years spending), but spending has since fallen by more than two-thirds, with many centres closed, scaled back or integrated into family hubs, according to the IFS.

Of the latest funding, £10m will be used for the family hubs "transformation fund", which will support councils to open family hubs in around ten new areas of England. The remaining £10m will help expand a digital project called 'growing up well', designed to improve how information is shared between professionals working with families and children in these hubs.

The new funding follows publication of a government review of early years led by Andrea Leadsom MP which identified six key action areas, including championing family hubs as a place where parents and carers can access 'Start for Life' family support services.

New family hubs to open in £20m funding boost | Local Government Chronicle (LGC) (lgcplus.com)

APPENDIX I - DEFINITIONS

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

FOR MORE INFORMATION:

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Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 25 November 2021

Audit Completion Report 2020/21

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report presents attached Audit Completion Report (Appendix A) and Management Representation Letter (Appendix B). This document reports to those Charged with Governance the key conclusions in the audit process for the 2020/21 financial year and also comments upon the Statement of Accounts and their quality.

1.2. There was a delay in issuing Audit Completion Report, as with last year, there were particular issues linked to delays in the outcome of the Pension Fund audit which feeds into Rushcliffe's (and the other Nottinghamshire authorities) accounts.

1.3. Mazars are also required to report their Value for Money conclusion within 90 days of the Audit Completion and therefore will be reported to this group on 3 February 2022 in their Auditor's Annual Report.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve:

a. The findings of Mazars Audit Completion Report **(Appendix A)**

b. The Management Representation Letter **(Appendix B)**

3. Reasons for Recommendation

3.1. To ensure that due regard has been given to issues and concerns raised by the Council's external auditors; and to demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015)

4. Supporting Information

4.1. The Audit Completion Report is attached at Appendix A and the Management Representation Letter at Appendix B.

4.2. There is a new Code of Audit Practice (the Code) which has changed the way in which external audit report their findings in relation to Value for Money

(VFM) arrangements from 2020/21. Whilst they are still required to be satisfied that the Council has proper arrangements in place, they will now report by exception in their annual report where they have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required external auditors to give a conclusion on the Council's arrangements as part of their auditor's report. Commentary on the VFM arrangements now form part of the Auditor's Annual Report due to be considered by this group on 3 February 2022. At the time of writing no significant weaknesses have been identified.

4.3. For the second year, this audit was more challenging than normal due to the continued implications of Covid-19. The statutory deadline for signing off the Statement of Accounts was extended until 30 September 2021. Unfortunately, this deadline was not met through no fault of the Council but delays in the auditors gaining assurance from the Pension Fund Accounts (again for the second year). Around 90% of Councils have been similarly effected. Irrespective of this and despite new and significant technical requirements surrounding grants and the Collection Fund no significant issues have arisen during the 2020/21 financial year.

4.4. Appendix B details the management representation letter. This letter confirms for the auditors that the Council is satisfied with the validity of the financial statements provided by the Authority to Mazars. If agreed, this letter will be signed at the conclusion of the meeting.

5. Risks and Uncertainties

5.1. There are no issues arising from this report.

6. Implications

6.1. Financial Implications

The existing budget covers the fee for audit work of £31,792. In addition to this, Mazars propose fee variations of approximately £19k in relation to additional testing and work as a result of Covid-19 and changes to the Code of Audit Practice. These variations are subject to confirmation by Public Sector Audit Appointments (PSAA) and, if approved, will be covered partially by a PSAA refund and the remainder by budget efficiencies identified in the year.

6.2. Legal Implications

There are no legal implications arising from the recommendations of this report.

6.3. Equalities Implications

There are no equalities implications connected to the recommendations of this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no Section 17 implications connected to the recommendations of this report.

7. Link to Corporate Priorities

Quality of Life	None
Efficient Services	Undertaking a programme of external audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	None
The Environment	None

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group approve:

a. The findings of Mazars Audit Completion Report (Appendix A)
b. The Management Representation Letter (Appendix B)

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Statement of Accounts 2020/21
List of appendices:	Appendix A – Mazars Audit Completion Report 2020/21 Appendix B – The Management Representation Letter

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Audit Completion Report

Rushcliffe Borough Council - Year ended 31 March 2021

November 2021

mazars

Contents

mazars

Governance Scrutiny Group

Rushcliffe Borough Council
Rushcliffe Arena
Rugby Road
Nottingham
NG2 7YG

Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

1 November 2021

Dear Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 7 June 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 0115 964 4744.

Yours faithfully

David Hoose

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Defined benefit liability valuation;
- Valuation of property, plant and equipment, and investment properties; and
- COVID-19 grants recognition.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements.

Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Opening Balances		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
COVID-19 grants		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Investment income		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Creditors		A number of queries remain outstanding that are being processed by the audit team and discussed with management where further evidence is required.
Whole of Government Accounts		We are awaiting further guidance from central government in relation to the 2020/21 process, therefore, this work is yet to start.
Completion procedures		This remains outstanding due to queries identified above.

Likely to result in material adjustment or significant change to disclosures within the financial statements.

Potential to result in material adjustment or significant change to disclosures within the financial statements.

Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum dated 7 June 2021.

We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £818k using a benchmark of 2% of gross operating expenditure.

Our final assessment of materiality, based on the final financial statements and qualitative factors is £799k using the same benchmark.

Specific materiality thresholds also used are:

Threshold	£'000s
Officer remuneration	5*
Termination payments	37
Members allowances	69
Audit fees	7

*Bandings within the note are £5k, so therefore a one band move is considered material

Reliance on internal audit

No reliance has been placed on internal audit for the 2020/21 financial audit. Enquiries have been undertaken to held aid the overarching control environment at the Council.

Use of experts

Information below was disclosed within our Audit Strategy Memorandum, dated 7 June 2021. No changes to our audit approach have been identified.

Item of account	Management's expert	Our expert
Property Plant and Equipment	Nick Berry/ Leanne Ashmore **Internal Valuer**	None. Third party evidence provided via the NAO to support our challenge of valuation assumptions.
Pensions	**Barnett Waddingham** Actuary for Nottinghamshire Pension Fund	PWC (Consulting actuary appointed by the NAO)
Financial Instrument disclosures	**Link Asset Management (LAM)** Treasury management advisors	None.

Service organisations

Item of account	Service Organisation	Audit approach
Payroll Costs	Gedling Borough Council *The payroll entries that form part of the Council's financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by Gedling Borough Council on behalf of the Council.*	We have reviewed the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. We are able to conclude that the Council has sufficient controls in place over the services provided by GBC and that we will be able to audit payroll based on the records held at the entity.

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	**Description of the risk** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion No issues have been identified that need to be brought to the attention of members.

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4. Significant findings

Defined benefit liability valuation	**Description of the risk** The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.
	How we addressed this risk We addressed this risk by: • critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary; • liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office; and • agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	Audit conclusion No issues noted throughout our testing that need to be brought to the attention of members. An unadjusted misstatement has been identified. Further details including quantification of the amount in question is discussed in part 6 of this report.

4. Significant findings

Valuation of property, plant and equipment, and investment properties	**Description of the risk** The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment and investment properties, with the majority required to be carried at valuation. The valuation of these assets is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.
	How we addressed this risk We addressed this risk by: • critically assessed the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • considered whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; • assessed whether valuation movements are in line with market expectations by using third party information provided by Gerald Eve to provide information on regional valuation trends; • critically assessed the approach that the Council adopts to ensure that assets are not subject to revaluation in 2020/21 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and
	Audit conclusion No issues noted throughout our testing that need to be brought to the attention of members.

4. Significant findings

COVID-19 grants recognition	**Description of the risk** Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. A lack of clarity exists in respect of the expected accounting treatment over this income source. We therefore identified the completeness and accuracy of the this income as a risk.
	How we addressed this risk We addressed this risk by: • reviewed the Council's approach to determine whether grants are or are not ringfenced for specified areas of expenditure; and • tested a sample of grant income recorded in the ledger to grant allocations/ notifications; and • reviewed a sample of grants to ensure conditions to recognise the income in 2020/21 have been met or not.
	Audit conclusion In line with section 2 of this report, a number of queries remain outstanding. At this point in time, no significant concerns have been identified that need to be brought to the attention of members.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 5 July 2021 and were of a good quality. These were supported by working papers of a good standard and represents a significant achievement by the finance team.

Significant matters discussed with management

Significant matters discussed with management during the year include the on-going impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement.

This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts.

Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

The audit was again carried out remotely but there were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

There have been no internal control recommendations identified as part of the 2019/20 or 20202/21 financial audit.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £24k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.23% difference (increased) between the estimated 2020/21 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2020/21 Fund financial statements being audited.

As disclosed at Note to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2021 was £69,736k. The extrapolated 0.23% difference is £160k.

Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences below, which represent a £160k increase in both Total Net Assets and Total Reserves.

Adjusted misstatements

No adjusted misstatements have been identified for 2020/21.

Disclosure amendments

A few disclosure amendments have been made to the 2020/21 financial statements; these are;

- Collection fund narrative has changed
- Group accounts have been updated
- Date change to the Intangibles note
- Disclosure of capital commitments has been changed from £19.7 to £19.3
- Date change to Contingent liabilities
- Disclosure change in relation to discount and CPI rate used within Note 33
- The £7m included within Note 35 has been changed to 2022/23 based on updated information
- Reference to Material Valuation Uncertainty in Note 9 and 40 has been removed

07

Section 07:

Value for Money

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7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services

- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks

- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Dear Sirs

Rushcliffe Borough Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Deputy Chief Executive and Director of Finance and Corporate Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Appendix A: Draft management representation letter

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Deputy Chief Executive and Director of Finance and Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and

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

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

Appendix A: Draft management representation letter

Charges on assets

All the Council’s assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council’s needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Deputy Chief Executive and Director of Finance and Corporate Services

Appendix A: Draft management representation letter

Appendix A

Unadjusted misstatements

Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.23% difference (increased) between the estimated 2020/21 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2020/21 Fund financial statements being audited.

As disclosed at Note to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2021 was £69,736k. The extrapolated 0.23% difference is £160k.

Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences below, which represent a £160k increase in both Total Net Assets and Total Reserves.

Appendix B: Draft audit report

Independent auditor's report to the members of Rushcliffe Borough Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Rushcliffe Borough Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, Group consolidated accounts and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2021 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive and Director of Finance and Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Deputy Chief Executive and Director of Finance and Corporate Services with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Deputy Chief Executive and Director of Finance and Corporate Services for the financial statements

As explained more fully in the Statement of the Deputy Chief Executive and Director of Finance and Corporate Services Responsibilities, the Deputy Chief Executive and Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Deputy Chief Executive and Director of Finance and Corporate Services is also responsible for such internal control as the Deputy Chief Executive and Director of Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive and Director of Finance and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive and Director of Finance and Corporate Services is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Deputy Chief Executive and Director of Finance and Corporate Services incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance Scrutiny Group the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance Scrutiny Group on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance Scrutiny Group. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive and Director of Finance and Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Appendix B: Draft audit report

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Rushcliffe Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

David Hoose, Key Audit Partner

For and on behalf of Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Appendix C: Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Deputy Chief Executive and Director of Finance and Corporate Services that Rushcliffe Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and governance scrutiny group, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

David Hoose

Mazars

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

mazars

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When telephoning, please ask for :
Telephone no :
Email:
Our Reference :
Your Reference :
Date :

Rushcliffe
Borough Council

Email:
customerservices
@rushcliffe.gov.uk

Telephone:
0115 981 9911

www.rushcliffe.gov.uk

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Dear Sirs

Rushcliffe Borough Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Deputy Chief Executive and Director of Finance and Corporate Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Postal address
Rushcliffe Borough
Council
Rushcliffe Arena
Rugby Road
West Bridgford
Nottingham
NG2 7YG

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.
I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Deputy Chief Executive and Director of Finance and Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting the Council involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and

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

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed to you in accordance with the requirements of the Code and applicable law.

I have disclosed the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements, and for which the Code and applicable law require adjustment or disclosure, have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Deputy Chief Executive and Director of Finance and Corporate Services

Appendix A

Unadjusted misstatements

Mazars advised management of a matter brought to their attention by the Nottinghamshire Pension Fund auditors. The Pension Fund auditors had identified a 0.23% difference (increased) between the estimated 2020/21 Fund investment asset value used by the Actuary to prepare the employers' IAS19 valuation reports and the 2020/21 Fund financial statements being audited.

As disclosed at Note to the Council's financial statements the value of the Council's share of the Fund's estimated pension scheme assets at 31/3/2021 was £69,736k. The extrapolated 0.23% difference is £160k.

Management chose not, on the grounds of materiality, to obtain an updated IAS19 valuation report or amend the accounts for the specific extrapolated differences below, which represent a £160k increase in both Total Net Assets and Total Reserves.

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Governance Scrutiny Group

Thursday, 25 November 2021

Approval of the Statement of Accounts 2020/21

Rushcliffe
Borough Council

Report of the Director – Finance and Corporate Services

1. Purpose of Report

1.1 This report presents the Council's statutory Statement of Accounts (Appendix A) for the financial year 2020/21 to be approved by the Governance Scrutiny Group.

1.2 The Council's external auditors have provided their audit completion report (see agenda item 5) however the value for money statement will now be considered as part of the Auditors Annual Report to this group on 3 February 2022.

1.3 There was a delay in submitting the Statement of Accounts for approval, as with last year, the audit completion report was delayed due to the outcome of the Pension Fund audit.

2 Recommendation

a) It is RECOMMENDED that the Governance Scrutiny Group approve the Statement of Accounts for 2020/21 **(Appendix A)** including the Annual Governance Statement at Section B page XXVIII.

3 Reasons for Recommendation

3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

4.2 As part of the final accounts process Mazars, as the Council's appointed auditor, provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the Audit Completion Report which is considered at agenda item 5.

4.3 The Statement of Accounts 2020/21 is included at Appendix A. This includes the Council's Annual Governance Statement (AGS) at section B page XXVIII which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group 24 June 2021.

4.4 The closure of accounts process was complex for the second year with the impact on resources as a result of Covid19. The deadline for the certification of the accounts has been extended for the next two years due to the pandemic but, pleasingly, at the time of writing no significant issues have arisen from the audit regarding the work undertaken by RBC officers. The audit has been undertaken remotely again for the second year and while this provides some challenges in itself, in addition to the ongoing impact of Covid on the Council's finances, the audit process has run smoothly. We also appreciate the difficult circumstances the Mazars team have been auditing in and thank them for their work.

4.5 There was an increase to the level of review work undertaken on defined benefit pensions (the Pension Fund Accounts where Nottinghamshire County Council are the accountable body) and PPE this year (as with last year) due to a combination of requirements by the Financial Reporting Council (FRC) and the impact of Covid. In addition to this there are additional testing requirements as a result of a change to the Code of Audit Practice. This is reflected in a proposed fee variation of approximately £19k. This is subject to confirmation by Public Sector Audit Appointments (PSAA).

4.6 The Audit Completion Report identifies an unadjusted misstatement as identified by Mazars during the audit. This relates to a 0.23% difference in the estimate asset values used by the Actuary to prepare the Council's IAS19 pension report. The extrapolated difference is £160k and management have chosen not to amend the accounts on the grounds of this not being material (as defined by Mazars).

4.7 A summary of salient points from the Statement of Accounts 2020/21 is provided below:

- Net Revenue deficit of £0.093m with the impact of Covid affecting income generation from Car Parking and Facility Hire and additional costs to support the Leisure Services provider and maintain social distancing to enable continued service provision. The losses have been mostly mitigated by grants and in year efficiencies
- Net Transfer to reserves £8.892m (£7.302m surplus) most significantly relating to Covid grants and Business Rates grants
- Creation of a Collection Fund Reserve of £5.99m to allow for timing differences in the collection fund deficit resulting from additional Covid reliefs

- Transfer of £0.2m to the Development Corporation reserve and carry forwards approved of £0.91m
- Overall Net Budget Variance of £0.192m surplus
- Council overall Net Worth has decreased by £6.924m (to £29.941m) mostly from an increase in the value of pension fund liabilities resulting from the impact of Covid.
- Treasury investments that reported a loss in value £1.2m in the 2019/20 accounts have recovered by £1.1m
- Investments held at 31 March 2021 totalled £47.45m (up from £32m)
- Overall Earmarked Reserves balance at 31 March 2021 of £22.365m
- General Fund balance remains at £2.604m
- Main areas of Capital Expenditure were acquisition of investment property of £4.6m (2 units at Edwalton Business Park), and assets under construction; Cotgrave phase 2 £1.3m and Bingham Hub £1.2m. Capital Expenditure in the year was mostly funded by capital receipts
- Business Rates position for the entire fund as at 31 March 2021 is £14.5m deficit and for Council Tax £1.4m deficit. The Council's liability is £5.8m and £0.14m respectively.
- Rushcliffe Enterprises Ltd (REL) which is the parent company for Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd recorded a net deficit of £0.168m after pension adjustments
- Major Service Developments include the Freeport and Development Corporation, Bingham Hub, Crematorium, Digital by Design and Carbon Reduction measures
- The Council managed the issues arising from Covid 19 well, responding quickly and adapting to the restrictions on operational and service delivery. Efficiencies were identified to mitigate some losses and the Council continued to deliver much valued services to residents
- Under significant financial challenges the Council has maintained its focus on achieving a viable MTFS, securing Value for Money and delivering services. The Council's reserve balances remain healthy ensuring the Council is a good position to respond to unexpected financial shocks.

5 Risk and Uncertainties

5.1 Failure to adhere to professional accounting practice could lead to potential criticism from the Council's external auditors and inadequate Financial Statements.

6 Implications

6.1 Financial Implications

Increased cost of audit in 2020/21 as a result of proposed fee variations as reported to Governance Scrutiny Group and Cabinet (see paragraph 4.5), are partially offset by a share of PSAA refund of surplus fees with the remainder from in year efficiencies.

6.2 Legal Implications

There are no legal implications identified for this report.

6.3 **Equalities Implications**

There are no equalities implications identified for this report.

6.4 **Section 17 of the crime and Disorder Act 1998 Implications**

There are no implications

7 Link to Corporate Priorities

Quality of Life	The Statement of Accounts relates to the funding of the Council's Corporate Strategy and the Council achieving all of its Corporate Priorities
Efficient Services	
Sustainable Growth	
The Environment	

8 Recommendation

a) It is RECOMMENDED that the Governance Scrutiny Group approve the Statement of Accounts for 2020/21 (Appendix A) including the Annual Governance Statement at Section B page XXVIII .

For more information contact:	Name: Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 Email: plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	
List of appendices (if any):	Appendix A – Statement of Accounts 2020/21

Rushcliffe
Borough Council

STATEMENT OF ACCOUNTS

2020-2021

RUSHCLIFFE - GREAT PLACE • GREAT LIFESTYLE • GREAT SPORT

Contents

A. NARRATIVE STATEMENT

Welcome to the Statement of Accounts

Peter Linfield, Director - Finance and Corporate Services

Introduction

As the Council's Chief Finance Officer, I have pleasure in presenting the Narrative Statement to Rushcliffe's 2020/21 Statement of Accounts. The Statement of Accounts is required by law and provides statutory and other information in line with professional best practice. In doing so, the Financial Statements continue to accord with International Financial Reporting Standards (IFRS) ensuring consistency with accounts produced by organisations in other sectors of the economy.

The Narrative Statement reports on the accounts by summarising key events and their financial impact as well as non-financial performance indicators against key corporate priorities and commentary on key risks. It also provides additional context on some of the issues and challenges that have faced the Council during the year. I hope that this Narrative Statement, and the information that follows, gives a clear picture of how Council Tax and our other sources of income are used to deliver a wide range of services. The Narrative Statement, along with the Annual Governance Statement and the Auditor's report, are outside the scope of the Statement of Accounts, but all of the documents, as one, constitute the Council's Financial Report for 2020/21.

In light of the difficult economic circumstances currently facing the public sector, not least the impact of Covid, the Council has maintained its focus on achieving a viable Medium-Term Financial Strategy. The Council continues to aim to secure value for money and remains committed to delivering quality frontline services, working with partners and most importantly, delivering services residents want whilst meeting the Council's corporate priorities of:

- Supporting economic growth to ensure a sustainable, prosperous and thriving local economy.
- Maintaining and enhancing our residents' quality of life.
- Transforming the Council to enable the delivery of efficient high quality services.
- Playing our part in protecting the environment today and enhancing it for future generations.

Should you have any queries regarding these accounts or suggestions as to how we could improve the information provided please forward them to me at finance@rushcliffe.gov.uk.

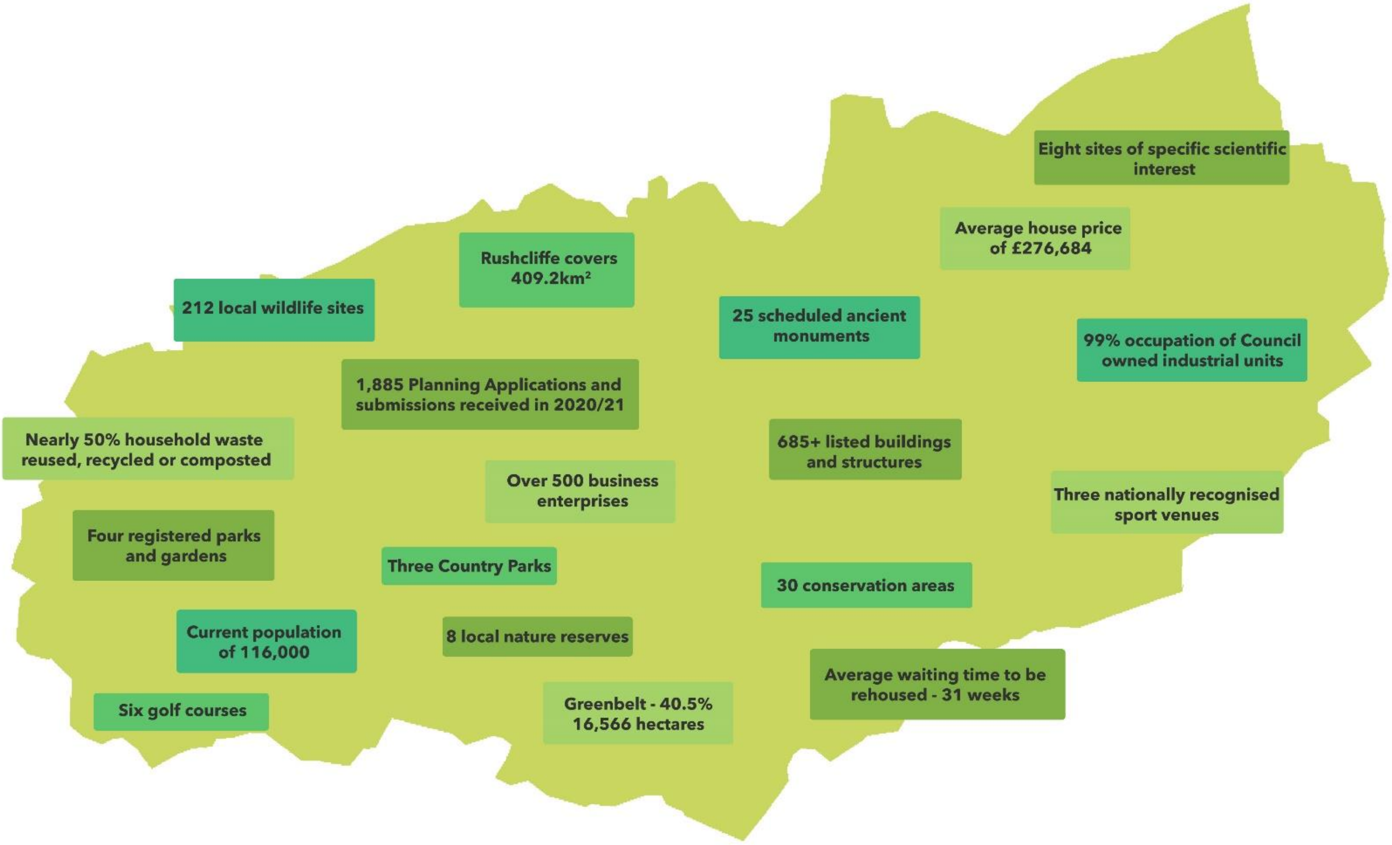
Peter Linfield
Director - Finance and Corporate Services

1. The Statement of Accounts

The Director (Finance and Corporate Services) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Finance Officer or S151 Officer). He is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Finance Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. His Statement of Assurance for 2020/21 (known as the Statement of Responsibilities for the Statement of Accounts) appears on Page 1 of the Statement of Accounts.

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Accounting Policies, which are written to take into account the Code, and are outlined on pages 53 to 73 of the Statement of Accounts.

The map below shows some key statistics for the borough of Rushcliffe



2. Delivery of the Corporate Strategy

The delivery of the Corporate Strategy 2019-23 is reported quarterly to the Council's Corporate Overview Group.

We had ambitions to deliver major projects that align outcomes with our four corporate themes:

- Supporting economic growth to ensure a sustainable, prosperous and thriving local economy
- Maintaining and enhancing our residents' quality of life
- Transforming the Council to enable delivery of efficient high quality services
- Playing our part in protecting the environment today and enhancing it for future generations.

Here are some examples of what we achieved:

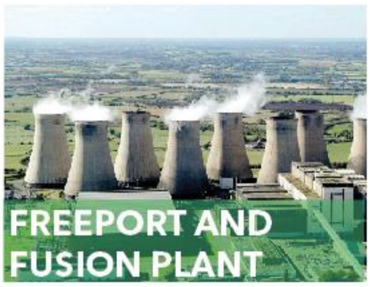
Work has begun on the £16m project which includes a 5500sqm leisure centre development with adjacent offices. It will operate a 78% carbon emission reduction compared to similar centres.

Work is due to start on our new crematorium facility and community space later this summer and will be known as Rushcliffe Oaks.

Distributed over 7,500 trees to residents, towns and parishes since our Free Tree Scheme began.

We have installed electric vehicle charging points at car parks across the Borough, providing convenient and reliable facilities for greener motorists.

We allocated digital grant funding to 23 Rushcliffe businesses, allowing them to further their online presence.



Part of the site at Ratcliffe-on-soar has made it to the final 15 sites as part of a national search for potential locations by the government for alternative energy plants.

The £210,000 project at Rushcliffe Country Park was funded by us and supported by Skate Nottingham, Canvas Spaces, and VIA East Midlands.

Our Finance and Revenues teams were shortlisted for a national award for distributing vital central government grant funding quickly and effectively.

Launched the GovDelivery email subscription service, giving over 2,000 residents weekly updates on our services.

The final part of the regeneration of Cotgrave Shopping Centre is now complete, with new business units for let.

As well as achieving all of this, we also:

3. Risk Management

The Council's Risk Management Strategy was refreshed and updated in April 2019 to ensure that it reflects the current operational structure. Reports to Governance Scrutiny Group contain updates on the risk management arrangements, and the Group's responsibility is "to oversee and scrutinise the effective management of risk by officers".

A Risk Management Health Check was carried out by Zurich in September 2019 and this identified priority areas for improvement. Following on from this, an updated Risk Management Strategy was considered by Governance Scrutiny Group 29 September 2020. The strategy is reviewed annually by the Risk Management Group and Governance Scrutiny Group provides scrutiny of risk registers twice a year. The Council's Risk Management Group (RMG) met on 12 January 2021 to review risks on the corporate and operational scorecards including Covid-19 risks. Additionally, RMG also reviewed the internal controls and financial implications of risks at red (alert) level, information requested by the Governance Scrutiny Group on 29 September 2020.

The Executive Management Team has met as the Council's Risk Management Group (RMG) in order to oversee the management of risk across the organisation and review, where necessary, strategic and operational risk. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge, will continue to influence new risks added to the register. This demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification. In 2020 the RMG identified a need to respond the impact of Coronavirus pandemic, as some services were impacted during and following national lockdowns. Twelve new risks were identified that were specific to the impacts of Covid-19 on the Council's business and further demonstrates the proactive approach to identifying emerging risk. There are currently 43 corporate risks and 32 operational risks. Therefore, the total number of risks is 75, an increase of 12 within the year.

Examples of risks that have changed following the review process are:

Risks removed:

- CRR_NS17 Impact of Covid19 on the Borough's leisure facilities and their ability to recover following initial lockdown (March to June / July 2020) – risk replaced by CRR_NS17a and b.

Risks added or proposed by Risk Management Group:

- CRR_ NS17 Impact on the Borough's leisure facilities if closed due to Covid-19.
- CRR_ NS17 Impact on the Borough's leisure facilities' failure to recover after Covid closures.
- CRR_ NS12a Failure to deliver statutory services due to impact of Coronavirus on staffing levels
- CRR_ NS12a Failure to deliver statutory services due to impact of Coronavirus on the Community
- CRR_NS13a Response to flooding impacts on delivery of statutory services
- CRR_NS13b Inadequate resources to respond to flooding incidents

The Council's Medium-Term Financial Strategy highlights key financial risks; the higher rated risks are as follows:

Risk	Likelihood	Impact	Action
Fluctuation in Business Rates linked to the impact of Covid, business appeals and in particular the power station and a decline in the retail sector	High	Medium	Growth plans and accurate monitoring, lobbying central government, potential alternative use of the power station site, increase in S31 grants to offset additional Business Rate reliefs. Playing an active role supporting the Development Corporation with a £0.5m reserve created and the development of a Freeport. Growth Boards will also help support the business community. Budget at safety net position and we achieve our central case predictions this will reduce the need to utilise reserves.
Central Government policy changes e.g. Fairer Funding, changes to NHB and 75% Business Rates transfer to local government leading to reduced revenue. Environmental policy changes with regards to waste will create future financial pressures	High	Medium	Engagement in consultation in policy creation and communicating to senior management and members the financial impact of changes via the MTFS. Budget at safety net position.
Fee income volatility linked to Covid, for example number and size of planning applications, the impact on leisure provision.	High	Medium	Engagement in consultation in policy creation. Ensure future changes are built into the MTFS.

			Additional grant funding from Government for quarter 1 in 2021/22
Pensions triennial revaluation and the potential increase to pension contributions	High	Medium	To be aware of actuary's report and implications. Risks affected by local demographics and the impact on interest rates and share prices of international economic conditions. The Covid impact to be assessed at the next valuation. Also the ability to influence central government policy on the Local Government scheme. Budget impact reflected in the MTFS
The impact of wider economic conditions (particularly Covid and BREXIT) on interest rates, the property market, impacting on investments and any future borrowing	High	Medium	Advice from the Council's treasury advisors, and more investment diversification with a wider range of institutions. Monitoring borrowing rates. Prudent assumptions in the MTFS.
The impact of changes to accounting standards upon leases	High	Low	Monitor the impact of IFRS16 on Council budgets and CFR based on the reclassification of Leases. Implementation deferred to 1 April 2022. Assess and monitor.
Environmental Agenda Impact on both revenue and capital budgets	High	Medium	Creation of Climate Change Action Reserve (£1m less £0.2m transferred to Development Corporation Reserve), ongoing review of significant projects and

			outcome of scrutiny review.

4. Revenue Expenditure and Income

During 2020/21 the Council supported the local community with various Covid -19 government funded grant schemes. This included grants to businesses and to vulnerable residents who had to self isolate and grants for reopening high streets. The treatment of each of the grants within the Statement of Accounts varies dependent upon the criteria of each grant. Grants for which the Council had no discretion over value and eligibility criteria have been accounted for on the Balance Sheet with balances at the year end held as Creditors. Where the Council could exercise some discretion over eligibility and amount awarded, the grants and corresponding expenditure have been recognised in the CIES. Outstanding balances at the year end are either shown in the Balance Sheet as a receipt in advance or included in the net cost of services and carried forward into 2021/22.

The tables below show the different schemes that grants have been received and paid out over the course of the 2020/21 financial year:

Grant	Amount (£)	Description
BALANCE SHEET		
Small Business Rates/Retail, Hospitality and Leisure	(19,444,790)	£10,000 grants to businesses in receipt of Small Business Rates relief and £10,000 and £25,000 grants for businesses in the Retail, Hospitality and Leisure sector depending on their rateable value.
Local Restriction Support Grant Closed	(6,000,871)	A mandatory grant for those businesses mandated to close during the lockdowns with set eligibility criteria running throughout October 20 to March 21
Closed Business Support Payments for Wet Led Pubs	(44,800)	A £1,000 grant for those hospitality venues whereby less than 50% of their income was generated by food sales
National Lockdown Grant	(3,924,000)	A one-off allocation during January 21 for those businesses mandated to close during the lockdown announced on the 4th January 21
Local Restrictions Support Grant Open	(18,334)	Unspent Local Restrictions Grant allocation

Grant	Amount (£)	Description
Test and Trace Mandatory	(59,000)	A £500 grant for those residents that were in receipt of a relevant benefit as described within the governments eligibility criteria, where they were required to self-isolate due to a positive COVID-19 test for them or their children
CIES		
Local Authority Discretionary Business Grants scheme	(972,460)	£10,000 grants to businesses in receipt of Small Business Rates relief and £10,000 and £25,000 grants for businesses in the Retail, Hospitality and Leisure sector depending on their rateable value. 5% of the mandatory scheme funded at the Local Authorities discretion
Winter Food Grants	(23,800)	Targeted financial support for those in need over the winter period for the cost of food, energy and water bills and other associated costs
Contain Outbreak Management Fund	(248,771)	Funding to support costs associated with the public health and outbreak management costs of COVID-19
Reopening High Streets Safely	(55,650)	Funding to allow local authorities to put in place additional measures to establish a safe trading environment for businesses and customers
Hardship funding	(515,389)	£500m of funding was provided to support economically vulnerable people and households within local areas
Test and Trace Discretionary	(75,500)	A £500 grant for those residents who met the local authorities discretionary eligibility criteria, where they were required to self-isolate due to a positive COVID-19 test for them or their children
Clinically Extremely Vulnerable Shielding funding	(20,000)	Funding for Local Authorities to provide support and advice to CEV individuals
Additional Restrictions Grants	(3,442,398)	A discretionary scheme for local authorities to fund businesses based on their knowledge of their local economy
Local Restrictions Support Grant Open	(230,669)	A discretionary grant for those businesses that were not mandated to close during the lockdowns
Compliance and Enforcement Grant	(35,981)	Funding to support additional compliance and enforcement activities

Grant	Amount (£)	Description
Coronavirus Emergency funding for local government	(1,458,015)	Throughout the financial year, government distributed £4.607bn in funding to local authorities as emergency funding to combat funding pressures
Sales Fees and Charges	(680,113)	To recompense local authorities for irrecoverable and unavoidable losses from sales, fees and charges income generated through the delivery of services. This has been extended into the first quarter of 2021 - 22
Local Income Tax Guarantee Scheme (Council Tax)	(137,712)	The government outlined that it will compensate local authorities for 75% of irrecoverable losses in council tax and business rates income in respect of 2020 - 21
Business Rate Relief s31 Grant	(4,491,328)	Compensation from government for the cost of additional reliefs to businesses granted in year
TOTAL	**(41,879,581)**	

The Council receives and spends money from various sources. The income comes primarily from local residents in the form of Council Tax, and local businesses (as Business Rates). Each year the Council spends its money on key services, delivered in accordance with our local priorities and legal requirements.

2020/21 has seen an unprecedented impact on the Council's finances as a result of Covid. There have been significant reductions in income receipts such as car parking, in addition to increased expenditure particularly in support of leisure provision. Some incidental Covid related savings have been realised, however, officers have also made a conscious effort to constrain expenditure, increase income and continue to deliver effective services despite the additional pressure brought about by Covid and positively the overall position on net cost of services is £93k deficit.
During the year the Council received government support for Covid of £2.726m (net of payments out to businesses) and £5m relating to S31 grant for Business Rate Relief reimbursement. Consequently there is an overall additional increase in the planned transfer to reserves of £7.3m, with a total increase to reserves of net £8.892m.
Of the £11.261m (£10.5m net of inter reserve movements) transferred to reserves, £2.311m was New Homes Bonus (NHB). The remainder was largely due to the surplus on collection fund as a result of S31 reimbursement for additional reliefs (£5.99m) and the year-end net efficiencies and Covid related grants (£2.227m).
Much of the £2.369m (£1.6m net of inter reserve movements) use of Reserves was in relation to the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of the Arena and Cotgrave Masterplan and planned transfers to meet revenue commitments. Reserves are available to meet future cost pressures, thus:

- Enabling delivery of the transformation programme by which the Council will balance future budgets and continue to deliver high quality services;
- Smoothing saving requirements between financial years;
- Enabling the Council to deal with the volatility from changes to central government funding methodology (such as Fairer Funding Review and retained business rates which have been further delayed);
- Funding capital expenditure including enhancement of property, plant and equipment; and
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services.
- Ensuring the Council is equipped to deal with unforeseen reductions in income or increased spending pressures such as those caused by COVID 19.
- Allowing the Council to facilitate growth and pursue opportunities such as the Development Corporation and Freeport.

The Movement in Reserves Statement (page 4) demonstrates prudent financial management throughout the year (inspite of Covid), with the Council having had few reasons to call on its reserves. The majority of the transfer from reserves was to meet MRP repayments (£1m). As a result the General Fund Reserve Balance remains unchanged from 2019/20 at £2.604m. Earmarked reserves have increased by £8.892m, from £13.473m to £22.365, (see Note 5). As already stated much of this is due to the timing impact of Covid between grants received in the General Fund, used to offset the adverse impact on the Collection Fund. A healthy level of reserves is essential for the Council to withstand the continuing effects of Covid and any future financial pressures whilst enabling the Council to develop and grow the borough and deliver the Council's corporate priorities.

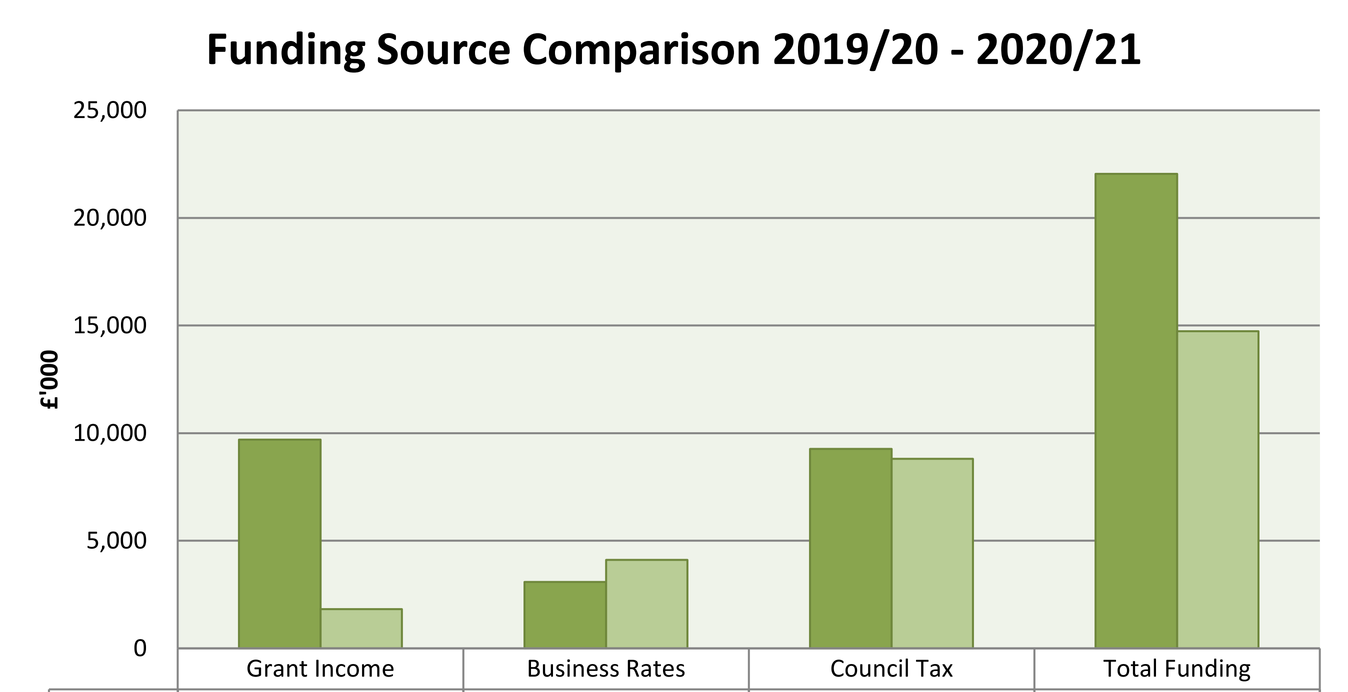
The following table demonstrates where money was spent in 2020/21, showing a net overspend on direct costs of £93k against budget (reported to Cabinet on 13 July 2021):

	Original Budget £'000	Revised Budget £'000	Outturn £'000	Variance £'000
Communities	2,907	3,027	3,164	137
Finance & Corporate Services	3,443	3,493	2,776	(717)
Neighbourhoods	6,521	6,538	7,652	1,114
Transformation	2	84	(357)	(441)
Net Cost of Services	**12,873**	**13,142**	**13,235**	**93**

The table above excludes technical items which do not impact on the bottom line financial position such as capital accounting charges.

The Council received a number of Covid related support grants and S31 grants relating to Business rates relief which bring the overall net variance to surplus £7.3m transfer to reserves. The majority of this surplus results from the reimbursement of additional business rates relief that were issued in April 2020 in response to the pandemic. The deficit of £5.9m in the collection fund at 31st March 2021 created as a result of the additional reliefs will, due to statutory accounting arrangements, not affect the accounts until 2021/22 and 2022/23. In order to smooth the impact of the deficit £5.9m of the surplus has been transferred to a Collection Fund Reserve to be released in later years. The remaining surplus is to be used to resource schemes that are to be carried forward into 2021/22, for example looking at the way forward for Edwalton Golf Course.

The main sources of revenue funding are detailed below. Grant income includes Covid related grants that have been recognised in the revenue account in accordance with CIPFA code of practice bringing the total funding to £22m. Even taking into account the grants relating to Covid, the table demonstrates the Council's reliance on local taxation to fund net council expenditure; 42% from Council Tax(59.8% 2019/20) , 14% from Business Rates (37.8% 2019/20) and due to the impact of Covid 56% (12.4% 2019/20) from grants. Note of the grants funding £2.311m is New Homes Bonus largely used to finance capital expenditure. New Homes Bonus is expected to cease in 2022/23 although it is currently under consultation.

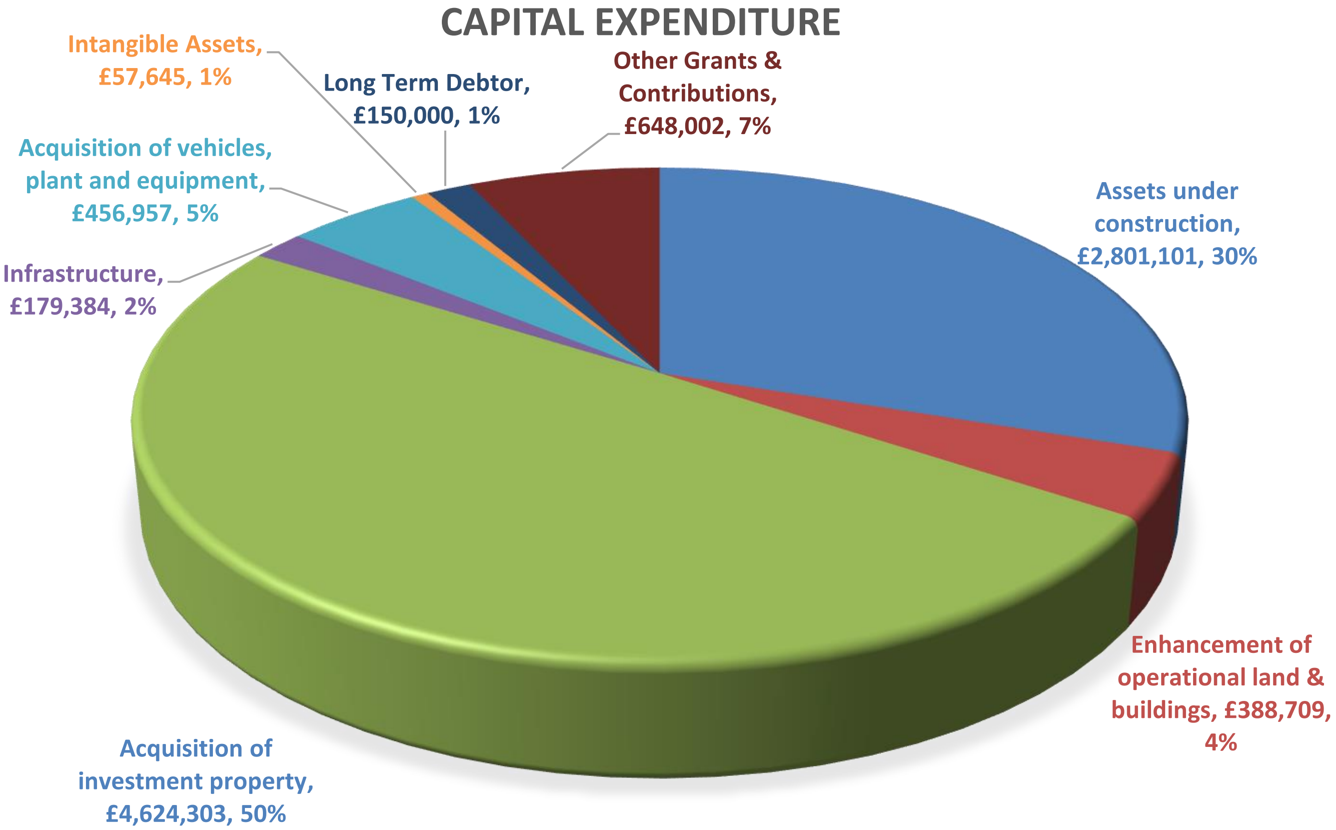


	Grant Income	Business Rates	Council Tax	Total Funding
2020/21	9,701	3,086	9,261	22,048
2019/20	1,823	4,105	8,812	14,740

Source: Taxation and Non Specific Grant Income - Note 8

5. Capital Expenditure and Income

The following chart shows the breakdown of Capital Expenditure in 2020/21:



The chart above shows the main areas of capital expenditure are acquisition of investment property £4.6m, (50%) and assets under construction £2,8m (30%).

As well as delivering day to day services, the Council also spends money on capital works, creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. Key areas of capital expenditure in 2020/21 comprise:

- Acquisition of Investment Property - £4.6m. Primarily this arises from the purchase of 2 quality Business Units in Edwalton, West Bridgford.

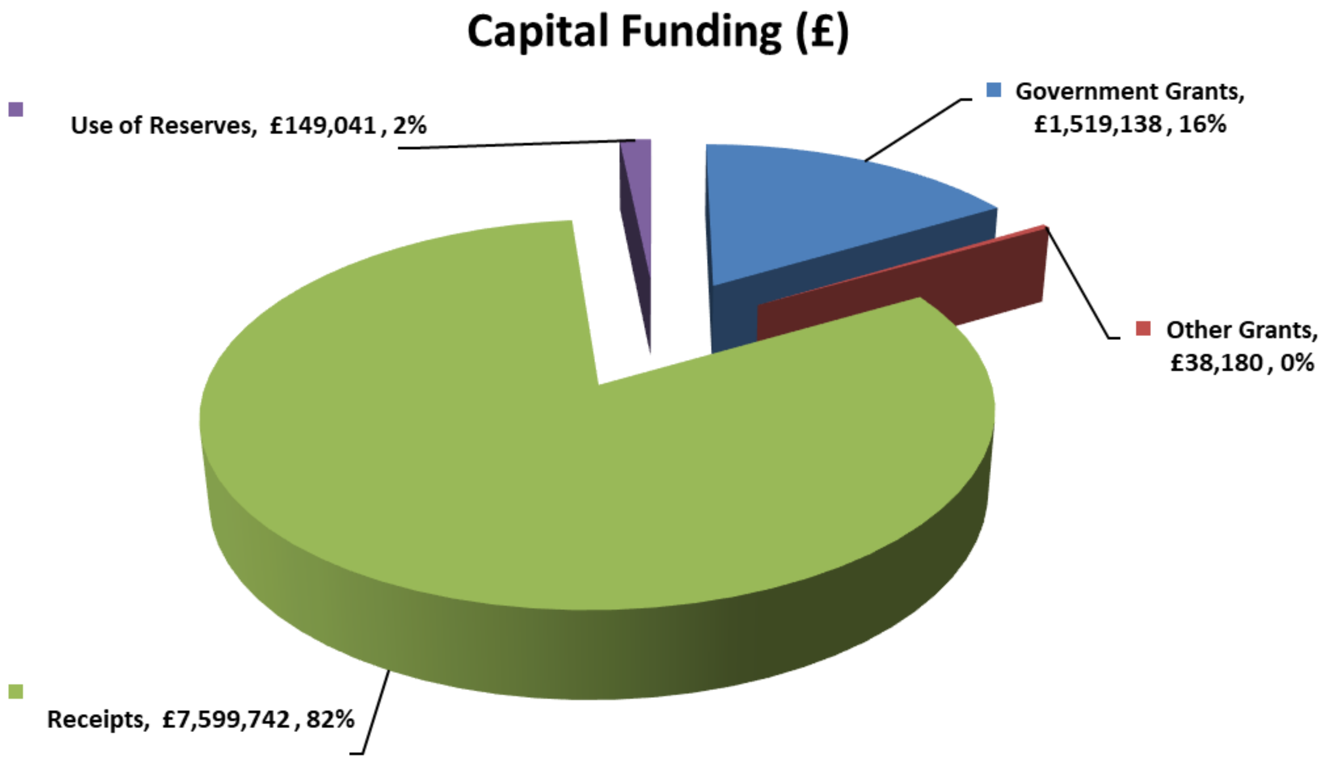
- Assets Under Construction - £2.8m. Of which, £1.3m was spent on the second phase of Cotgrave shops regeneration. Main building works close to being finished and these will be complemented by the infrastructure works to follow in 21/22. £1.2m was incurred on Bingham Hub project which will create a new leisure and community centre and associated office development. Design fees largely complete and the main contractor has started on site.

- Other Grants and Contributions - £0.6m. Monies released to finance capital assets owned by third parties. Primarily this expenditure was on Disabled Facilities and Better Care Funding Grants.
- Vehicle, Plant and Equipment - £0.5m. This supported the installation of new car park lighting across the borough, acquisition of IT Technical Infrastructure, and purchase on a new Refuse Freighter.

Edwalton Business Park

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2020/21 the Council spent £9.3m compared to an overall Capital Programme of £16m giving rise to a variance of £6.8m. This is due to programme rephasing and the carry forward commitments total a net of £6.5m. The most significant of which are £2.2m for the Bingham Hub Leisure and Office scheme; £1.2m for grass pitches at Gresham; £0.6m Support for Registered Housing Providers; £0.5m for The Crematorium and £0.5m for Phase II improvement works in Cotgrave.

The chart below shows the breakdown how Capital Expenditure was funded in the year.



Source: Capital Expenditure and Capital Financing- Note 30

Capital resources available in 2020/21 allowed for all capital expenditure to be met without recourse to borrowing. The key elements of funding comprise:

- Capital Receipts - £7.6m 82% of capital expenditure was covered by capital receipts. Significant sums have started to be received from the overage agreement in place at Sharphill Wood. These sums, together with historical capital receipts, were used to fund: the acquisition of 2 Business Units in Edwalton, WB - £4.6m; building works to nearly complete Phase II of Cotgrave Regeneration - £1.3m; smaller sums were utilised to meet design and contract costs for commencement of the Bingham Hub Leisure and Office project and The Crematorium.

- Government Grants - £1.5m. Of this, £0.9m came from Local Enterprise Partnership (LEP) Government Grant to support the Office and Community Hall elements of Bingham Hub; £0.6m comprises sums awarded to the Council under the 'Better Care Funding' arrangements. Specifically used to fund 'Disabled Facilities Grants', 'Warmer Homes on Prescription', and 'Assistive Technology'.

In 2016/17 and 2017/18, the Council used internal resources (internal borrowing) to temporarily finance the completion of the Arena development and Cotgrave employment units. Where this happens, Central Government legislation requires the Council to make a charge to its revenue budget over time, to reinstate the Council's resources. The Council has chosen to make a payment of £1m a year until the balance of £6.3m is recovered (See the Capital Financing Requirement note 30). The charge (MRP) to the revenue budget has been covered by the release of New Homes Bonus reserves and exceeds the amount we would have to pay if it was based upon the asset life.

At 31 March 2021, the balance in the Usable Capital Receipts Reserve stood at £0.5m (2019/20 £3.5m). The Council continues to generate resources through the planned disposal of assets deemed surplus, preserved rights to proceeds from sales of ex-Council House Stock, and the overage agreement in place for Sharphill Wood. During 2020/21 £4.5m of capital receipts were received, primarily from: Sharphill Wood (£4.1m); repayment of Capital Loans £0.2m; and Council House Right to Buy Clawback (£0.2m).

Looking ahead, the Council has approved an ambitious Capital Programme for 2021/22 onwards and intends to support this expenditure through the continued application of Capital Receipts, use of Reserves, Government and Other Grants and Contributions. As the available capital resources are depleted, there will be a need to undertake some further 'internal borrowing' which will potentially require an increase in the Minimum Revenue Provision (MRP). Up to 31 March 2021, the MRP charge to the revenue account was offset by a release of New Homes Bonus (NHB) to wholly mitigate the impact of the internal borrowing on the Tax Payer. The ability to continue to do this will need to be reassessed. The future levels of 'internal borrowing' and the potential need to undertake external borrowing will be dependent upon future capital income streams and receipt of monies that can be set aside into reserves, particularly NHB.

Rushcliffe Oaks Artist's Impression

6. Major Service Developments, Future Challenges including COVID 19

During 2020/21 the Council faced unprecedented financial pressures as a result of Covid. Income streams such as Car Parking and Facility Hire saw significant reductions and additional expenditure incurred in response to the restrictions imposed notably on supporting the Leisure provision, enforcement and social distancing measures. During the year the Council processed and distributed grants on behalf of the Government to residents and businesses affected by the local and national restrictions. The Council responded positively to the additional demands and key services continued to be delivered demonstrating the Councils culture of commitment to residents and business of the borough. The Council's Finance and Revenues teams have been shortlisted for an award for the speed in which vital support was distributed to those in most need; and this is testament to the teamwork and work ethic prevalent throughout the Council. The Council continues to face funding uncertainty with the Fair Funding Review and Business rates revaluation due in 2021 now further postponed and this presents challenges in planning for the medium term. Despite this uncertainty the Council received an unqualified Value for Money (VFM) conclusion from the Council's external auditors, Mazars in their 2019/20 Annual Audit Completion Letter, 24th November 2020. It was highlighted that the Council's initial response to the pandemic was prompt and budget impact reports have been taken to Cabinet setting out and monitoring the impact of Covid and potential mitigation of risks. It was also highlighted that the Council's healthy reserves position could support short term financial pressures from Covid and that Rushcliffe was still able to set a balanced budget for 2020/21 and plan for the use of general reserves to ensure that the Medium Term Financial Plan remains in balance as at 31st March 2021. The key issue being the management of reserves to a level that ensures the Council remains financially resilient and able to deliver sustainable services, whilst insulating it against significant financial risk; but also allowing the Council to take advantage of opportunities to grow and develop the borough. Such an opportunity has arisen this year with the site at Ratcliffe on Soar Power Station which is part of a larger site that has been accepted by the Government as one of 8 successful bids (and the only in-land) for a Freeport in the Country. The development of the site which is due to close in 2024, could bring 60,000 jobs into the area along with new investment to help boost the economy. The site is one of 15 to make the shortlist to become the world's prototype fusion energy plant.

There are a number of opportunities to improve residents' **quality of life,** such as developing the Chapel Lane site at Bingham to improve leisure facilities and by supporting the continued development of existing Growth Boards which will shape economic growth at local levels. The development of a new Crematorium in the Borough will provide new community infrastructure resulting in additional capacity in the Borough alongside the existing Crematorium at Wilford Hill. As mentioned above the opportunity of a freeport alongside the Development Corporation will bring employment opportunities and investment into the borough and create a 'global hub' in the midlands for technology and low-carbon energy. The freeport is a once in lifetime opportunity that will benefit not only the freeport area but the wider community and the economy.

As an organisation, it is always our intention to deliver **efficient services** for our residents. When the national lockdown was announced in March 2020 the majority of Council employees had to transition to working remotely overnight. Despite this the Council continued to provide a high level of services to its residents, delivering with speed financial assistance in the form of business grants and test and trace support payments to its residents. The number of benefit claims increased over the period and these were processed in a shorter turnaround than the national average. The council also applied further discounts to Council Tax for vulnerable residents ensuring that support was available when it was needed the most. There is continued commitment to make best use of digital development, where appropriate, to deliver better services and operate even more efficiently. The Council has a digital by design programme led by a project team to identify and develop opportunities that will further improve the delivery of services to its residents and make processes more efficient. There are a number of risks which impact upon delivering the Council's Medium Term Financial Strategy (MTFS) and these are highlighted in Section 3 above. The pandemic presented a number of new risks and to manage these a new suite of risk indicators were developed and incorporated into the existing risk register. During the year the Council completed purchases of 2 commercial properties in 2021 but has since reassessed its position and reduced spend on the Asset Investment Strategy returning the unspent provision back into the Capital Programme to be further invested in other projects and opportunities.

Rushcliffe is determined to play its part in shaping the future of the Borough ensuring the needs and aspirations of Rushcliffe residents are met in all future developments and the Council continues to deliver **sustainable growth.** This includes supporting the delivery of both 13,150 homes (including affordable housing) and employment land mainly through sites allocated through the Local Plan. The Council continues to review its Asset Management Plan to ensure we are maximising our property holdings and aligning them with the needs of our residents. The Development Corporation (DevCo) reserve created last year is now supporting the development of both the Freeport and DevCo areas, in the interim period. The Reserve balance currently stands at £500k and this has been committed to the development of the plans particularly linked to the potential use of the Ratcliffe on Soar site. The Community Infrastructure Levy was introduced in October 2019 and as at 31 March 2021 the Council has collected £0.379m.

One of the Council's key Corporate Priorities is **the environment**. Opportunities are actively being sought which will reduce the Council's carbon footprint and assist in achieving its target to become carbon neutral. The carbon management plan has been refreshed to provide a roadmap for achieving carbon neutral status. Examples of opportunities that the Council have embraced are electric car charging points, making homes energy efficient and utilising innovative technology in our capital projects. Rushcliffe has responded to proposals from the national Resources and Waste Strategy for England to ensure that the Council's views on any potential burdens financial or otherwise can be considered when developing any policies. There will be continued drive to reduce residual waste tonnage and increase recycling rates. Work will be undertaken in partnership with other councils across Nottinghamshire to lobby central government to introduce standards and regulations which will encourage developers to deliver sustainable homes. Climate change will be at the core of thinking and both the waste strategy and climate change agendas are core elements of the Council's scrutiny programme.

Bingham Arena Development

COVID 19 Statement

The impact of Covid meant the Council had to react to an everchanging situation, significance changes in governance were reported in terms of urgent delegated decisions that had to be taken for example the temporary suspension of council meetings until July, the temporary suspension of car parking fees and the temporary implementation of an alternative planning decision making process. Other operational decisions were also reported such as the cancellation of community events and the closing of both public toilets and the Council's contact centres. Supported by excellent IT the Council has been able to continue to work remotely and deliver its core services. Significant additional work in relation to Covid has ensued such as much needed financial support for businesses and individuals (e.g. Government Business Grants and Test and Trace payments). Increased enforcement has been necessary as the various tiers and full lockdowns have been introduced and where necessary staff have been redeployed.

There have been numerous Covid reports to Cabinet (and many returns to central government) during the year and a revised budget report was taken to Full Council in September 2020 and a 'Going Concern' Report regarding the Council's immediate financial viability was presented to the Governance Scrutiny Group in September 2020. There are no issues currently regarding the Council operating as a 'going concern'.

Main issues:

- Provision of services – Community facilities and leisure centres closed or at reduced capacity and increased demand for services such as business support grants
- Council's Workforce – related to sickness, isolating and furlough
- Supply chains and third parties – mainly relating to leisure services but some impact on rental income from commercial tenants
- Reserves, financial performance and financial position – impact on reserves and uncertainty over future funding, losses incurred on the value of assets and the impairment of debtors
- Cash Flow Management – cash advances from government meant there was no need to externally borrow
- Other major risks and recovery action – focus on the recovery of the economy and the borough, utilising available funding wherever possible

Further details of the impact of Covid can be found in the Annual Governance Statement on page XXIV

7. Financial Statements

The financial activities of the Council can be split between revenue and capital, and in general terms, the definitions are as follows:-

- Income and expenditure within the revenue accounts of the Council relate to items consumed within the year; and
- Income and expenditure within the capital accounts relate to items with a life in excess of one year.

The Council's accounts consist of:

- **Comprehensive Income and Expenditure Statement - CIES (Page 3) -** The net cost of service has increased slightly by £0.44m mainly due to the impact of the cost of Leisure on Neighbourhoods. The movement in Other Operating Expenditure (£0.838m) arises mainly from a combination of a gain on the disposal of non-current assets (£3.988m) and £4.647m in expenditure on Covid business grants. The non-current asset amount is mainly due to £4.1m in income from Sharphill Overage Agreement being recognised. The Covid related business grants are funded by grant receipts and are mentioned below regarding 'Taxation and Non-Specific Grant Income'.

  The movement in Financing and Investment Income and Expenditure (£4.357m) is technical in nature and primarily relates to the movement in Fair Value of Investment Properties. The revaluation exercise in 2019/20 gave rise to a surplus and therefore shows a reduction between years. Interest receivable and similar income shows a surplus of £1m which is a reversal of the prior years reduction in the value of the financial assets held by the Council. Whilst the recovery in the value of the Treasury investments is positive, the Covid pandemic may still have a longer term effect and so the value may still fluctuate although the investments are expected to appreciate over time.

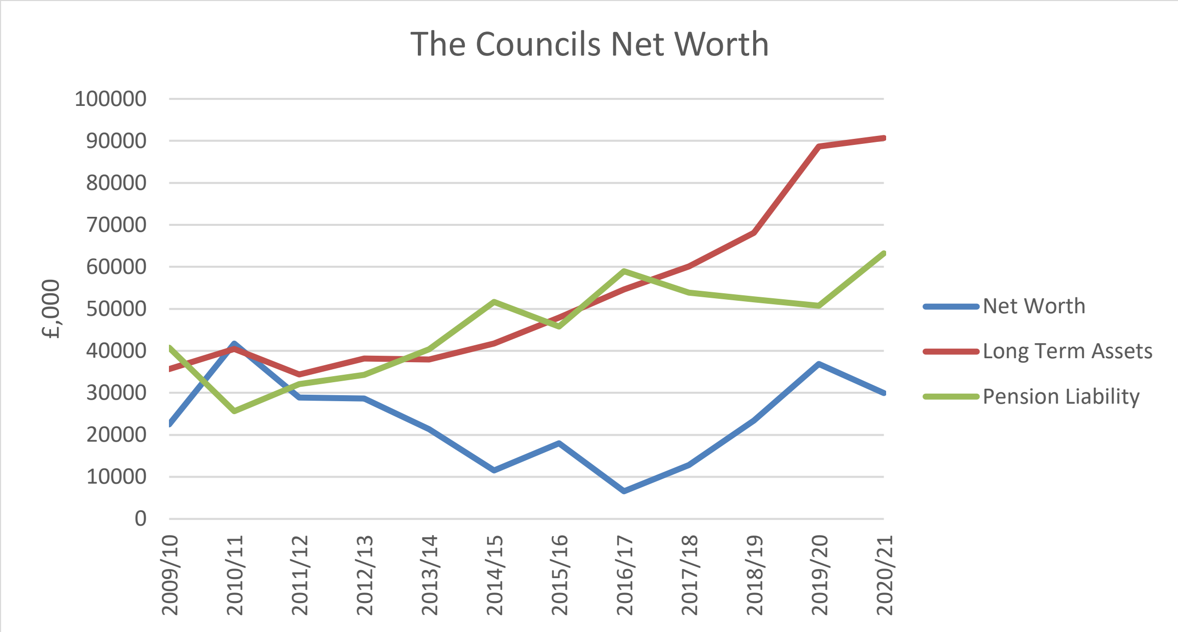
There have been some significant movements in Taxation and Non-Specific Grants in 2020/21 owing mainly to Covid related adjustments. Business Rates Income has reduced by £0.969m whilst the Collection Fund deficit arising in 2020/21 is £5.769m. S31 grants of £5.719m have been received in reimbursement for additional business rates reliefs issued in April 2020. The Council has also received £7.206m in Covid 19 grants partially offsetting the additional costs in Other Operating Expenditure in note 6.

The variances above have resulted in an overall surplus on the Provision of Services of £5.791m compared to a surplus of £3.082 in 2019/20. The majority of the increase arises from Covid grants that have been credited to taxation and non-specific grant line (see note 8) There have been pension adjustments changes in actuarial assumptions (deficit of £13.064m). The changes represent an increase in liabilities due to changes in assumptions made on discount rates and future salary and pension increases, offset by a reduction in liabilities due to a more positive return on assets, and demographic assumptions based on actuarial modelling for 2020.

- **Movement in Reserves Statement (Page 4) –** this shows the movement in the year of the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (those that an authority is not able to utilise to provide services).

- **Balance Sheet (Page 6) –** This is a snapshot of the Councils Assets, Liabilities and Reserves at the year-end date (31st March). The Council's overall net worth has decreased by £6.924m. In the year the cash and cash equivalents have increased mostly in relation to the additional grant payments received from government for business support. This is offset by an increase in short term creditors pending repayment of balances. Long term provisions have increased by £2.605m and mostly relates to increases in Business Rates appeals provision due to the assumptions regarding the impending closure of Ratcliffe on Soar power station. Capital Grants Receipts In Advance have increased by £4.748m in relation to S106 and Community Infrastructure Levy (CIL) receipts received during the year. The Pensions Fund actuarial calculations have been reassessed as at 31st March to capture any potential impact of COVID 19 on the asset values. The accounts reflect the valuations at 31st March 2021 and a net increase of £12.477m in liabilities.

The following graph shows the change in the Council's net worth over the past ten years. Over the last nine years there has been a positive trend of an increase in net worth however due to the impact of the Covid-19 pandemic on pension values, the net worth has reduced in 2020/21 as the value of the Council's pension liability has increased.



Source: Balance Sheet

- **Cash-flow Statement (Page 7)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes**.**

- **Notes (pages 8-53) –** these provide supporting context to the above Statements.

- **Accounting Policies (Pages 53-73) –** these explain the bases of the figures presented in the accounts.

8. Supplementary Financial Statements

- **Collection Fund (pages 75-78) –** this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and central government. It is noted that there is now a deficit of £14.5m on the Business Rates section of the Collection Fund, as a result of additional reliefs issued in response to Covid in April 2020 and an increase in appeals provision. The deficit on the Council Tax section has increased to £1.4m (from £0.7m) mostly as a result of reduced income relative to the precept requests by various authorities.
- **Group Accounts (pages 80- 87) –** according to statutory requirements the Council is required to produce Group Accounts where it has subsidiaries, joint ventures or associates. The Council has a subsidiary company Rushcliffe Enterprises Ltd (REL) which is the parent company for Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd. Although this

company is currently dormant, the accounts of the subsidiaries have been consolidated.
Some of the key points to note are as follows:

(a) The company made a loss of £0.4k which after taking into account pension adjustments is a total loss of £168k which is reflected in the Group Movement in Reserves Statement. The loss this year is linked to the pension arrangements and increased liability through the year end valuation together with additional Covid-19 related expenditure.
(b) Loss before tax for REL is £3k and this is reflected in the surplus on provision of services of £5.79m in the Group Comprehensive Income and Expenditure Statement;

9. Summary

Like many public sector organisations the Council has, and continues to face, many significant financial challenges. Covid-19 has now presented greater challenges as highlighted above. The Council's response has been to not only develop a culture of prudence but to also deliver initiatives focusing on investment and growth in the community and this will stand the Council in good stead to meet both the operational and financial challenges it now faces. The Council has to focus both on the immediacy of the challenge presented by Covid-19, and particularly the recovery from Covid in the aftermath of the pandemic; but also not lose sight of its longer term agenda to ensure the Borough remains a great place to live, work and remain healthy; and for future generations that it has a sustainable environment.

The Council is committed to delivering the services our residents' value, economic growth and change for the Borough through the delivery of its key strategies, from leisure to transformation. The Council will continue to be innovative so it continues to progress and provide better value for money for taxpayers. The Council will continue to aim to provide an environment to support both businesses and the community at this most challenging of times. At the forefront of economic growth in the longer term will be the role of both the Freeport and Development Corporation and the opportunities these will create. The challenges that face Rushcliffe are ones which both members and officers of the Borough Council are determined to meet.

10. Further Information

Further information about the Statement of Accounts is available from the Financial Services section at the Rushcliffe Arena, Rugby Road West Bridgford, Nottinghamshire NG2 7YG, telephone 0115 9819911 or by e-mail: finance@rushcliffe.gov.uk. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised on our website at www.rushcliffe.gov.uk.

Peter Linfield
Director - Finance and Corporate Services

31st July 2021

B. ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

Rushcliffe Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Rushcliffe Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Rushcliffe Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Rushcliffe Borough Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The seven principles (A-G) are highlighted at various points within the statement. This statement explains how Rushcliffe Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, 2011 and 2015, in relation to the publication of a statement on internal control.

1.2 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

f2 THE GOVERNANCE FRAMEWORK

Principles C & D – Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2025/26 and introduce its seventh Corporate Strategy covering the period 2019 to 2023. The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

- Quality of Life
- Efficient Services
- Sustainable Growth
- The Environment.

The integration of service and financial planning continues year on year and is resourced by the financial strategy.

The Council continues to work towards the delivery of its Transformation Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2025/26. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

All key tasks within the current service delivery plans have been linked directly to the Council's strategic objectives.

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. Last year we projected a budget deficit of £0.657m over the of the Medium Term Financial Strategy (MTFS) and with the impact of Covid the potential for a budget deficit of up to £2.6m. A combination of cost control and income generation has resulted in a budget efficiency position of £2.633m (having taken into account government grants to mitigate the impact of Covid). Going forward there remain significant financial challenges, and these are commented on below. Over the next 2 years a budget deficit position is anticipated of £1.5m. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of Covid and the trajectory of economic recovery remains uncertain and will continue to be closely monitored. Its direction of travel could significantly affect the Council's financial position.

Going forward the Council will revisit the Transformation Programme and a particular issue here will be the impact of delivering the Leisure Contract savings reported to Cabinet in February 2020. Furthermore as a result of Covid-19, the anticipated Business Rates, Fair Funding and New Homes Bonus reviews have also been delayed until at the earliest 2021. Revised assumptions have been included in the MTFS presented to Full Council in March 2021.

The budget will still focus on the following thematic areas to be balanced in future years:

(a) Service Efficiencies – focusing on both the customer and streamlining services;

(b) Management budget control – challenging base budgets each year;

(c) Transformational Projects – projects such as a new crematorium, Bingham leisure hub facilities and the potential alternative use of Edwalton Golf Course; and

(d) 'Thinking big' reviews – the emergence of the Development Corporation and Freeport area around Ratcliffe-on-Soar power station and the Depot relocation (including the future use of the site).

To secure a medium term financial position, the Council will maintain progress and focus on managing budget reductions where appropriate, managing inflationary pressures on its operational costs, whilst increasing income to deliver balanced budgets annually.

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in it's spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub and a crematorium. The Council's Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice) including the investment in 2 office facilities in Edwalton, governing the risk of such investments individually; and collectively in relation to the Council's other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.5m (2020/21) to £2.3m (2025/26).

2.3 The Constitution

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

A comprehensive document detailing the Council's constitution clearly sets out the defined structure for the Council's organisational arrangements based upon a cabinet executive model. In essence, the different roles can be summarised as follows:

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. Following a review of scrutiny in early 2019, the Council now has a Corporate Overview Group, which manages corporate performance and financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;
- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

The Constitution also provides detailed guidance on standing orders, financial regulations and the conduct of meetings. In addition, it contains codes of conduct applying to members and officers as well as a protocol for councillor/officer relationships. The codes include reference to the need to declare any interests which may conflict with the individual's role at the Council. The registers for councillors and officers are maintained by the Council's Monitoring Officer and the Strategic Human Resources Manager respectively. The Council has in place a confidential reporting code (whistleblowing policy) and any referrals under the policy are investigated.

The Constitution, as a whole, is reviewed when necessary and appropriate. The last review was in July 2020 and a further review is planned for July 2021.

2.4 **Policies, Procedures, Laws and Regulations**

The Council has three statutory officer roles: the Head of Paid Service, the Section 151 Officer and the Monitoring Officer. The Chief Executive is the Head of Paid Service and has overall corporate management and operational responsibility including overall management responsibility for all officers. The Chief Executive has the special responsibility to report if insufficient resources are available for the Council to discharge its legal duties. The Monitoring Officer ensures lawfulness and fairness in decision making and ensures the Constitution is current.

The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2020/21, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2020/21, the Director - Finance and Corporate Services held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet members. The post holder also has direct access to the Governance Scrutiny Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by BDO. The effectiveness of this service is monitored by the Governance Scrutiny Group.
- Directors are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Director - Neighbourhoods.

2.5 Risk Management

Principle F – Managing risks and performance through robust internal control and strong public financial management

The Council's risk management arrangements are regularly reviewed. In the last twelve months, three reports have been considered by the Governance Scrutiny Group on Risk Management. In addition to the annual report and mid-year update (September 2020 and February 2021), a special report highlighting the impact of Covid-19 on risk was considered in July 2020. An additional twelve new risks were added to the corporate risk management framework to manage the impact of Covid-19 on the Council.

During 2020, the Council also undertook risk management training for members of the Governance Group in line with the recommendations of the Zurich Risk Management Health Check conducted in late 2019.

The 2020/21 Annual Report by Internal Audit acknowledges that the Council has a moderately effective framework for risk management, governance and internal control. However, they also note that none of their local authority clients received substantial assurance in 2020/21 mainly due to the impact of the Covid-19 pandemic.

2.6 Development and training needs

Principle E – Developing the council's capacity including the capability of council leadership and staff

The Council has a cross party Member Development Group (MDG) to oversee development and delivery of Councillor learning and training. This Group meets to review the delivery of the annual training programme and extend it in response to councillor requests or identified needs as appropriate. The Group also looks at the Councillors' Community Grant Scheme.

The Member Development Group did not meet during 2020/21 due to the Covid-19 pandemic. In addition, the Councillors Training Programme was suspended to enable Councillors to focus more on much needed community leadership activities. However, essential training did continue, and three courses were delivered – Online Communications Skills open to all councillors, and Risk Management and Treasury Management training for members of the Governance Scrutiny Group.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive Management Team who ensure that organisational Learning and Development Plans linking to individual annual Performance Development Reviews (PDRs) are effectively managed and delivered. The Council recognises the importance of training to its workforce.

2.7 Communication

Principle B - Ensuring openness and comprehensive stakeholder engagement

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to over 50,000 households each year and these set out details of a number of key service changes and ask for customer feedback.

Despite COVID-19, the Council has continued to increasingly implement the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media which has again seen hundreds more followers and subscribers across its various channels. During 2020/21, the Council launched an electronic free subscription newsletter to stakeholders to provide an additional communication method that now sees thousands receive a weekly digest on council news and updates direct to their inbox.

The authority also undertakes consultation to inform decisions relating to policy changes. The majority of normal consultation activity was put on hold during 2020/21, though an online consultation connected to the Council's new Equality and Diversity Policy was undertaken. Usual activities will be reinstated in 2021/22, headed by the three yearly Residents' Survey both in print to engage hard to reach groups and online. It will also see the resumption of customer satisfaction surveys by several key customer facing services such as planning, revenues and benefits and customer services. The feedback received from these exercises will be used to improve services to all customers.

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd (SEL) and car parking contracts. There are quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. Whilst Streetwise brings opportunity there is also risk in terms of how the company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces.

Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (chaired by the Chief Executive); and any other companies that the Council creates in the future, for example the Limited Liability Partnership (LLP) created with Public Sector Partnerships Ltd. At Cabinet in January 2021 it was agreed to wind-up REL (due to a lack of trading activity) and keep it as a dormant company so there is flexibility in the future if a company is required.

A revised company and governance structure has also been adopted to provide proportionate oversight and governance of SEL and Streetwise Environmental Trading Ltd. This incorporates an Oversight Board (3 Cabinet Members and the Chief Executive, S151 Officer and Monitoring Officer) and annual reports to both Governance Scrutiny Group and Cabinet.

Following the Government announcement regarding the decommissioning of coal-fired power stations, Ratcliffe on Soar Power Station is due to be decommissioned by 2025. This could have a significant impact on the Borough both financially (loss of business rates) and with the potential to have a very large derelict site at the entrance to the Borough from the A453. The Development Corporation (DevCo) would provide greater certainty on the redevelopment of the site, leveraging investment and resources to support delivery. The Chief Executive of the Council is a Director of the newly established interim vehicle (and the Leader is a shareholder representative) with the Council committing £0.5m (an earmarked reserve) to support the Development Corporation along with the same contributions from North West Leicestershire and Broxtowe district councils; and £1.5m each from both Leicestershire and Nottinghamshire County Councils.

Furthermore the power station site is part of the proposal for the East Midlands Freeport one of 8 successful bids announced by the Chancellor in his September budget. A Cabinet Member will sit on the Freeport Board and the Freeport will co-exist with the Development Corporation. Both the DevCo and Freeport present great opportunities for a world-class green and blue environmental investment programme with R&D in climate change and zero carbon and will enable employment opportunities and infrastructure investment.

2.9 Transparency

Principle G – Implementing good practice in transparency, reporting and audit to deliver effective accountability

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken, and the Council provides public access to audio and video recordings of meetings. Despite Covid the Council continued with its business (see Section 4.1). Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports which are reported to the Governance Scrutiny Group and Corporate Overview Group respectively. Reports from the Council's internal auditors (BDO) and external auditors (Mazars) are published online, including their annual reports.

The Corporate Overview Group monitor performance against targets on a quarterly basis. BDO are compliant with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and staff in order to discharge their duties.

The Council publishes information in accordance with the Local Authorities (Data Transparency) Code.

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

Rushcliffe Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. This review is considered by the Governance Scrutiny Group.

3.2 The Council

The Council approves and keeps under regular review all the strategic policies which it reserves for its own consideration, including:

- The Constitution
- The Corporate Strategy
- The Capital Programme and Revenue Budget
- The Housing Strategy
- The Local Development Framework.

3.3 The Cabinet

The Cabinet carries out the executive functions of the Council as required by the legislation and the Council's constitution. It accordingly:

- Takes key decisions

- Takes other executive decisions
- Approves policies other than those reserved for Council
- Recommends to Council policies and budgetary decisions.

3.4 Scrutiny groups - Governance Scrutiny Group

The Governance Scrutiny Group is charged with Governance and has a number of responsibilities including:

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution
- Receiving reports from external audit in relation to the audit arrangements.

3.5 Other Scrutiny Groups

The Corporate Overview Group reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year include the annual customer feedback report and health and safety report. This Group is also responsible for driving forward and reviewing the changes brought about by the review of scrutiny in early 2019.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups which were formed during 2019. The first, Communities, looks at areas that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council and potential enhancements with regards to Edwalton Golf Course. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year for example, scrutinised reports in relation to Abbey Road and the Crematorium.

3.6 Directors

Directors are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year, Directors are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

3.7 Internal Audit

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place.

Following a joint procurement process with Gedling Borough Council in 2019/20, this contract was awarded to BDO until 2022/23. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology.

An annual audit plan governs each year's activity and at the completion of each audit, a report is produced for management with recommendations for improvement. Regular reports covering internal audit activities are submitted to the Governance Scrutiny Group for scrutiny.

The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.

A detailed annual review of the effectiveness of the Council's system of internal control is undertaken every year and reported to the Governance Scrutiny Group. The Annual Report states "overall, we are able to provide Moderate Assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. This is our second highest level of assurance". To this end the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

3.8 **External Audit**

The external auditors, Mazars, review the Council's arrangements for:

- Preparing accounts in compliance with statutory and other relevant requirements;
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and
- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In their annual report for 2019/20, Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. This was after the 30 November deadline primarily due to the knock-on effect of delays in the pensions audit (undertaken by Grant Thornton on behalf of Notts CC) as a result of the impact of Covid on pension fund valuation and associated risks. In terms of value for money, Mazars concluded 'in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020'.

4 **SIGNIFICANT GOVERNANCE ISSUES'**

4.1 **Issues Identified, including the impact of Covid-19, the CIPFA Financial Management Code, other issues and proposed remedial action**

Covid 19 Issues

The impact of Covid meant the Council had to react to an everchanging situation and where it can take proactive action. At Cabinet (May 2020) significance changes in governance were reported in terms of urgent delegated decisions that had to be taken for example the temporary suspension of council meetings until July, the temporary suspension of car parking fees and the temporary implementation of an alternative planning decision making process. Other operational decisions were also reported such as the cancellation of community events and the closing of both public toilets and the Council's contact centres.

Commendably the Council has continued to deliver its core services. Excellent IT has enabled staff and councillors to continue to work remotely. Services such as garden waste collection and planning have continued. Significant additional work in relation to Covid has ensued such as much needed financial support for businesses and individuals (eg Government Business Grants and Test and Trace payments). Increased enforcement has been necessary as the various tiers and full lockdowns have been introduced and where necessary staff have been redeployed.

There have been numerous Covid reports to Cabinet (and many returns to central government) during the year and a revised budget report was taken to Full Council in September 2020 and a 'Going Concern' Report regarding the Council's immediate financial viability was presented to the Governance Scrutiny Group in September 2020. There are no issues currently regarding the Council operating as a 'going concern'.

A summary of key areas of impact are given below:

Area of Impact	Issue for the Council
Provision of services	Community facilities and contact centres closed at appropriate times linked to Government advice. Leisure Centres closed again according to government advice and re-opened at differing times with different levels of service provided. Around £1m cost for the Council compared to pre-Covid projections in 2020/21. Office based services continued remotely (enabled by excellent IT), and skeleton staffing was retained at the Arena focusing on both administration and customer contact. Waste collection continued business as usual apart from bulky waste collections (with tip sites closing), however unlike many other authorities, green waste collections continued and were welcomed by the community, reflected in exceeding the projected income levels. Over £30m of business rates grants have been provided businesses across the Borough. Over £9m of business rates relief provided for 2020/21 to the retail, hospitality, nursery and leisure sectors and over £0.5m of Hardship Fund grant for

	council tax support has been provided. Car Park charges were temporarily suspended and to assist business recovery, in 2021/22, this has been extended. The Council also responded to new burdens such as enforcement of the Covid Regulations in workplaces and businesses.
Council's Workforce	The majority of the workforce has continued working. Around 20 staff were furloughed where income has fallen and some staff redeployed. Sickness has remained at very low levels and not impacted upon service delivery. Where there was a risk of impact additional refuse service agency staff were utilised.
Supply chains and third parties	The main impact on services provided has been on leisure provision (mentioned above) and this going forward remains a risk to the Council's budget and Transformation Programme. Nottinghamshire County Cricket Club were granted a deferral of £54k on the principal element of their loan for 2020/21 subsequently this has been now paid. Some payment holidays (or deferrals) have been granted to commercial tenants on a case by case basis, most of which have been repaid with the outstanding balance at £69k currently and is not material.
Reserves, financial performance and financial position	The March budget stated a projected budget deficit of approximately £1.5m over the next two years (funded by reserves) moving to a surplus position in 2023/24 when reserves will be replenished. Retaining sufficient reserves is essential given the volatile financial environment we currently operate in. The Council's earmarked reserves at 31 March 2021 stand at £8m (excluding New homes Bonus and Collection Fund Surplus). The delay in Business Rates reform and Fair Funding creates further uncertainty going forward. There was a £1.2m loss on investments and over the year these have largely regained their value (a current loss of £0.1m) The capital programme has been updated with a particular focus on the Crematorium and Bingham Leisure Hub. Over the next 5 years the programme amounts to £38.9m. Property, plant and equipment reduced in value as at 31 March 2021 by £2.1m. The Council continues to monitor financial impairment regarding potential 'bad debts' and these amount to £0.17m which has remained the same from 2019/20.
Cash Flow Management	The Council during the year has received significant cash advances from central Government enabling

	sufficient cash to pay in particular business grants. No external borrowing was required.
Other major risks and recovery action	The main concern is that both local businesses and the community recover and Rushcliffe returns to pre-Covid 19 levels of activity. The Council is working with the Local Resilience Forum Recovery Group to ensure businesses can trade post-lockdown, to help communities and also that it maximises the use of funding such as the High Street Fund.

The CIPFA Financial Management Code

The Chartered Institute of Public Finance & Accountancy (CIPFA) has introduced a new code, The Financial Management Code 2019 (FM Code), which sets out for the first time, the standards of financial management for local authorities.

Adoption of the FM Code commenced from 1 April 2021. Appendix A of this report provides a self-assessment which has been approved by EMT and gives assurance to the Group that Financial Management Standards are being met. The approach used is to give a RAG rating and has been reviewed by the Council's Section 151 Officer. In summary, the findings of the current self-assessment against the Financial Management Standards gives a green rating against each standard. It is proposed as an action to ask Internal Audit to review the self-assessment.

Other Issues

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter. The biggest developing arrangements as already stated concern the Development Corporation and the Freeport (see Section 2.8 above). A £0.5m reserve has been created to ensure the Council supports the initial business case development and plays an active role in decisions taken by the Board.

Given all of the challenges linked to Covid and other medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the authority has responded positively. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements. A combination of cost control and income generation (including fees and charges and council tax) ensures the Council is in a position to project a surplus from 2023/24. Going forward there will be more service based pressures linked to statutory changes in relation to climate change, planning and waste services.

The Council has retained an ambitious capital programme a core component of which is the Bingham Leisure Hub (also including business/industrial units) with an overall budget of £20m. Efficiencies are expected from the leisure contractor albeit Covid and its impact upon the leisure industry is estimated to have put these back by up to 2 years. £7.5m will potentially need to be externally borrowed to fund the capital programme, particularly in relation to the Bingham Leisure Hub and the Crematorium. Both are due to open by the summer of 2022.

The Council's focus remains on 'growing the borough' and ensuring it remains a great place to live. CIPFA's new treasury guidance prohibits the Council from "borrowing for yield" and therefore the Council will not utilise any more of its £20m Asset Investment Fund (£16.2m has been spent). The Council is still committed to having a commercial ethos and maximising value for money for the benefit of its residents. The Council has a range of income streams and manages such risks proportionately and sensibly.

Whilst Covid has affected income levels such as community facilities, commercial property, treasury investments and car parking income the risk is being managed with the Council's proportionate approach. The regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates have been closely monitored. At the 31 March 2021, collection rates for Council Tax have reduced by 0.1% compared to 2019/20, equating to approximately £0.157m (RBC exposure around £15k). The collection rate for Business Rates was similar to the previous year (99.1% collected in both years). Despite the challenge of the pandemic on both businesses and residents, the Borough has maintained an excellent level of Council Tax and Business Rates collection.

One other effect of Covid-19 is that the planned reviews of Business Rates and Fair Funding have been delayed for a further year for 2021/22 implementation and they are currently looking like they will be delayed until at least 2022/23. New homes Bonus is also expected to be reviewed in 2021 and has been already subject to consultation. The Comprehensive Spending Review planned for later this year may shed some further light on this issue. This is important as it will determine the overall funding available to the local government sector and, ultimately, to Rushcliffe. This complex economic environment is further compounded by the uncertainty that BREXIT creates and the impact of the deal that has been negotiated.

Power station appeals remain one of the Council's biggest financial risks, given the relatively large proportion of the business rates tax base the Radcliffe on Soar power station constitutes and the history of appeals against its business rates valuation. In addition, the likely de-commissioning of the power station, given it accounts for around 8% of Business Rates income, potentially undermines any benefits the Council may gain in business rates from business growth. The Council is looking at options to mitigate this risk and has actively worked with the management of the site to prepare a long-term re-development, which is now to be included within both the Development Corporation and the Freeport site.

The Medium Term Financial Strategy will continue to be reported as part of the Council's normal finance and performance due diligence. The key areas of risk being income streams, Business Rates and Council Tax collection, the capital programme and its funding, delays to the anticipated national business rates and fair funding system and ultimately the position and sustainability of the Council's reserves.

Challenges arising from welfare reform and the continued introduction of Universal Credit (which occurred in October 2018 for the majority of Rushcliffe) give further financial and operational risks. The Council also has to address the issue of ensuring there is sufficient housing supply to meet its housing targets within its local plan. Whilst the Core Strategy was approved in 2014, much work has been undertaken to identify preferred options for Local Plan part 2, which was finally adopted by Full Council in October 2019.

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall and the 'Growth Deal' for employment and housing sites alongside the A46. The Abbey Road disposal and the development of the depot site continues (progress was reported to the Growth and Development Scrutiny Group, January 2021) . This will result in 71 new homes, with at least 30% (23 properties) affordable housing in accordance with the environmentally sustainable design code and Masterplan. These are indicative of the Council's commitment to support housing, business growth and the environment.

The Council continues to be involved in various collaboration activities including payroll, tree advice, ICT provision and Building Control, and Trading Standards. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives.

The external auditors have noted a number of risks in reviewing the Council's accounts, namely:

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment (particularly given Covid-19 and any potential changes to property values as a result of this and the risk of material value uncertainty);
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts and with Covid 19 there maybe material value uncertainty; and
- There is appropriate accounting treatment of Covid 19 grants received from central government, given the number and significant value of these.

Undoubtedly the main challenges for 2021/22 and the medium term now relate to the ongoing situation, and the aftermath, of Covid-19.

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day to day operations, particularly in the light of recent global cyber security threats. A review of Data Protection requirements with the General Data Protection Regulations, is ongoing. Pleasingly the audit this year gives this area a low risk.

Despite the challenging economic environment the Council remains committed to reducing its carbon footprint. The Climate Change Reserve of £1m has not been diverted to resource Covid financial pressures. Plans with regards to the climate challenge and the use of resources continue to be reported to the Communities Scrutiny Group (April 2021, Carbon Management Plan).

The Department for Environment, Food and Rural Affairs has launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council

in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk.

The pensions' triennial review was produced in 2019 with pensions costs for the next 3 years, largely unchanged to what are currently paid. Given the current volatility of financial markets with both Covid-19 and BREXIT on the horizon there will be potential balance sheet risks that will be reported as part of the annual accounts closedown process.

Based on our review of the governance framework, the following significant issues will be addressed in 2021/22:

Issue	Reporting to	Methodology	Timescale
Compliance with the Financial Management Code	Governance Group	Internal Audit normal reporting	By March 2022
Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 risks	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub and Crematorium	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting	By March 2022

5 STATEMENT OF THE CHIEF EXECUTIVE AND THE LEADER OF THE COUNCIL

We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Governance Scrutiny Group. The arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed, and those to be specifically addressed with new actions planned, are outlined above.

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

Signed…………………………….	Signed………………………………..
K Marriott (Chief Executive)	Councillor S Robinson (Leader)
Date 30 September 2021	Date 30 September 2021

Appendix A

Financial Management Code Self-Assessment

Standard Reference	Financial Management Standard	RAG Rating
Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team		
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Audit conclusion on 2019/20 accounts was the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. General Fund reserve levels have been maintained above the minimum required level and the balance on other useable reserves is expected to reduce from £13m to £12m over the medium term. Despite Covid excellent performance has been maintained (as per Finance and Performance reports)
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	We comply with the requirements of the code CFO is CIPFA qualified with 31 years of local government experience; and reports to CEO; CFO role detailed in the Constitution; CFO sits on Executive Management Team, influencing material decisions and ensuring financial implications are provided in all reports. The CFO leads on corporate fraud. Through the Finance team treasury performance is monitored and reported

Standard Reference	Financial Management Standard	RAG Rating
		to Governance Scrutiny Group throughout the year.
Section 2: Governance and Financial Management Style		
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	RSM (internal audit report for 2019/20) The organisation has an adequate and effective framework for risk management, governance and internal control. Statement in the AGS in the STAC for 2019/20 demonstrating compliance. Accounts signed off by audit
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	The Governance Group scrutinise Constitution changes and reviews the adequacy of Governance arrangements, such as risk management and approving the Annual Governance Statement. The Council has also reviewed and changed the governance arrangements with regards to the accountability of Streetwise Environmental Ltd.
E	The financial management style of the authority supports financial sustainability.	The Council has developed a Transformation Programme and made in excess of £4m in budget efficiencies. It has undertaken asset investment and has a commercial approach. Demonstrated by successful awards from the Municipal Journal and LGA for both Entrepreneurialism and Commercialism. There

Standard Reference	Financial Management Standard	RAG Rating
		are a sustained level of reserves commensurate with its risk appetite.
Section 3: Long to Medium-Term Financial Management		
F	The authority has carried out a credible and transparent financial resilience assessment.	Budget setting for 2020/21 includes a statement from CFO that the estimates are robust. Budgets were set in conjunction with senior managers and appropriate challenge made. Budgets are balanced and reserves healthy and we have an achievable Transformation Plan monitored monthly. An independent review by consultants confirms the council has robust finances. Appendix A shows the 2021 CIPFA Resilience Index with relatively low risk. Independent benchmarking confirms this position.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	We have a 5 year MTFS reported to Members and with Covid we have reported the authority's position as a Going Concern.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Capital Strategy shows that plans are affordable prudent and sustainable – all PI's are set and monitored, MRP is set to repay debt
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	5 year MTFS in place, projects and outcomes linked to corporate plan and proposals are scrutinised against the corporate plan and these feed into the departmental service plans
Section 4: The Annual Budget		

Standard Reference	Financial Management Standard	RAG Rating
J	The authority complies with its statutory obligations in respect of the budget setting process.	The Council complies with its statutory obligations in respect of the budget setting process as set out in the Local Government Finance Act (1992). A legal and balanced budget and corresponding Council Tax levels have been set by Council by the statutory deadline of 11 March and assurance has been provided by the CFO regarding the robustness of estimates and adequacy of reserve levels.
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	The budget setting report comments upon the expenditure plans, reserves and risk and includes a statement from the CFO giving a positive assurance that the budget is balanced, robust and affordable
Section 5: Stakeholder Engagement and Business Plans		
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Budget was made available to residents via Cabinet agenda prior to approval at Council. Elected members given the opportunity to scrutinise and comment upon. Member workshops involve members at budget setting. We consult with Stakeholders on key projects e.g. Bingham Hub and the Crematorium.
M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	For capital investment appraisals and business cases the Council uses the agreed approach outlined in the Capital and Treasury Strategy and are subject to

Standard Reference	Financial Management Standard	RAG Rating
		approval by Asset Investment Group. Projects that do not satisfy the set criteria (Net Present Value, Internal Rate of Return and impact on the General Fund and assessment matrix of non-financial criteria) are not approved in their current form. Specific appraisal are reported to Governance Group. Financial comments are required on reports to highlight and demonstrate consideration of financial impact and allow scrutiny of, and challenge to the proposals.
Section 6: Monitoring Financial Performance		
N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Monthly reports are considered by budget holders, which is in turn reported to and scrutinised by service managers. Issues identified are raised with EMT. Quarterly Finance reports are presented to Cabinet and Finance and Performance reported to COG. Reports include a section on financial implications and risk. Monthly reports are sent to EMT on aged debt and outstanding items of concern. TM reports are taken mid-year and outturn to GSG and more detailed meetings are held monthly in the finance team. The finance staff involved in TM undertake regular training with annual training for members

Standard Reference	Financial Management Standard	RAG Rating
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	EMT are actively involved in budget workshops which demonstrates the position on Revenue, Capital and Reserves and sit at Full Council when the budget is approved
Section 7: External Financial Reporting		
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	The CFO's responsibilities are set out in the "Statement of Responsibilities" within the STAC. This statement clearly sets out that the CFO is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The annual audit letter confirms that the 2019/20 STAC have been prepared in accordance with the code.
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	The outturn figures are reported to Cabinet and included in the narrative sections of the statement of accounts. Variances are clearly identified including highlighting those that are 'accounting adjustments'. Use of underspends are clearly identified in the report, including carry forward requests and these are approved by Cabinet.

C. Independent auditor's report to the members of Rushcliffe Borough Council

TO BE ADDED

STATEMENT OF ACCOUNTS

2020/21

D 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 for the administration of those affairs. In this Council, that officer is the Director (Finance and Corporate Services).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE DIRECTOR (FINANCE AND CORPORATE SERVICES) RESPONSIBILITIES

The Director (Finance and Corporate Services) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices, as set out in the Chartered Institute of Public Finance and Accountancy's "Code of Practice on Local Authority Accounting in the United Kingdom" ("the Code of Practice").

In preparing this Statement of Accounts, the Director (Finance and Corporate Services) has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates that were reasonable and prudent
- complied with the Code of Practice

The Director (Finance and Corporate Services) has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Director (Finance and Corporate Services) should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2021.

CERTIFICATE

This statement of accounts is unaudited and may be subject to change prior to formal approval by the Governance Group.
I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Rushcliffe Borough Council at 31 March 2021 and its income and expenditure for the financial year ended 31 March 2021.

Peter Linfield
Director - Finance and Corporate Services
31 July 2021

FORMAL APPROVAL

The Governance Scrutiny Group will consider the Final (Audited) Statement of Accounts on 23rd September 2021 for approval.

D. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 1 APRIL 2020 TO 31 MARCH 2021

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

2019/20					2020/21		
Gross Exp £'000	**Income £'000**	**Net Exp £'000**		**Note**	**Gross Exp £'000**	**Income £'000**	**Net Exp £'000**
3,447	(1,941)	1,506	Communities		3,315	(1,692)	1,623
19,902	(14,845)	5,057	Finance and Corporate		18,954	(14,679)	4,275
9,629	(4,488)	5,141	Neighbourhoods		10,900	(4,665)	6,235
3,032	(247)	2,785	Transformation		3,102	(308)	2,794
36,010	**(21,521)**	**14,489**	**Cost of Services**		**36,271**	**(21,344)**	**14,927**
		2,374	Other Operating Expenditure	6			3,212
		(4,896)	Financing and Investment Income and Expenditure	7			(920)
		(15,049)	Taxation and Non-Specific Grant Income	8			(23,010)
		(3,082)	**(Surplus)/Deficit on Provision of Services**				**(5,791)**
		(6,042)	(Surplus)/Deficit on Revaluation of Non-Current Assets				(721)
		0	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				0
		(4,291)	Actuarial (Gains)/Losses on Pension Assets / Liabilities	33			13,064
		0	Other Recognisable (Gains)/ Losses				372
		(10,333)	**Other Comprehensive Income and Expenditure**				**12,715**
		(13,415)	**Total Comprehensive Income and Expenditure**				**6,924**

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2020 TO 31 MARCH 2021

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

		Total Usable Reserves						
		General Fund Balance	Earmarked GF Reserves (Note 5)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 20)	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020		**2,604**	**13,473**	**3,538**	**220**	**19,835**	**17,030**	**36,865**
Movement in Reserves during 2020/21								
Surplus/(Deficit) on the provision of services		5,791				5,791		5,791
Other Comprehensive Income and Expenditure							(12,343)	(12,343)
Other Recognisable Gains/(Losses)							(372)	(372)
Total Comprehensive Income and Expenditure		**5,791**	**0**	**0**	**0**	**5,791**	**(12,715)**	**(6,924)**
Adjustments between accounting basis & funding basis under regulations	(4)	3,101		(3,044)	144	201	(201)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**8,892**	**0**	**(3,044)**	**144**	**5,992**	**(12,916)**	**(6,924)**
Transfers to/from Earmarked Reserves	(5)	(8,892)	8,892	0	0	0	0	0
Increase (Decrease) in year		**0**	**8,892**	**(3,044)**	**144**	**5,992**	**(12,916)**	**(6,924)**
Balance as at 31 March 2021 c/f		**2,604**	**22,365**	**494**	**364**	**25,827**	**4,114**	**29,941**

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2019 TO 31 MARCH 2020

	Note	General Fund Balance	Earmarked GF Reserves (Note 5)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 20)	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2019		**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**
Movement in Reserves during 2019/20								
Surplus/(Deficit) on the provision of services		3,082				3,082		3,082
Other Comprehensive Income and Expenditure							10,333	10,333
Other Recognisable Gains/(Losses)								0
Total Comprehensive Income and Expenditure		**3,082**	**0**	**0**	**0**	**3,082**	**10,333**	**13,415**
Adjustments between accounting basis & funding basis under regulations	(4)	(1,427)	0	(3,489)	122	(4,803)	4,803	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,655**	**0**	**(3,489)**	**122**	**(1,721)**	**15,136**	**13,415**
Transfers to/from Earmarked Reserves	(5)	(1,655)	1,655	0	0	0	0	0
Increase (Decrease) in year		**0**	**1,655**	**(3,489)**	**122**	**(1,721)**	**15,136**	**13,415**
Balance as at 31 March 2020c/f		**2,604**	**11,818**	**3,538**	**220**	**19,835**	**17,030**	**36,865**

D. THE FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 MARCH 2021

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

31 Mar 2020 £'000		Note	31 Mar 2021 £'000
47,878	Property, Plant and Equipment	9	45,725
91	Heritage Assets		88
25,772	Investment Property	10	29,127
151	Intangible Assets	11	126
11,907	Long Term Investments	13	13,050
2,861	Long Term Debtors	13,14	2,570
88,660	**Long Term Assets**		**90,686**
15,000	Short Term Investments		15,000
0	Assets Held for Sale	12	4,586
1	Inventories		0
7,301	Short Term Debtors	14	7,789
5,162	Cash and Cash Equivalents	16	19,401
27,464	**Current Assets**		**46,776**
0	Short Term Borrowing	13	0
(8,970)	Short Term Creditors	17	(17,402)
0	Short Term Provisions	18	0
(8,970)	**Current Liabilities**		**(17,402)**
(1,950)	Long Term Provisions	18	(4,555)
(17,592)	Capital Grant Receipts in Advance	13,28	(22,340)
(50,747)	Pension Liabilities	33	(63,224)
(70,289)	**Long Term Liabilities**		**(90,119)**
36,865	**Net Assets**		**29,941**
3,538	Usable Capital Receipts Reserve	MIRS	494
2,604	General Fund Balance	MIRS	2,604
13,473	Earmarked Reserves	5	22,365
220	Capital Grants Unapplied	MIRS	364
19,835	**Usable Reserves**	MIRS	**25,827**
17,030	**Unusable Reserves**	20	**4,114**
36,865	**Total Reserves**		**29,941**

D. THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT AS AT 31 MARCH 2021 (INDIRECT METHOD)

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

31 Mar 2020 £'000		Note	31 Mar 2021 £'000
(3,082)	Net (surplus) or deficit on the provision of services		(5,791)
(2,296)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(15,244)
1,993	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		4,545
(3,385)	**Net cash flow from Operating Activities**	21	**(16,490)**
10,799	Investing Activities	22	(3,383)
(741)	Financing Activities	23	5,634
6,673	**Net (increase) or decrease in cash and cash equivalents**		**(14,239)**
(11,835)	Cash and cash equivalents as at 1 April	16	(5,162)
(5,162)	**Cash and cash equivalents as at 31 March**	16	**(19,401)**

D. THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS AND NOTES FOR THE YEAR 1 APRIL 2020 TO 31 MARCH 2021

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by authorities compared to 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 service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund	**Adjustments between the Funding and Accounting Basis (Note 3)**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund**	**Adjustments between the Funding and Accounting Basis (Note 4)**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
1,032	474	1,506	Communities	1,288	335	1,623
4,552	505	5,057	Finance and Corporate	4,053	222	4,275
3,769	1,372	5,141	Neighbourhoods	5,229	1,006	6,235
2,505	280	2,785	Transformation	2,419	375	2,794
11,858	**2,631**	**14,489**	**Net Cost of Services**	**12,989**	**1,938**	**14,927**
(13,513)	(4,058)	(17,571)		(21,881)	1,163	(20,718)
(1,655)	**(1,427)**	**(3,082)**	**(Surplus) or Deficit**	**(8,892)**	**3,101**	**(5,791)**
2,604			Opening General Fund Balance	2,604		
1,655			Surplus/(Deficit) on General Fund in Year	8,892		
(1,655)			Transfer (to)/from Earmarked Reserves	**(8,892)**		
2,604			**Closing General Fund Balance at 31 March**	**2,604**		

E. NOTES TO THE ACCOUNTS

1. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

2020/21 Adjustments between Funding & Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1a)**	**Net change for the Pensions Adjustments (Note 1b)**	**Other Differences (Note 1c)**	**Total Adjustments**
Communities	315	20	0	335
Finance & Corporate Services	166	56	0	222
Neighbourhoods	973	33	0	1,006
Transformation	355	20	0	375
Net Cost of Service	**1,809**	**129**	**0**	**1,938**
Other income & expenditure from the Expenditure & Funding Analysis	(5,971)	1,119	6,015	1,163
General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services	**(4,162)**	**1,248**	**6,015**	**3,101**

2019/20 Adjustments between Funding & Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1a)**	**Net change for the Pensions Adjustments (Note 1b)**	**Other Differences (Note 1c)**	**Total Adjustments**
Communities	424	50	0	474
Finance & Corporate Services	328	177	0	505
Neighbourhoods	1,295	77	0	1,372
Transformation	232	48	0	280
Net Cost of Service	**2,279**	**352**	**0**	**2,631**
Other income & expenditure from the Expenditure & Funding Analysis	(5,432)	1,244	130	(4,058)
General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services	**(3,153)**	**1,596**	**130**	**(1,427)**

Note 1a Adjustments for Capital Purposes

Services Line – this column adds in depreciation and impairment and revaluation gains and losses in the services line,

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 1b Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note 1c Other Differences

For Services Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute i.e. Accumulated Absences.

Financing and investment income and expenditure – statutory reversal of fair value gains and losses on diversified/pooled investments

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2. INCOME AND EXPENDITURE ANALYSED BY NATURE

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

2019/20 £'000		2020/21 £'000
	Expenditure	
9,390	Employee Benefit Expenses	9,048
24,991	Other Services Expenses	30,461
2,081	Depreciation, amortisation, impairment	1,899
1,244	Interest Payments (Pensions)	1,119
2,166	Precepts and Levies	2,270
58	Loss on the Disposal of Assets	0
39,930	**Total Expenditure**	**44,797**
	Income	
(7,736)	Fees, Charges and Other Service Income	(7,089)
(18,992)	Government Grants and Contributions	(32,320)
(11,495)	Income from Council Tax, NDR	(6,627)
(5,381)	(Gain)/loss recognised from changes in fair value of properties	1,269
0	Gain on the Disposal of Assets	(3,988)
592	Interest and Investment Income	(1,833)
(43,012)	**Total Income**	**(50,588)**
(3,082)	**(Surplus)/Deficit on Provision of Services**	**(5,791)**

3. SEGMENTAL INCOME

Income received on a segmental basis is analysed as follows:

2019/20 £'000		2020/21 £'000
	Services	
(1,827)	Communities	(1,523)
(192)	Finance and Corporate	(147)
(3,228)	Neighbourhoods	(2,650)
(183)	Transformation	(177)
(5,430)	**Total Income analysed on a segmental basis**	**(4,497)**

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a 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 resources that the Council is statutorily empowered to spend on its services or on the capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

This 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. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

Capital Grants Unapplied

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

Note 4. Adjustments between accounting basis and funding basis under regulations.

2019-20 Usable Reserves General Fund Balance £'000	2019-20 Usable Reserves Capital Receipts Reserve £'000	2019-20 Usable Reserves Capital Grants Unapplied £'000	2019-20 Movements in Unusable Reserves £'000		2020-21 Usable Reserves General Fund Balance £'000	2020-21 Usable Reserves Capital Receipts Reserve £'000	2020-21 Usable Reserves Capital Grants Unapplied £'000	2020-21 Movements in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:								
				Reversal of items debited or credited to the CIES:				
(2,008)	0	0	2,008	Charges for depreciation and impairment of non-current assets	(1,546)	0	0	1,546
(14)	0	0	14	Revaluation losses on Property Plant and Equipment	(271)	0	0	271
5,381	0	0	(5,381)	Movements in the market value of Investment Properties	(1,269)	0	0	1,269
(59)	0	0	59	Amortisation of intangible assets	(83)	0	0	83
502	0	0	(502)	Capital grants and contributions applied	1,441	0	0	(1,441)
0	0	0	0	Income in relation of Donated Assets	0	0	0	0
(838)	0	0	838	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(648)	0	0	648
(1,620)	0	0	1,620	Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(299)	0	0	299
				Insertion of items not debited or credited to the CIES:				
1,000	0	0	(1,000)	Statutory provision for the financing of capital investment	1,000	0	0	(1,000)
54	0	0	(54)	Capital expenditure charged against the General Fund	149	0	0	(149)
Adjustments primarily involving the Capital Grants Unapplied Account:								
431	0	(431)	0	Capital grants and contributions unapplied credited to the CI&ES	260	0	(260)	0
0	0	309	(309)	Application of grants to capital financing transferred to the CAA	0	0	116	(116)
Adjustments primarily involving the Capital Receipts Reserve:								
1,562	(1,694)	0	132	Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	4,285	(4,551)	0	266
0	5,197	0	(5,197)	Capital Receipts applied	0	7,600	0	(7,600)
0	(5)	0	5	Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(5)	0	5
Adjustments primarily involving the Financial Instruments Adjustment Account:								
0	0	0	0	Amount by which finance costs charged to the CI&ES are different from statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve:								
(3,944)	0	0	3,944	Reversal of items relating to retirement benefits debited or credited to the CI&ES	(3,430)	0	0	3,430
2,348	0	0	(2,348)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,182	0	0	(2,182)
Adjustments primarily involving the Collection Fund Adjustment Account:								
(130)	0	0	130	Amount by which council tax & business rate income credited to the CI&ES is different from statutory requirements	(6,015)	0	0	6,015
Adjustments primarily involving the Accumulated Absences Account:								
0	0	0	0	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from statutory	0	0	0	0
Adjustments primarily involving the Pooled Fund Investment Account:								
(1,238)	0	0	1,238	Downward revaluation of value of investments not charged to the Surplus/Deficit on the Provision of Services	1,143	0	0	(1,143)
1,427	**3,498**	**(122)**	**(4,803)**	**Total Adjustments**	**(3,101)**	**3,044**	**(144)**	**201**

5. TRANSFERS TO/(FROM) EARMARKED RESERVES

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

	Balance at 1st April 2020 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2021 £'000
Investment Reserves				
Regeneration and Community Projects	1,794	147	(54)	1,887
Council Assets and Service Delivery	274		(274)	0
Local Area Agreement	0			0
Investment Properties	166	136	(90)	212
New Homes Bonus	7,186	2,311	(1,077)	8,420
Invest to Save	150		(150)	0
Corporate Reserves				
Organisation Stabilisation Reserve	1,878	2,227	(319)	3,786
Climate Change	1,000		(200)	800
Collection Fund Reserve	0	5,990		5,990
Development Corporation	100	400	(100)	400
Risk and Insurance	100			100
Planning Appeals	350			350
Elections	50	50		100
Operating Reserves				
Planning	209			209
Leisure Centre Maintenance	116		(5)	111
Planned Maintenance	100		(100)	0
Total	**13,473**	**11,261**	**(2,369)**	**22,365**

INVESTMENT RESERVES

Regeneration and Community Projects – to provide funding to support capital improvement projects across the Borough including some special expense schemes.

Council Assets and Service Delivery – was originally to provide funding to support improvements and optimum rationalisation of council owned assets and facilitate the implementation of innovative service delivery models. It was agreed to rationalise reserves and transfer this balance to the Organisation Stabilisation Reserve.

Local Area Agreement – a historic reserve for Local Strategic Partnership (LSP) initiatives where monies were held by the Council, as the accountable body, on behalf of the LSP. Opening balance transferred to Organisation Stabilisation Reserve

Investment Properties – to fund improvements

New Homes Bonus – to help facilitate growth within the Borough, not ring-fenced solely for housing projects.

Invest to Save – Originally to fund projects that generate future savings. The balance was transferred to the Organisation Stabilisation Reserve as part of reserves rationalisation.

CORPORATE RESERVES

Organisation Stabilisation Reserve – to be used to provide resilience against risks surrounding the Medium-Term Financial Strategy.

Climate Change Reserve – To support projects that contribute to the Council's ambitions to protect and enhance the environment

Collection Fund Reserve – To smooth effects of surplus/deficits as a result of timing differences

Development Corporation – To support the work to establish a Development Corporation

Risk and Insurance – to provide funding to be used to reduce the risk of loss or injury in the provision of services, with the objective of reducing future insurance costs.

Planning Appeals – to provide funding to cover potential legal and other cost in respect of large applications.

Elections – to provide funding for the future costs of the four yearly Borough Council elections.

OPERATING RESERVES

Planning - to provide funding for one off revenue costs of the planning service, for example, legal costs, specialist advice and consultancy.

Leisure Centre Maintenance – to support any emerging enhancement requirements which are over and above in-year maintenance provision

Planned Maintenance – originally to provide funding for potential higher value repairs and maintenance of existing buildings and land. The balance was transferred to the Organisation Stabilisation Reserve as part of reserves rationalisation.

6. OTHER OPERATING EXPENDITURE

The composition of the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

2019/20 £'000		2020/21 £'000
2,166	Parish Council Precepts	2,270
260	Internal Drainage Board Levies	283
0	Expenditure on Covid Grants*	4,647
(52)	(Gain) or Loss on the disposal of non-current assets	(3,988)
2,374	**TOTAL**	**3,212**

*Expenditure on Covid grants relates to grants made in respect of Discretionary Grants, Additional Restrictions Grants (ARG) and Local Restrictions Grants. These are funded by additional grant receipts included in Note 8 (Taxation and Non- Specific Grants) and in Note 28 (Grant Income).

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

The composition of the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement is detailed below:

2019/20 £'000		2020/21 £'000
0	Interest payable and similar charges	0
1,244	Net Interest on the net defined benefit liability (asset)	1,119
1,238	Movement in the value of property/diversified income	(1,143)
(638)	Interest receivable and similar income	(681)
(6,740)	Income, expenditure and changes in the fair values of investment properties	(215)
(4,896)	**TOTAL**	**(920)**

8. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

The composition of the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below. In 2020/21 additional reliefs were awarded to retail, hospitality and nursery sector due to Covid 19. This has resulted in a significant deficit in the collection fund however these addiotnal reliefs were compensated for by way of S31 Grants paid by Government.

Non-Ringfenced grants line shows an additional £7.2m for Covid Grants. This is partially offset by expenditure on Covid Grants shown in Note 6. The detailed breakdown of the Covid Grants are shown in Note 28.

2019/20 £'000		2020/21 £'000
(8,812)	Council tax income	(9,261)
(4,105)	Business Rates income	(3,086)
(309)	Capital grants and contributions (Note 28)	(962)
(1,621)	New Homes Bonus	(2,311)
-	Non-ring-fenced government grants (Note 28)	
0	Covid 19 Grants	(7,206)
(202)	Other Non Specific Grant	(184)
(15,049)	**TOTAL**	**(23,010)**

9. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2020/21

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
Cost or Valuation							
At 1 April 2020	**33,977**	**7,308**	**5,709**	**329**	**4,585**	**2,326**	**54,234**
Additions/Asset Merge (Note 1)	389	457	179			2,801	3,826
Transfers		(166)	2		(4,555)	(12)	(4,731)
Revaluation (+/-) recognised in the Revaluation Reserve	(67)						(67)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(271)						(271)
Derecognition - Disposals	(297)	(379)					(676)
At 31 March 2021	**33,731**	**7,220**	**5,890**	**329**	**30**	**5,115**	**52,315**
Accumulated Depreciation or Impairment							
At 1 April 2020	(144)	(4,793)	(1,419)	0	0	0	**(6,356)**
Depreciation charge	(706)	(605)	(232)				(1,543)
Depreciation transfer		175			(30)		145
Depreciation written out to the Revaluation Reserve	787						787
Depreciation written out to the Surplus/Deficit on Provision of Services							0
Derecognition - Disposals		377					377
At 31 March 2021	**(63)**	**(4,846)**	**(1,651)**	**0**	**(30)**	**0**	**(6,590)**
Net Book Value at 31 March 2021	**33,668**	**2,374**	**4,239**	**329**	**0**	**5,115**	**45,725**
Net Book Value at 31 March 2020	**33,833**	**2,515**	**4,290**	**329**	**4,585**	**2,326**	**47,878**

Movements on Balances 2019/20

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
Cost or Valuation							
At 1 April 2019	**34,317**	**12,219**	**3,820**	**329**	**0**	**1,287**	**51,972**
Additions/Asset Merge (Note 1)	3,672	(2,739)	1,149	0	0	2,528	**4,610**
Revaluation (+/-) recognised in the Revaluation Reserve	1,471	(235)	0	0	4,035	0	**5,271**
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(14)	0	0	0	0	0	**(14)**
Derecognition - Disposals	(761)	(1,946)	(165)	0	(655)	(576)	**(4,103)**
Transfers	(4,708)	9	905		1,205	(913)	**(3,502)**
At 31 March 2020	**33,977**	**7,308**	**5,709**	**329**	**4,585**	**2,326**	**54,234**
Accumulated Depreciation or Impairment							
At 1 April 2019	**(552)**	**(5,849)**	**(1,384)**	**0**	**0**	**0**	**(7,785)**
Depreciation charge	(749)	(1,075)	(183)	0	0	0	**(2,007)**
Depreciation written out to the Revaluation Reserve	536	235	0	0	0	0	**771**
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	**0**
Derecognition - Disposals	493	1,896	148	0	55	0	**2,592**
Depreciation transfer	128	0	0	0	(55)	0	**73**
At 31 March 2019	**(144)**	**(4,793)**	**(1,419)**	**0**	**0**	**0**	**(6,356)**
Net Book Value at 31 March 2020	**33,833**	**2,515**	**4,290**	**329**	**4,585**	**2,326**	**47,878**
Net Book Value at 31 March 2019	**33,765**	**6,370**	**2,436**	**329**	**0**	**1,287**	**44,187**

Note 1 - Plant and Equipment Components from Arena no longer separately identified: £3.466m merged from VPE Catogory to Other Land and Buildings.

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings 5-100 years
- Vehicles, Plant Furniture and Equipment 3-30 years
- Infrastructure 3-50 years

Capital Commitments

At 31 March 2021, the Council was committed to works totalling £19.3m for the acquisition, construction, and enhancement of Property, Plant and Equipment and Investment Property in 2021/22. Significant items of contract and other costs comprise: Bingham Leisure Hub £16.1m; Gresham Pitches £1.2m; 3 Refuse Vehicles £0.6m; and Approved Disabled Facilities Grants £0.3m. The Council has approved delivery of a new Crematorium in the Borough but only design fees contractually committed at 31.03.21.

Revaluations

In accordance with the Code of Practice, the Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value are re-valued at least every three years. The Council, as a consequence, will be revaluing a third of its Land and Buildings portfolio every year. Assets with a value greater than £1 million are revalued annually.

Valuations of land and buildings were carried out in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 9th Edition. Every fair value valuation was carried out using the assumptions as set out in the Red Book. Where assumptions additional to those which are set out in the Red Book have been made these are stated on the relevant valuation certificates. Mr Nick Berry Senior Property Estates Surveyor is responsible for revaluation of property assets, signed off by the Council's Director – Development and Economic Growth, Leanne Baines MRICS. An impairment review is carried out annually on the Land and Buildings portfolio.

Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current prices. These assets short depreciable lives.

All valuations were carried out internally. The following table shows the progress of the Council's three-year rolling programme for the revaluation of fixed assets. These figures are shown at gross book value

	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastrucutre Asset £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost	171	7,220	5,890	329	30	5,115	18,755
Valued at fair value as at:							
31 March 2019	838	0	0	0	0	0	838
31 March 2020	1,457	0	0	0	0	0	1,457
31 March 2021	31,265	0	0	0	0	0	31,265
Total Cost of Valuation	**33,731**	**7,220**	**5,890**	**329**	**30**	**5,115**	**52,315**

10. INVESTMENT PROPERTIES

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2019/20 £'000		2020/21 £'000
1,461	Rental Income from Investment Property	1,542
(197)	Direct Operating Expenses arising from Investment Property	(251)
1,264	**Net Gain/(Loss)**	**1,291**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's rights to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to repair, maintain or enhance investment properties.

The following table summarises the movement in the fair value of investment properties during 2020/21 and 2019/20. The Council purchased 2 Business Units during 2020/21at £4.5m

	2019/20 £000	2020/21 £000
Balance at start of the year	16,989	25,772
Additions	15	0
Enhancements	68	4,624
Disposals	(110)	0
Net gains/losses from fair value adjustments	5,381	(1,269)
Write back depreciation/impairment on revaluation	(73)	0
Transfers	3,502	0
Total	**25,772**	**29,127**

All of the Council's Investment Properties are treated as operating leases.

Valuations of Investment Properties are carried out annually in accordance with the Code of Practice and with the Royal Institution of Chartered Surveyors Valuation Standards (Red Book) 9th Edition. Every Fair Value valuation was carried out using the assumptions as set out in the Red Book. A Market Valuation technique has been used for all Investment Properties and they are all based on the level 2 input hierarchy. This means that values have been arrived at using evidence (other than quoted prices) in an active market and that this evidence is directly or indirectly observable. The inputs used include the following market analyses: rents, yields, lease terms, research on farmland values, and other market evidence and comparative data. Where assumptions additional to those which are set out in the Red Book have been made, these are stated on the relevant valuation certificates. Nick Berry, the Senior Property Surveyor completed the valuation exercise and this was subsequently reviewed and signed off by the Director – Development and Economic Growth: Leanne Ashmore MRICS. An impairment review is carried out annually on the Investment Property portfolio.

11. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use.

The useful lives assigned to the major software suites used by the Council are three years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.083m in 2020/21 (£0.59m 2019/20) was charged to the Information Technology cost centre within Finance and Corporate Service Area.

Movements on Intangible Fixed Assets

2019/20 £'000		2020/21 £'000
	Balance at start of year	
325	Gross carrying amount	397
(192)	Accumulated amortisation	(246)
133	**Net carrying amount at start of year**	151
77	**Purchases**	58
(5)	**Disposals**	(104)
	Amortisation	
(59)	Amortisation for the period	(83)
5	Amortisation on disposals	104
151	**Net carrying amount at end of year**	126
	Comprising:	
397	Gross carrying amounts	350
(246)	Accumulated amortisation	(224)
151	**Balance Sheet amount at 31 March**	126

12. ASSETS HELD FOR SALE

In accordance with IFRS 5, Property, Plant, and Equipment (PPE) assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

	2019/2020 £000	2020/21 £000
Balance at the start of the year	**0**	**0**
Assets Newly Classified as HFS		
Property, Plant and Equipment	0	4,586
Intangible Assets	0	0
Other Assets Held for Sale	0	0
Additions	**0**	**4,586**
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	0	0
Valuation Movement	**0**	**0**
Assets Declassified	**0**	**0**
Assets Sold	**0**	**0**
Balance at the end of the year	**0**	**4,586**

Estimated sale proceeds in 2021/22 are £3.6m and the balance of £1m is due in 2022/23.

CIPFA code of Practice specifies that Investment Properties, which meet the classification criteria for assets held for sale, must continue to be accounted for as Investment Property and these are held at Fair Value. The Council has not elected to have a separate category within Investment Property for sale assets. At the Balance Sheet date, the Council held one Investment property (Land at Hollygate Lane) for sale (agreed subject to contract). Estimated sale proceeds for this asset are £7.2m in 2021/22.

13. FINANCIAL INSTRUMENTS

The following categories of financial instruments are carried in the balance sheet.

Long-Term 31-Mar-20	Current 31-Mar-20		Long-Term 31-Mar-21	Current 31-Mar-21
£000	£000		£000	£000
		Investments		
	20,162	Loans and Receivables		34,401
2,071		CCLA Property	1,006	
1,780		CCLA Diversified	4,070	
991		Enhanced Cash Plus	3,989	
3,358		Kames	2,056	
3,707		Investec	1,929	
11,907	**20,162**	**Total Investments**	**13,050**	**34,401**
		Debtors		
2,861	6,838	Loans and Receivables	2,570	3,769
2,861	**6,838**	**Total Debtors**	**2,570**	**3,769**
		Borrowings		
0	0	Financial Liabilities at Amortised Cost	0	0
0	**0**	**Total Borrowing**	**0**	**0**
		Creditors		
17,592	6,140	Financial Liabilities at Amortised Cost	22,340	17,402
17,592	**6,140**	**Total Creditors**	**22,340**	**17,402**

Valuation Assumptions

Investments held at 31 March 2021 amounted to £47.45m, consisting of £15m of fixed term investments where the instrument carries the same interest rate for the whole term, £19.08m of deposits in the Money Market and Call Account funds where, in general, the rate only alters with movements in the Bank rate, and £13.05m in funds valued at bid price for the shares which the Council holds. No formal calculation of the effective interest rate (EIR) is necessary, and the carrying amount is a reasonable approximation of the fair value.

Debtors and creditors, both of which are instruments of short duration, with no formal EIR are at fair value.

An assessment has been made whether any impairment write-down or provisions previously made need to be reversed, or if any new ones need to be made. A full review of bad debt provisions has been completed and appropriate adjustments to the provisions have been made on the age analysis of debtors involved.

14. DEBTORS

2019/20			2020/21	
Short Term £'000	Long Term £'000		Short Term £'000	Long Term £'000
1,759	0	Trade	965	0
90	0	Prepayment	253	0
5,452	2,861	Other	6,571	2,570
7,301	**2,861**	**TOTAL DEBTORS**	**7,789**	**2,570**

15. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) within the total debtors figure is analysed below

2019/20 £'000		2020/21 £'000
355	Council Tax	419
275	Non-Domestic Rates	279
630	**TOTAL DEBTORS FOR LOCAL TAXATION**	**698**

16. CASH AND CASH EQUIVALENTS

2019/20 £'000		2020/21 £'000
1	Cash Held by the Council	1
(3,023)	Bank Current Accounts	322
8,184	Short Term Deposits	19,078
5,162	**TOTAL CASH & CASH EQUIVALENTS**	**19,401**

17. CREDITORS

2019/20 £'000		2020/21 £'000
3,688	Trade	4,970
5,282	Other	12,432
8,970	**Total**	**17,402**

18. PROVISIONS

	Leaseholder Deposits £'000	NDR Appeals £'000	Streetwise pension £'000	TOTAL £'000
Balance at 1 April 2020	**85**	**1,282**	**583**	**1,950**
Additional provisions made in year	13	7,580	372	**7,965**
Amount utilised/reduction in year	(6)	(806)	0	**(812)**
Amount transferred to major preceptors in year	0	(4,548)	0	**(4,548)**
Balance at 31 March 2021	**92**	**3,508**	**955**	**4,555**

NDR Appeals

This provision sets aside sums for the Council's element of anticipated appeals that may arise in respect of Business Rates. The full liability is expected to be approximately £8.8 million, but the difference is to be met by major preceptors - Central Government (50%), Notts County Council (9%) and Fire Authority (1%).

19. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MIRS).

20. UNUSABLE RESERVES

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
17,220	Revaluation Reserve	17,755
52,184	Capital Adjustment Account	58,294
(51,330)	Pension Reserve	(66,014)
19	Deferred Capital Receipts	14
84	Collection Fund Adjustment Account	(5,931)
(54)	Accumulated Absences Account	(54)
(1,093)	Pooled Funds Adjustment Account	50
17,030		**4,114**

Revaluation Reserve

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

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

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

Revaluation Reserve

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
12,213	**Balance at 1 April**	**17,220**
6,492	Upward revaluation of assets	2,211
(450)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1,490)
18,255	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**17,941**
(706)	Difference between fair value depreciation and historical cost depreciation	(186)
(329)	Accumulated gains on assets sold or scrapped	0
(1,035)	**Amount written off to the Capital Adjustment Account**	**(186)**
17,220	**Balance at 31 March**	**17,755**

Capital Adjustment Account

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

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

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

Capital Adjustment Account

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
43,376	**Balance at 1 April**	**52,184**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(2,008)	Charges for depreciation and impairment of non-current assets	(1,546)
(14)	Revaluation losses on Property, Plant and Equipment	(271)
(59)	Amortisation of intangible assets	(83)
(838)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(648)
(1,620)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(299)
1,035	Adjusting amounts written out of the Revaluation Reserve	186
(131)	Write down Long-term Debtors	(266)
(3,635)	Net written out amount of the cost of non-current assets consumed in the year	**(2,927)**
	Capital financing applied in the year:	
5,197	Use of Capital Receipts to finance new capital expenditure	7,600
502	Capital grants and contributions credited to the CIES that have been applied to capital financing	1,441
309	Application of grants to capital financing from the Capital Grants Unapplied Account	116
1,000	Statutory provision for the financing of capital investment charged against the General Fund	1,000
54	Capital expenditure charged against the General Fund	149
7,062		**10,306**
5,381	Movements in the market value of Investment Properties debited or credited to the CIES	(1,269)
0	Movement in the Donated Assets Account credited to the CIES	0
5,381		**(1,269)**
52,184	**Balance at 31 March**	**58,294**

Pensions Reserve

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

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
(54,025)	**Balance at 1 April**	**(51,330)**
	Streetwise Environmental Prior Year TUPE Settlement	(372)
4,291	Remeasurement of the net defined benefit liability/(asset)	(13,064)
(3,944)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,430)
2,348	Employer's pensions contributions and direct payments to pensioners payable in the year	2,182
(51,330)	**Balance at 31 March**	**(66,014)**

Deferred Capital Receipts Reserve

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

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
24	**Balance at 1 April**	**19**
(5)	Transfer to the Capital Receipts Reserve on receipt of cash	(5)
19	**Balance at 31 March**	**14**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising between the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The significant increase in the year is due to the increase in the deficit between the position estimated in January 2020 prior to Covid and the position at 31st March 2021. The increase in deficit arisies mainly from additional reliefs awarded and an increase in provision for appeals.

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
214	**Balance at 1 April**	**84**
(130)	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(6,015)
84		**(5,931)**

Accumulated Absences Account

The Accumulated Absences Account absorbs differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to/from the Account. The differences in amounts accrued are not deemed to be material and therefore no transactions have been made in 2020/21.

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
(54)	**Balance at 1 April**	**(54)**
(54)	**Balance at 31 March**	**(54)**

Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through Profit and Loss. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised

The Council holds £13.050m of pooled investments. The Council is using the temporary statutory override agreed by MHCLG (5 years commencing from April 2018) to account for any changes in the fair value on its pooled investments.

Balance at 1 April 2020 £'000		Balance at 31 March 2021 £'000
145	**Balance at 1 April**	**(1,093)**
0	Upward Revaluation of Investments	1,158
(1,238)	Downward Revaluation of Investments	(15)
0	Change in Impairment Loss Allowances	0
(1,093)		**50**
0	Accumulated gains or losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0
(1,093)	**Balance at 31 March**	**50**

21. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2019/20 £'000		2020/21 £'000
(3,082)	**Net (Surplus) or Deficit on the Provision of Services**	**(5,791)**
	Adjust for Non-Cash Movements	
(2,007)	Depreciation	(1,546)
(14)	Impairment and downward valuations	(271)
(59)	Amortisation	(83)
(105)	(Increase)/decrease in impairment for bad debts	(99)
(3,270)	(Increase)/decrease in creditors	(10,763)
3,440	Increase/(decrease) in debtors	(410)
(33)	Increase/(decrease) in inventories	(1)
(2,760)	Movement in pension liability	587
(1,622)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(299)
(10)	Movement in Provisions	(2,605)
4,144	Other non-cash items charged to the net surplus or deficit on the provision of services	246
(2,296)	**Net surplus/(deficit) on provision of services for non cash movements**	**(15,244)**
	Adjust Net Surplus or Deficit for items that are Investing or Financing Activities	
0	Proceeds from short term and long term investments	0
431	Capital Grants credited to the Surplus/Deficit on Provision of Services	260
1562	Proceeds from sale of property, plant and equipment, investment property and intangible assets	4,285
1,993	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**4,545**
(3,385)	**Net Cashflows from Operating Activities**	**(16,490)**

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
(248)	Interest received	(132)
(330)	Dividends received	(489)
(578)	**TOTAL**	**(621)**

22. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2019/20 £'000		2020/21 £'000
4,885	Purchase of property, plant and equipment, investment property and intangible assets	8,125
29,040	Purchase of short-term and long- term investments	15,000
1,144	Other payments for investing activities	721
(1,570)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(4,196)
(19,040)	Proceeds from short-term and long-term investments	(15,000)
(3,518)	Capital Grants Received (Government)	(5,578)
(142)	Other receipts from investing activities	(2,455)
10,799	**Net cash flow from investing activities**	**(3,383)**

23. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2019/20 £'000		2020/21 £'000
0	Repayments of short and long-term borrowing	0
(741)	Other payments for financing activities	5,634
(741)	**Net cash flow from Financing activities**	**5,634**

24. MEMBERS' ALLOWANCES

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

2019/20 £'000		2020/21 £'000
241	Basic Allowances	254
96	Special Responsibility Allowances	83
6	Other Expenses	1
343	**TOTAL EXPENDITURE**	**338**

25. OFFICERS' REMUNERATION

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

Post Title	Year	Salary, Fees & Allowances £	Compensation for loss of office £	Pension Contribution £	TOTAL £
Chief Executive	2020/21	113,316	0	19,944	133,260
	2019/20	123,733	30,607	16,557	170,897
Executive Manager - Finance & Corporate Services	2020/21	90,705	0	15,964	106,669
	2019/20	88,103	0	12,806	100,909
Executive Manager - Neighbourhoods	2020/21	87,906	0	15,471	103,377
	2019/20	85,363	0	12,409	97,772
Executive Manager - Communities	2020/21	87,906	0	15,471	103,377
	2019/20	85,472	0	12,409	97,881
Executive Manager - Transformation	2020/21	85,569	0	15,060	100,629
	2019/20	85,225	0	12,408	97,633
Borough Solicitor and Monitoring Officer	2020/21	65,887	0	11,584	77,471
	2019/20	57,069	0	8,329	65,398
Chief Information Officer	2020/21	0	0	0	0
	2019/20	53,947	0	7,584	61,531

The Council's other employees receiving more than £50,000 remuneration for the year (Excluding Pension Costs) are as follows:

Number of Employees 2019/20	Remuneration Band	Number of Employees 2020/21
1	£50,000 - £54,999	3
4	£55,000 - £59,999	1
0	£60,000 - £84,999	3

26. EXIT PACKAGES AND TERMINATION BENEFITS

The Council terminated no contracts in 2020/21.

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2019/20 are set out in the table below.

2019/20				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Packages	
			Number	£'000
£0 - £20,000	0	1	1	2
£20,001 - £40,000	0	1	1	34
£150,001 - £200,000	0	1	1	151
TOTAL	**0**	**3**	**3**	**187**

27. EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the certification of grant claims (by KPMG) and the audit of the Statement of Accounts (by the Council's external auditors, Mazars) and any other statutory inspections.

2019/20 £'000		2020/21 £'000
32	Fees payable with regard to external audit services carried out by the appointed auditor (Mazars)*	44
(4)	PSAA rebate in respect prior year charges	0
0	Fees payable in respect of other services provided during the year (Cabinet Office)	2
8	Fees payable for the certification of grant claims and returns (KPMG)	8
36	**TOTAL**	**54**

***** Includes £12,099 in relation to additional fees for the 2019/20 audit.

28. GRANT INCOME

The Council credited the following grants, contributions and donations to the Taxation and Non-Specific Grant Income line (Note 8) in the Comprehensive Income and Expenditure Statement in 2020/21 and 2019/20.

2019/20 £'000		2020/21 £'000
300	Land Release Grant	0
9	Public Estates Grant Depot	0
0	Skatepark Grants	**38**
0	LEP Grants - Bingham Hub & Leisure Centre	**924**
	COVID Grants:-	
	Covid Support Grant	1,458
	Income loss compensation	680
	New Burdens Grants	377
	Test and Trace Admin Grant	24
	CEV Sheilding Funding	20
	Discretionary Grants*	972
	Local Restrictions Support Grant*	231
	Additional Restrictions Grant*	3,444
	Total COVID Grants	**7,206**
202	Other non-ringfenced grants (Note 8)	**184**
511	**TOTAL**	**8,352**

*Grant income offsetting expenditure on Covid Grants shown in Note 6

28. GRANT INCOME CONTINUED

The following grants, above £50,000, were credited to services.

2019/20 £'000		2020/21 £'000
112	MHCLG - NDR Cost of Collection	112
75	DEFRA - Flood Relief	55
193	Nottinghamshire County Council - Leisure Centres	0
0	National Leisure Recovery Fund	212
14,191	DWP - Housing Benefit Subsidy and Council Tax Rebates	13,566
164	DWP - Housing Benefit Administration	168
73	DWP - Council Tax Administration	73
97	MHCLG - Homelessness Support Grant	125
613	MHCLG - Disabled Facilities Grant (REFCUS)	699
0	MHCLG - Covid Hardship Funding	515
0	MHCLG - Covid Track & Trace	76
0	MHCLG - High Streets Safely	56
0	COMF Contain Funding	161
15,518	**TOTAL**	**15,818**

The Council received grants, contributions and donations not yet recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met. The balances at year end are as follows:

2019/20 £'000		2020/21 £'000
17,592	S106 Planning Agreements	21,849
0	CIL Planning Agreements	379
	Other Grants:	
0	Salix Energy Efficiency	102
	Other Receipts :	
	Sale Deposit (Hollygate Lane)	10
17,592	**TOTAL**	**22,340**

The Council received the following revenue grants receipts in advance

2019/20		2020/21 £'000
1,555	S31 Business Rates Relief Grant	0
0	COMF Contain Funding	81
1,555	**TOTAL**	**81**

29. RELATED PARTIES

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

Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grant receipts above £50,000 are shown in Note 28.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2020/21 are shown in Note 24. The Members could potentially have a material related party transaction with the Council. During 2020/21 the Council, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. This register has been reviewed and was found to contain nothing that would suggest a material related party transaction occurred.

Officers

Similarly, a register for officers' outside interests and hospitality is also maintained. Again, this has been reviewed and found to contain no entry that would suggest a material related party transaction.

Other Public Bodies

The Council has determined that material transactions have occurred in 2020/21 with the following parties and most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as follows:

Joint Use arrangements with Nottinghamshire County Council.

Parish Precepts of £2.270m and Internal Drainage Board levies of £0.283m are disclosed in Note 6 to the Comprehensive Income and Expenditure Statement.

Other local authorities, central government, the Nottinghamshire Police Authority and Nottinghamshire Fire Authority – disclosed in Note 3 and Note 5 to the Collection Fund Income and Expenditure Account.

Central Government – disclosed in all of the appropriate statements and notes.

Pensions Fund – administered by Nottinghamshire County Council (Note 33).

Entities Controlled or Significantly Influenced by the Council

The Council controls Rushcliffe Enterprises LTD (REL) through its ownership and 100% shares in the company. REL is a holding company for the Council and incorporates Streetwise Environmental LTD and Streetwise Environmental Trading Ltd. At Cabinet in January 2021 it was agreed to wind-up REL (due to a lack of trading activity) and keep it as a dormant company so there is flexibility in the future if a company is required. The Declaration of Related Party Transactions returns detailed that David Mitchell, Executive Manager - Communities, was a Non- Executive Director and Chairman of Streetwise Environmental Limited (see Group Accounts section) fulfilled on behalf of the Council.

The Council purchased street cleansing and grounds maintenance services from the company in 2020/21 to the value of £1.83m. Current gross loans provided total £0.58m: £0.4m to allow Streetwise to acquire the assets of a company; £0.165m for the acquisition of vehicles; and £15k for upgrade works to U10 Moorbridge. The loans are repayable over mixed term lengths with interest charges at the prevailing market rates. The amount outstanding at 31.03.21 is £0.428m.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown below (including the value of assets acquired under finance leases), 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, a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2019/20 £'000		2020/21 £'000
8,300	**Opening Capital Financing Requirement**	**7,300**
	Capital Investment:	
4,610	Property, Plant & Equipment	3,826
24	Heritage Assets	0
83	Investment Properties	4,624
77	Intangible Assets	58
430	Long Term Debtors	150
838	Revenue Expenditure Funded from Capital Under Statute	648
	Sources of Finance:	
(5,197)	Capital Receipts	(7,600)
(811)	Government Grants & Other Contributions	(1,557)
(54)	Direct Revenue Contributions	(149)
(1,000)	Minimum Revenue Provision	(1,000)
7,300	**Closing Capital Financing Requirement**	**6,300**
	Explanation of movements in year	
(1,000)	Increase/(decrease) in the underlying need to borrow (unsupported by Government financial assistance)	(1,000)

31. LEASES

Council as a Lessor

Finance Leases

The Council leases out land for investment purposes generating income of £0.04m per annum. The Council recognises that this arrangement is a finance lease however it was entered into prior to 31 March 2010 as an operating lease. In accordance with its accounting policies (Note 37 xv) the Council continues to charge the income to the Comprehensive Income and Expenditure Statement.

Operating Leases

The Council leases out property under operating leases for investment purposes: rental income or capital appreciation.

The minimum lease payments receivable under non-cancellable leases are:

2019/20 £'000		2020/21 £'000
1,417	Not later than one year	1,589
4,586	Later than one year and not later than five years	5,030
3,567	Later than five years	3,860
9,570	**TOTAL**	**10,479**

Council as a Lessee

The Council entered in to 2 new agreements as lessee in 2019/20 as part of its Transformation Plan and to support the delivery of efficient services: the transfer to Eastcroft for Waste and Recycling operations and the move to new premises in West Bridgford in order to facilitate continued face to face Rushcliffe Customer Services at a Contact Centre. The latter move was precipitated by the decision to rationalise the asset base of the Police and sell West Bridgford Police Station. Both agreements have been reviewed and concluded to be operating leases. Neither lease exceeds 10 years with the substantive (asset life) risks and rewards of asset ownership remaining with the lessor. The Contact Centre lease will be revisited next year as part of the Authority's work on IFRS16 which may capture this as a Finance Lease and require restatement. Minimum lease payments payable under non-cancellable leases are:

2019/20 £'000		2020/21 £'000
178	Not later than one year	178
565	Later than one year and not later than five years	417
150	Later than five years	120
893	**TOTAL**	**715**

32. IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 13 reconciling the movement over the year in the Property, Plant and Equipment balances.

The impairment review carried out at 31.03.2021 identified no material impairment to any of the Council's assets.

The revaluation exercise for 2020/21 gave rise to a net revaluation loss of £0.819m. Of this, £0.721m was charged to the Revaluation Reserve (Note 20); £1.269m arises from the movement in Fair Value of Investment Property (Note 10); and £0.271m was charged to the surplus and deficit on the provision of services.

The main elements of the net sum credited to the Revaluation Reserve comprises of 2 car parks in West Bridgford have been revalued down by £0.886m based on income and costs and the Arena Office valuation £0.174m. These downward valuations are primarily offset by an increase in the value of the Arena Leisure Centre (£0.331m); the land elements of West Park Sports Pavilion (£0.282m) and Sir Julien Cahn (£0.351m) being separately identified; and a number of other valuation increases of between £0.1m – £0.2m.

The main movements in Investment Property Fair Value arise from a number downward valuations, the largest being The Point (£0.524m), Unit 1 Edwalton Business Park (£0.135m) and Bridgford Road Offices (£0.103m). It should be noted that investment properties generally are held for long periods given the volatility of property valuations.

The £0.271m charged to the surplus and deficit on the provision of services relates to 4 assets: The downward valuation of Edwalton Golf Course £53k, Gresham £25k and West Park £42k and a net revaluation loss of £0.151m for the Arena (after first reversing out previous revaluation gains of £0.174m from the Revaluation Reserve) . In 2019/20 the comparative figure was £14m arising from 2 assets.

33. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not be payable until employees retire, the Council has the commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

The Local Government Pension Scheme (LGPS), administered locally by Nottinghamshire County Council is a funded defined benefit scheme and until 31 March 2014 was a final salary scheme. Changes came into effect on 1 April 2014 and any benefits accrued from this date are based on career average re-valued salary, and length of service on retirement, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The arrangement for the award of discretionary post-retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made.

However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

The results of the 2019 Triennial Valuation identified the repayments required to eliminate the deficit in the fund was £2.753m spread over 3 years. The Council took the option to pre-pay the 3-year deficit (to 31 March 2023) and in doing so saved £0.203m.

The principal risks to the Council of the scheme are:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.
- In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note 37vi.

All of the risks above may also benefit the authority e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

Transactions relating to retirement benefits

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

- The liabilities of the fund are valued using a discount rate based on market yields on high quality corporate bonds and the method used is Single Equivalent Discount Rate (SEDR). Inflation assumptions affect the rate at which benefits increase and therefore the value of future liabilities. The method used to estimate inflation is the Single Equivalent Inflation Rate (SEIR), further adjusted to reflect the expectation that pension increases will be based on CPI. (Consumer Prices Index)
- Asset performance has been strong over the period to 31 March 2021. Based on market indices to 31 March 2021 and the asset allocation outlined within the note, a typical LGPS Fund might have achieved a positive return of around 30% for the period from 1 April 2020 to 31 March 2021, but this could vary considerably depending on each Fund's investment strategy.
- McCloud and Sargeant Judgements

  Allowance was made for the potential impact of the McCloud & Sargeant judgement in the results provided to the employer at the last accounting date and therefore is already incorporated in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

Re-measurement of net defined benefit liability

The actuarial (gains)/losses on pensions assets/liabilities line in the CIES shows a net increase in pension liability of £13.064m. The changes in actuarial assumptions are detailed below:

- Return on Plan Assets - the actuary's estimation on return on assets has increased from -7% in 2019/20 to a positive 21.6% in 2020/21, **reducing** the pension liability by £11.034m.
- Demographic assumptions – based on the CMI 2020 model, this actuarial calculation / adjustment resulted in a **reduction** in the pension liability of £1.216m.
- Financial Assumptions – assumed increase in both the future salary and pension increases by the actuary have led to an **increase** in liability of £26.720m.
- Other Actuarial gains / losses & experience items have led to a **decrease** in the pension liability of £1.406m

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,464	Current Service Cost	2,284
26	Administration Expenses	27
0	Past Service Gain	0
210	Settlements and Curtailments	0
	Financing and Investment Income and Expenditure	
1,244	Net Interest Expense	1,119
3,944	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**3,430**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
5,829	Return on plan assets (excluding the amount included in the net interest expense)	(11,034)
(1,796)	Actuarial (Gains) and Losses arising on changes in demographic assumptions	(1,216)
(10,398)	Actuarial (Gains) and Losses arising on changes in financial assumptions	26,720
1,459	Other Actuarial Gains / Losses on Asset	
615	Other Experience	(1,406)
(4,291)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure**	**13,064**
	Movement in Reserves Statement	
(3,944)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(3,430)**
	Actual amount charged against the General Fund for Pensions in the year	
1,088	Employers contributions payable to scheme	**3,925**

2019/20 £'000	Discretionary Benefits	2020/21 £'000
95	Retirement benefits payable to pensioners	92

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
107,315	Present value of the defined benefit obligation	132,961
(56,567)	Fair Value Plan Assets	(69,736)
50,748	**Net liability arising from defined benefit obligation**	**63,225**

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

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
64,514	**Opening Fair Value of Scheme Assets**	**56,567**
1,523	Interest Income	1,366
(7,288)	The return on plan assets, excluding the amount included in the net interest expense	11,034
1,183	Contributions from employer	4,017
432	Contributions from employees into the scheme	442
(3,771)	Benefits Paid	(3,663)
0	Settlements	0
(26)	Other	(27)
56,567	**Closing Fair value of scheme assets**	**69,736**

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

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
116,792	**Opening Balance 1 April**	**107,315**
2,464	Current Service Costs	2,284
2,767	Interest Cost	2,485
432	Contributions by scheme participants	442
	Remeasurement gains/(loss):	
(1,796)	Actuarial (Gains) and Losses arising from changes in demographic assumptions	(1,216)
(10,398)	Actuarial (Gains) and Losses arising from changes in financial assumptions	26,720
615	Other experience	(1,406)
210	(Gains) and Losses on Settlements / Curtailments	0
(3,676)	Benefits Paid	(3,571)
(95)	Unfunded Pension Payments	(92)
107,315	**Closing Balance 31 March**	**132,961**

The Local Government Pension Scheme's assets consist of the following categories, by proportion on the total assets held:

2019/20 £'000	Local Government Pension Scheme	2020/21 £'000
32,648	Equities	45,172
2,350	Gilts	2,343
5,198	Other Bonds	4,780
8,434	Property	7,124
7,937	Others	10,317
56,567	**Total Assets**	**69,736**

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 40% are UK investments, 60% are overseas investments. All of the equities are listed in a market. Of the Gilts allocation above, 100% are UK fixed interest Gilts. Of the Other Bonds allocation above, 25% are UK corporates, 75% are overseas corporates. 100% of the Property and Cash allocation is unquoted.

Other allocations include Private Equity, Infrastructure, Unit Trust, Inflation Linked, Credit and Cash/Temporary Investments.

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years that is dependent on assumptions about mortality rates, salary levels, etc. Both the LGPS and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

2019/20	Local Government Pension Scheme	2020/21
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
21.8	Men	21.6
24.4	Women	24.3
	Longevity at 65 for future pensioners	
23.2	Men	22.9
25.8	Women	25.7
	Rates of Inflation	
2.7%	RPI (Per Annum)	2.8%
1.9%	CPI (Per Annum)	2.4%
-0.8%	CPI (Real)	-4.0%
2.90%	Rate of Increase in Salaries (Per Annum)	3.80%
1.90%	Rate of Increase in Pensions (Per Annum)	2.80%
2.35%	Rate for Discounting Scheme Liabilities	2.00%

Additional Assumptions

- Members will exchange half of their commutable pension for cash at retirement.
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted
average tranche retirement age.
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,510)	2,562
Rate of increase in salaries (increase or decrease by 0.1%)	244	(241)
Rate of increase in pensions (increase or decrease by 0.1%)	2,295	(2,251)
Longevity (increase or decrease in 1 year)	6,547	(6,226)

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The employer contribution rate for 2021/22 is 17.6% (2020/21 17.6%). A monetary contribution of £985,000 was anticipated from the authority in 2021/22, however Rushcliffe Borough Council has prepaid these contributions for the three years to 31 March 2023 by making a single lump sum payment of £2,753,000. The contribution to be recognised by the authority for 2020/21 is £918,000 (£1,164,000 in 2019/20). This amount is fixed for the 3-year period 2020/21 to 2022/23 due to the prepaid amount which has been spread equally over the 3 years. Funding levels are monitored on an annual basis. The council has taken the decision to make this three-year prepayment again for the periods 20/21 to 22/23 at a cost of £2,753,000, saving the council £203,000 when compared with annual payments. 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 estimated duration of the defined benefit obligation for scheme members is 19 years

Projected Pension Expense for the Year to 31 March 2022

Projected Pension Expense	2021/22 £'000
Service cost	3,234
Net Interest on the defined liability (asset)	1,252
Administration Expenses	34
Total	**4,520**
Employer contributions	1,171

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021. These projections are based on the assumptions as at 31 March 2021, as described in the Barnett Waddingham actuary report.

34. CONTINGENT LIABILITIES

At the 31st March 2021 the Council had one contingent liability requiring disclosure. The Council gave an environmental warranty as part of the housing stock transfer in 2003, both to Rushcliffe Homes – now Metropolitan Thames Valley Housing Trust and to their lender, Nationwide Building Society. The former ran for 15 years until 2018 and has now elapsed; the latter was for 32 years and will run until 2035. The value of the liability is unknown and to date there have not been any issues identified.

35. CONTINGENT ASSETS

At 31 March 2021 the Council has five contingent assets requiring disclosure:

Following the large-scale voluntary transfer of council houses to Metropolitan Housing Trust (formerly Rushcliffe Homes Ltd & Spirita Ltd) the Council is still entitled to preserved right to buy and other clawback receipts. Sums received totalled £159k in respect of 2020/21 disposals (2019/20 £162k). Future receipts will depend on further preserved right to buy sales and it is difficult to predict the amount to be received in any one year.

The Council has identified a contingent asset relating to an overage agreement for Land at Sharphill, Edwalton. The agreement arises from a transfer of a piece of agricultural land to the original seller. The transfer back included a provision giving the Council a percentage of the uplift of the original value of the land in the event of it being sold with the benefit of planning permission. Cabinet (January 2005) approved that the Council would receive 40% of the amount by which the "open market value of the property" exceeds the purchase price (or a relevant proportion of the purchase price where the land is sold in part).

The Cabinet Report (October 2017) explains the extremely complex nature of the overall site. There are ongoing negotiations to protect the Council's interests to achieve an agreement with the landowner of how the 40% would be calculated. Following lengthy and detailed negotiations, the report details the overall framework for an agreement with the landowner, and based on current values estimates the approximate value the Council can expect as a capital receipt as and when parcels of the land subject to the agreement are sold by the landowner. At 31 March 2021 gross income of £8.2m has been received from this overage agreement. Over time, it is possible that RBC could receive a further £11m bringing a total of £19.2m by way of the overage entitlement. The overage agreement defines the events which could trigger a payment or payments to the Council.

As at 31st March 2021 the Council had a contingent asset relating to ongoing legal proceedings in relation to the VAT charged for mail collection or delivery services (including franking services) . This claim is estimated at £0.309m.

The Council are party to a legal claim for damages and/or other relief in respect of loss and damage suffered as a result of inflated pricing for medium and heavy vehicles (such as waste collection vehicles) between 1997 and 2011. This could have an impact for the Council in that a claim may be due for vehicles that the Council either purchased or leased during those years. The outcome of the claim is as yet unknown however the current estimate for such damages is in the region of £0.2m.

The Council has a contingent asset arising from the disposal of land at Hollygate Lane. The original sale transaction for Phase 1 is due for completion in 2022/23 generating a capital receipt of £7m. The Cabinet report 12 November 2019 sets out: '. should Phase 2 be delivered in the future, the Council will benefit from an additional payment of £47k per plot which will be subject to index linked inflationary increases (upwards only).

In accordance with a S106 agreement for planning permission issued by the Council for Land North of Bingham, the Council are due commuted sums for affordable housing in the event that land receipts to the owner exceed a pre-agreed deminimus level. This is expected to be triggered in April 2021 with commuted sums becoming due to the Council and a further sums expected in April 2022. The maximum amount due is £3.78m.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- **Credit Risk** – the possibility that other parties might fail to pay amounts due to the Council.
- **Liquidity Risk** – the possibility that the Council might not have funds available to meet its commitments to make payments.
- **Market Risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Council in the Annual Capital and Investment Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

Credit Risk

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

The risk is minimised through the Treasury Management Policy, which requires that deposits are not made with financial institutions unless they meet the identified minimum credit criteria. This means that, ordinarily, the counterparty must have long-term credit ratings of A- or above to reduce the risk of bail-in.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There remains a risk that the Council's deposits could be unrecoverable in the event of an institution failing, but there was no evidence at the 31 March 2020 that this was likely to happen.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

The Council does not generally allow extended credit for customers, but some of the current balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

2019/20 £'000	Debtors past due but not impaired	2020/21 £'000
397	Less than three months	534
59	Three to nine months	112
41	Nine months to one year	47
953	More than one year	699

Amounts Arising from Expected Credit Losses

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

A summary of the Council's short-term investments are shown below.

Current Investments

Institution	Length of Term	Amount £000
Call Accounts/MMFs		
Aviva	Call	89
Blackrock	Call	501
Federated	Call	1,696
Goldman Sachs Asset Management	Call	54
HSBC Asset Management	Call	3,625
Invesco Aim	Call	843
Aberdeen Asset Management	Call	23
Bank Of Scotland Plc	Call	4,378
Bank Of Scotland Plc	32 Days	108
Barclays Bank Plc	32 Days	765
Handelsbanken	Call	412
Handelsbanken	35 Days	2,501
Santander UK Plc	Call	70
Santander UK Plc	35 Days	4,005
Residual MMF/Call Account balanc	Call	8
	Note 16	19,078
Short Term Investments		
Nottinghamshire Police & Crime	182 Days	5,000
Cornwall Council	90 Days	5,000
Lancashire County Council	2 Years	5,000
		15,000
Total Investments		**34,078**

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrow from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council sets limits on the proportion of its fixed rate borrowing during specific periods. All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movement in interest rates have a complex impact on the Council. For instance, a rise in interest rates could have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income or 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. The Council is cushioned to some degree as it does not have any debt at the Balance Sheet date. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

As the Council does not have any borrowings at the Balance Sheet date the management of interest rate exposure is focused on its investments. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget during the year. This allows any adverse changes to be accommodated.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

2019/20 £'000		2020/21 £'000
189	Increase in interest receivable on variable rate investments	214
189	**Impact on Surplus or Deficit on Provision of Services**	**214**
0	Decrease in fair value of fixed rate investments	0
0	**Impact on Other Comprehensive Income**	**0**

Price Risk

The Council's investment in the CCLA Property Fund, CCLA Diversified Fund, Royal London Enhanced Cash Plus, Kames and Investec are subject to the risk of falling commercial property prices. However, any movements in price will not impact on the General Fund Balance as regulations are currently in force to remove the impact of the fair value movements on the tax payer. The Council is using the temporary statutory override agreed by MHCLG (5 years commencing from April 2018) to account for any changes in the fair value on its pooled investments.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and therefore has no exposure to loss arising from movements in exchange rates.

37. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2020. It has been prepared in accordance with the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS) It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statement of Accounting Practice and Financial Reporting Standards) to the local authority accounts.

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.

ii. Accruals of Income and Expenditure

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

- **Revenue from 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 payable on borrowings and receivable on investments** is accounted for 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. 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 three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

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

v. 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 fixed 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; and
- **Amortisation of intangible fixed assets** attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisation. It is however, required to make annual provision from revenue towards the reduction in its overall borrowing requirement; this is referred to as Minimum Revenue Provision (MRP). Guidance was issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 for the calculation of this provision.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP contribution in the general fund balance by way of an adjusting transaction with the capital adjustment account in MIRS for the difference between the two.

vi. Employee Benefits

Benefits payable during employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service segment or, where applicable to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

Employees are members of the Local Government Pension Scheme (LGPS), which is administered by Nottinghamshire County Council and is accounted for as a defined benefits scheme providing defined benefits to members (Retirement Lump Sums and Pensions) earned as employees working for the Council.

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

Liabilities are discounted to their value at current prices, using a discount rate of 1.9% (based on the indicative rate of return on high quality corporate bond).

The assets of the pension fund attributed to the Council are included in the Balance Sheet at their fair value

- **Quoted Securities** - current bid price
- **Unquoted Securities** – professional estimate
- **Unitised Securities** - current bid price
- **Property** - market value

The change in the net pension's liability is analysed into five components:

- **Service costs comprising:**
    - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.

- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council– the change during the period in the net defined benefit liability (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

- **Re-measurements comprising**
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension 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.

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

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

General

The Council recognises a financial asset or liability on the Balance Sheet when it becomes party to the contractual provisions of an instrument.

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 carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable, are based on the carrying amount of 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.

The Council currently has no long-term debt but any future long-term debt would be within the Council's Treasury Management Strategy, Minimum Revenue Provision Policy and future Accounting Policies.

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.

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 authority, 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.

In the event that the Council makes a loan to an outside body at less than market rates (soft loans) and the present value of the interest foregone is greater than £50k, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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.

The Council made a loan to Nottinghamshire Cricket Club in 2007 as less than market rates however this is not treated as a soft loan in the accounts due to the annual interest foregone being below the materiality threshold stated above.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], 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 authority.

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.

The potential effects of the COVID19 pandemic although not yet fully known, have been considered when assessing potential impairment of debt.

Financial Assets measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Annual income received from the financial instrument is credited to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority 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 occur in the Surplus or Deficit on the Provision of Services.

Fair Value measurement of Financial Assets

Fair value of an asset 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 measurements of the authority's 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 authority 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.

The Council holds shares in CCLA Property fund, CCLA Diversified Fund, Royal London Enhanced Cash Plus Fund, Kames and Investec. Any movement in Fair Value will be accounted for in Financing and Investment Income and Expenditure line in Surplus/Deficit on Provision of Services. A statutory override must be used to reverse the entry in the CIES to a reserve to recognise the fair value gains and losses.

ix. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions including Section 106s are credited to the Comprehensive Income Expenditure Statement as Taxation and Non-Specific Grant Income, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. The charge came into force on 7th October 2019.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

x. Heritage Assets

The Council has two classifications of Heritage Assets; a small art collection and war memorabilia (war memorial and commemorative bench). Heritage Assets are carried at valuation rather than current of fair value reflecting the fact that sales and exchanges are uncommon. The Art Collection is valued at insurance valuation and the War Memorial and bench at depreciated historic cost as they are infrastructure assets. The treatment of revaluation gains and losses is in accordance with the Council's accounting policies on property, plant and equipment.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

<u>Art collection</u>

The assets within the art collection are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donations are recognised at valuation.

War Memorial and Bench

Both the War Memorial and Commemorative Bench are sited in West Bridgford and held at Depreciated Historical Cost (a proxy for current value).

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences). These are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xii. Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient during the financial year.

xiii. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

xiv. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value and are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xv. Leases

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

An exception is made where leases were in existence prior to the introduction of IFRS and not treated in accordance with proper practice as at 31st March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 no 454, the Council may continue to account for money received in accordance with the original type of leases.

Leases classified as Investment Properties are not required to show a split between the land and building elements.

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the leased asset.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure

Statement also as part of the gain or loss on disposal (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.

Operating Leases

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

The authority does not have any sale and leaseback assets.

xvi. Jointly Controlled Operations

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

xvii. Overheads and Support Services

The costs of overheads and support services are charged to service areas in accordance with the Council's arrangements for accountability and financial performance.

xviii. Property, Plant & Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic 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 is charged as an expense when it is incurred. In addition, expenditure needs to be in excess of the Council de-minimis level of £10,000 before it can be recognised as capital, spend below this limit is charged to revenue.

The Code requires components to be accounted for as separate items where they are material, the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact. The Council has however componentised its assets, into two elements, land and buildings.

Measurement

Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value unless the donation has been made conditionally. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure

Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

Property, Plant and Equipment	
Other Land and Buildings	Existing Use Value (EUV)
Vehicles and Plant	Depreciated Historical Cost
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Depreciated Historical Cost

Assets included in the Balance Sheet at fair value are re-valued 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 three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus and Deficit on the Provision of Services line of the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction) and assets held for a commercial return (i.e. investment properties). It is calculated as follows:

Property, Plant and Equipment	
Other Land and Buildings	Straight line – over the useful life of the asset
Vehicles and Plant	Straight line – over the useful life of the asset
Infrastructure	Straight line – over the useful life of the asset

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.

Disposals and Non-current Assets Held for Sale

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. . Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Assets under Construction

Assets under Construction are only recognised when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under construction are not depreciated until they are brought into use under the relevant sections of Property Plant and Equipment.

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

Contingent Assets

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

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement 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, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute

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

xxii. VAT

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

Non-recoverable VAT relating to a capital scheme will form part of the capital cost of that scheme

xxiii. Collection Fund – Council Tax & Non-Domestic Rates (NDR)

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. The Council acts as an agent, collecting and distributing council tax and business rates income on behalf the major precepting authorities and central government, and as a principle, collecting council tax and NDR for itself.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. Any difference between the income included in the CIES and the demand or precept 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. As the collection of Council Tax and NDR is an agency agreement there is a debtor/creditor position between the Council, the major preceptors and central government. As the billing authority, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax and NDR collected.

xxiv. Fair Value Measurement of non-financial assets

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

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

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

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

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities 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 or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

38. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) requires the disclosure of information relating to the expected impact on the accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. This applies to the adoption of the following new or amended standards within the 2021/22 code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform- Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

It is not anticipated that the changes above will have a material impact on the information provided in the Council's financial statements.

39. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 37 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concern the following:

a. There is a high degree of uncertainty about future levels of funding for local government notably issues around funding reforms and localisation of Business Rates. However, as these reforms have been delayed by a further year due to COVID 19 and therefore the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

b. A significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The impact of either a change in the discount rate of 0.1% or a change in life expectancy of 1 year, for either, would be no more than £146k on service costs.

c. The Council has a 'Group Relationship' with a subsidiary, namely Rushcliffe Enterprises Ltd which largely incorporates Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd. The boundaries have been assessed using the criteria outlined in the Code of Practice. Although the parent company Rushcliffe Enterprises Ltd is dormant, the interest is considered to be material in terms of the importance of Streetwise to the Council and consequently Group Accounts have been produced.

d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year.

40. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

Most significant estimates are for pensions, bad debts (impairments), provisions and accruals. Each of these has a different process for making the estimate:

a. Pensions Liability: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Nottinghamshire County Council and assurance is placed on the use of these qualified professionals to provide expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption and an increase of one year in the mortality age rating assumption would result in a decrease of £2.020m and an increase of £4.587m respectively in the present value of the defined benefit obligation. Note 33 pages 41 to 48 provide more detail.

b. Bad debt estimates are in accordance with IFRS 9 based on prudent collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate. Furthermore, it is yet unknown how COVID 19 will impact on collection of debt therefore this uncertainty has been factored into the calculations. At 31st March 2021, the Council had sundry debtor balances of £0.580m and Housing Benefit (HB) debtors of £0.811m. If recoverability of these balances falls the amount set aside for these balances would increase. Provisions for bad debt are made according to the age of the debt. The provisions amount to £0.172m and £0.122m, respectively for sundry debtors and HB. If recoverability of the debt falls by 10% across all ages of debt an estimated further £0.019m would have to be set aside.

c. Provisions – generally most provisions are relatively low in value. Business Rate appeals (which the Valuation Office is responsible for) have been estimated in line with the new accounting requirements of the national Business Rates Retention Scheme. In total Rushcliffe’s estimated liability amounts to £1.28m, with a further £1.92 million in relation to other precepting authorities and the Government. This has been calculated focusing on key determinants such as type of property, reasons for appeal and age of the appeal;

d. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings and current contract prices.

e. Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgement considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

41. MATERIAL ITEMS OF INCOME AND EXPENSE

There are no material items of income and expense that have not been disclosed elsewhere in the accounts. During the year the Council acted as an agent for Government to distribute £29.492m Business Support Grants to businesses. The remaining £4m is shown as a creditor on the balance sheet to either be carried forward to 2021/22 or repaid to Government.

42. EVENTS AFTER THE BALANCE SHEET DATE

COVID 19 remains a concern and we are constantly reviewing the impact on the Council. The main COVID 19 issues are stated within Section 6 of the Narrative.

F. COLLECTION FUND

2019/20				2020/21		
Council Tax £'000	NDR £'000	TOTAL £'000		Council Tax £'000	NDR £'000	TOTAL £'000
			INCOME			
84,865		**84,865**	Council Tax	89,316		**89,316**
	29,339	**29,339**	Income from business ratepayers		23,064	**23,064**
84,865	**29,339**	**114,204**		**89,316**	**23,064**	**112,380**
			EXPENDITURE			
			Precepts and Demands			
64,734		**63,734**	· Nottinghamshire County Council	67,519		**67,519**
9,470		**9,470**	· Nottinghamshire Police Authority	10,087		**10,087**
3,446		**3,446**	· Nottinghamshire Fire Authority	3,579		**3,579**
8,812		**8,812**	· Rushcliffe Borough Council	9,260		**9,260**
			Business Rate			
	15,076	**15,076**	· Payments to Government		17,397	**17,397**
	10,395	**10,395**	· Payments to Nottinghamshire County Council*		10,620	**10,620**
	262	**262**	· Payments to Nottinghamshire Fire Authority		273	**273**
	2,957	**2,957**	· Payments to Rushcliffe Borough Council **		3,213	**3,213**
	112	**112**	· Costs of Collection		112	**112**
			Impairment of Debts/Appeals			
	14	**14**	· Write offs and uncollectable amounts			
131	142	**273**	· Allowance for Impairment	334	190	**524**

2019/20				2020/21		
Council Tax £'000	**NDR £'000**	**TOTAL £'000**		**Council Tax £'000**	**NDR £'000**	**TOTAL £'000**
	0	**0**	· Provision for appeals		5 564	**5,564**
(963)	(499)	**(1,462)**	Contributions - Distribution of 19-20 estimated Collection Fund surplus/(deficit)	(943)	356	**(587)**
84,630	**28,459**	**113,089**		**89,836**	**37 725**	**127,561**
235	880	**1,115**	**Movement on Fund Balance**	(520)	(14,661)	**(15,181)**
(1,120)	(714)	**(1,834)**	**Opening Fund Balance**	(885)	166	**(719)**
(885)	**166**	**(719)**	**Closing Fund Balance**	**(1,405)**	**(14,495)**	**(15,900)**

*This includes 8.166m (2019/20 £8.036m) payable to the Nottinghamshire Business Rates Pool.

** This includes the disregarded amount for renewable energy of £0.473m (2019/20 £0.511m)

F. NOTES TO THE COLLECTION FUND

1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation of the billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and central government.

2. CALCULATION OF COUNCIL TAX BASE

The calculation of the Council Tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is shown in the table below:

Band D Equivalents	Band	Chargeable Properties After Discounts	Ratio	Band D Equivalents
2019/20				**2020/21**
2,713	A	4,029	6/9	2,804
6,086	B	7,746	7/9	6,139
8,408	C	9,365	8/9	8,325
8,675	D	8,588	9/9	9,602
7,896	E	6,396	11/9	7,808
5,749	F	3,941	13/9	5,695
3,865	G	2,296	15/9	3,829
223	H	111	18/9	230
43,615				**44,432**
(436)		Non-Collection Impairment was 1.00% in 2020/21 (2019/20 1.00%)		(444)
43,179		**Council Tax Base**		**43,988**

3. COLLECTION FUND COUNCIL TAX BALANCE/REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous year's surpluses. The Council estimates the year end Collection Fund Council Tax balance in January each year and in accordance with the Local Authorities (Funds) (England) Regulations 1992 this amount is distributed in the following financial year to the major preceptors in proportion to the respective precepts and demands. Any difference between the estimated and outturn figure is adjusted for in the following year.

For 2020/21 a Collection Fund Council Tax deficit of £0.942m was redistributed between the major precepting authorities. Of this £0.786m reflected the estimated outturn deficit at

15 January 2020 and £156k deficit arose from the difference between the estimated and actual outturn positions for 2018/19.

At 15 January 2021 the Collection Fund Council Tax deficit for 2020/21 was estimated at £1.440m comprising an in-year deficit of £1.498m and £0.058m surplus arising from the difference between the actual and estimated outturns for 2019/20. These funds will be collected from the major precepting authorities in 2021/22.

F. NOTES TO THE COLLECTION FUND CONTINUED

2019/20 £'000		2020/21 £'000	2021/22 £'000
(723)	Nottinghamshire County Council	(704)	(330)
(100)	Nottinghamshire Police Authority	(103)	(49)
(39)	Nottinghamshire Fire Authority	(38)	(18)
(101)	Rushcliffe Borough Council	(97)	(45)
(963)		**(942)**	**(442)**

Due to the adverse impact of Covid on collection of Council Tax and subsequently the in-year deficit, the Government introduced a Statutory Instrument SI 2020/1202. Every billing authority had to establish its 2020/21 in-year 'exceptional balance' for council tax as part of the process of estimating the outturn surplus/deficit on the collection fund for 2020/21 as at 15 January 2021. If the exceptional balance calculated was a deficit, this amount is required to be spread over 3 years. The total estimated deficit was £1.44m and the exceptional balance £1.5m. In accordance with SI 2020/1202 the amount due to be recovered in 2021/22 is £442k and this is allocated to precprtors as shown in the table above. At 31 March 2021 the actual outturn for the Collection Fund Council Tax was £1.405m, a decrease of £0.035m from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2022/23.

4. NON-DOMESTIC RATES

Under the arrangements regarding Uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2020/2021 was 51.2p (2019/2020 50.4p). The non-domestic rateable value at the 31st March 2021 was £74,852,874 (31st March 2020 £72,386,157).

Rushcliffe Borough Council retains a 40% share of the proceeds of Non-Domestic Rate income, the remainder is distributed to preceptors in the following proportions: Central Government (50%), Nottinghamshire County Council (9%) and Nottinghamshire Fire Authority (1%).

Rushcliffe Borough Council is part of the Nottinghamshire Business Rates Pool. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office so authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. Note 18 provides further details on the provision made in 2020/21.

In April 2020 and in response to the Covid pandemic, government issued additional business rates reliefs to Leisure, Retail, Hospitality and Nursery sector which resulted in a reduction in NDR charges and therefore income receipts resulting in a significant increase in the collection fund deficit of £14.5m. The government reimbursed the lost income by way of S31 grants however this is not collection fund income and is therefore shown in the revenue accounts of the relevant authority in Note 8.

F. NOTES TO THE COLLECTION FUND CONTINUED

5. NON-DOMESTIC RATES SURPLUS

At 31 March 2021 the actual outturn for the Collection Fund NDR was a deficit of £14.5m (2019/20 £0.166m surplus) which is then distributed to the preceptors as detailed in the following table.

2019/20 £'000		2020/21 £'000
83	Central Government (50%)	(7,248)
66	Rushcliffe Borough Council (40%)	(5,798)
15	Nottinghamshire County Council (9%)	(1,304)
2	Nottinghamshire Fire Authority (1%)	(145)
166		**(14,495)**

G RUSHCLIFFE BOROUGH COUNCIL GROUP CONSOLIDATED ACCOUNTS

INTRODUCTION

The Council is required under the Local Government Act 2003 to produce a set of Group Accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the Council has such relationships is laid down by the Code. The Code has been developed to bring authority accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the Council's overall financial position.

The Council has undertaken a review of all of its relationships with other bodies and is required to consolidate its accounts with;

- Streetwise Environmental Ltd
- Streetwise Environmental Trading Ltd

Both companies are 100% owned by the parent company Rushcliffe Enterprise Ltd which in turn is 100% owned by Rushcliffe Borough Council. The consolidation has been done on an acquisition basis as Rushcliffe Enterprise Ltd is 100% owned by Rushcliffe Borough Council.

- Rushcliffe Enterprises Ltd. As referred to in Note 39.

Rushcliffe Enterprise Ltd produce a set of company accounts with a year end of 31 March. The accounts which have been consolidated here have been audited by Mazars and have been given an unqualified audit opinion.

ACCOUNTING POLICIES

The accounting policies of the two organisations have been examined and the accounting policies of Streetwise Environmental Ltd do not differ materially from those used by Rushcliffe Borough Council so have no impact on the Group Accounts produced below. However, Streetwise Environmental Ltd depreciates vehicles on a reducing balance basis whereas the Council depreciate vehicles on a straight-line basis.

G. GROUP ACCOUNTS

NOTE 1 GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2020/21	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Sunsidiary's Reserves £'000	Total Reserves £'000
Balance at 31 March 2020	**2,604**	**13,473**	**3,538**	**220**	**19,835**	**17,030**	**36,865**	**78**	**36,943**
Post Audit Adjustment to Subsidiary Reserves								**(14)**	**(14)**
Movement in Reserves during 2020/21									
(Surplus) or deficit on the provision of services	5,791				5,791		5,791	0	5,791
Other Comprehensive Income & Expenditure					0	(12,343)	(12,343)	(246)	(12,589)
Other Recognisable Gains/(Losses)						(372)	(372)		(372)
Total Comprehensive Income & Expenditure	**5,791**	**0**	**0**	**0**	**5,791**	**(12,715)**	**(6,924)**	**(246)**	**(7,170)**
Adjustments between accounting basis and funding basis under regulations	3,101		(3,044)	144	201	(201)	0		0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**8,892**	**0**	**(3,044)**	**144**	**5,992**	**(12,916)**	**(6,924)**	**(246)**	**(7,170)**
Transfers to/(from) earmarked reserves	(8,892)	8,892			0	0	0		0
(Increase)/Decrease in 2020/21	**0**	**8,892**	**(3,044)**	**144**	**5,992**	**(12,916)**	**(6,924)**	**(246)**	**(7,170)**

G. GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2019/20	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Sunsidiary's Reserves £'000	Total Reserves £'000
Balance at 31 March 2019	**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**	**274**	**23,724**
Post Audit Adjustment to Subsidiary Reserves								**(5)**	**(5)**
Movement in Reserves during 2019/20									
(Surplus) or deficit on the provision of services	3,082				3,082		3,082	(85)	2,997
Other Comprehensive Income & Expenditure					0	10,333	10,333	(106)	10,227
Total Comprehensive Income & Expenditure	**3,082**	**0**	**0**	**0**	**3,082**	**10,333**	**13,415**	**(191)**	**13,224**
Adjustments between accounting basis and funding basis under regulations	(1,427)		(3,498)	122	(4,803)	4,803	0		0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**1,655**	**0**	**(3,498)**	**122**	**(1,721)**	**15,136**	**13,415**	**(191)**	**13,224**
Transfers to/(from) earmarked reserves	(1,655)	1,655			0	0	0		0
(Increase)/Decrease in 2019/20	**0**	**1,655**	**(3,498)**	**122**	**(1,721)**	**15,136**	**13,415**	**(191)**	**13,224**
Balance at 31 March 2020 Carried Forward	**2,604**	**13,473**	**3,538**	**220**	**19,835**	**17,030**	**36,865**	**78**	**36,943**

G. GROUP ACCOUNTS

NOTE 2 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2019/20				2020/21		
Gross Exp £'000	Gross Inc £'000	Net Exp £'000		Gross Exp £'000	Gross Inc £'000	Net Exp £'000
3,409	(1,939)	1,470	Communities	3,272	(1,692)	1,580
19,897	(14,807)	5,090	Finance & Corporate	18,952	(14,631)	4,321
10,814	(5,680)	5,134	Neighbourhoods	12,608	(6,357)	6,251
3,027	(201)	2,826	Transformation	3,076	(217)	2,859
37,147	**(22,627)**	**14,520**	**Cost of Services (Note 5a)**	**37,908**	**(22,897)**	**15,011**
2,426	(52)	2,374	Other Operating Expenditure	3,212	0	3,212
1,501	(6,326)	(4,825)	Financing & Investment Income & Expenditure	25	(904)	(879)
	(15,049)	(15,049)	Taxation & Non-Specific Grant Income	0	(23,010)	(23,010)
41,074	**(44,054)**	**(2,980)**	**(Surplus)/Deficit on Provision of Services**	**41,145**	**(46,811)**	**(5,666)**
		(17)	Tax expenses of subsidiaries			(27)
		(2,997)	**Group (Surplus)/Deficit on Provision of Serviices**			**(5,693)**
		(6,042)	Surplus or deficit on revaluation of non-current assets			(721)
		0	Available for Sale Financial Instruments			
		(4,185)	Actuarial gains/losses on pension assets/liabilities			14,479
			Other recognisable (Gains) / Losses			(895)
		(10,227)	**Other Comprehensive Income & Expenditure**			**12,863**
		(13,224)	**Total Comprehensive Income & Expenditure (Note 5b)**			**7,170**

G. GROUP ACCOUNTS

NOTE 3 GROUP BALANCE SHEET

31 March 2020 £'000		31 March 2021 £'000
48,572	Property, Plant & Equipment	46,273
91	Heritage Assets	88
25,772	Investment Property	29,127
11,907	Long Term Investments	2,570
271	Intangible Assets	221
2,565	Long Term Debtors	12,749
89,178	**Long Term Assets**	**91,028**
0	Assets Held for Sale	4,586
15,000	Short Term Investments	15,000
50	Inventories	87
7,393	Short Term Debtors	8,133
5,532	Cash & Cash Equivalents	19,899
27,975	**Current Assets**	**47,705**
(9,356)	Short Term Creditors	(17,994)
(9,356)	**Current Liabilities**	**(17,994)**
(1,367)	Long Term Provisions	(3,600)
(17,592)	Capital Grants Receipts in Advance	(22,340)
(51,863)	Pension Liability	(65,041)
0	Deferred Tax Liability	0
(32)	Long Term Creditors	0
(70,854)	**Long Term Liabilities**	**(90,981)**
36,943	**NET ASSETS**	**29,758**
3,538	Usable Capital Receipts Reserve	494
2,604	General Fund Balance	2,604
13,473	Earmarked Reserves	22,365
220	Capital Grants Unapplied	364
78	Profit & Loss Reserve	(182)
19,913	**Usable Reserves**	**25,645**
17,030	**Unusable Reserves**	**4,114**
36,943	**TOTAL RESERVES**	**29,759**

G. GROUP ACCOUNTS

NOTE 4 GROUP CASHFLOW STATEMENT (INDIRECT METHOD)

2019/20 £'000		2020/21 £'000
(2,997)	Group Net (surplus) or deficit on the provision of services	(5,693)
5	Post Audit adjustment to Subsidiary surplus	
(1,906)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(15,273)
1,993	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	4,545
(2,905)	Net cash flows from Operating Activities	(16,421)
10,389	Investing Activities	(3,580)
(741)	Financing Activities	5,634
6,743	Net increase or (decrease) in cash and cash equivalents	(14,367)
(12,275)	Cash & Cash equivalents at the beginning of the reporting period	(5,532)
(5,532)	**Cash & Cash equivalents at the end of the reporting period**	**(19,899)**

G. GROUP ACCOUNTS

NOTE 5 GROUP INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations as this ensures that expenditure and income is only recorded once within the accounts. The elements of the accounts that have been adjusted for inter-company transactions are detailed below:

a. Group Cost of Services and Group Position on Provision of Services

2019/20				2020/21		
RBC Adjusted £'000	**Streetwise Environmental Ltd Adjusted £'000**	**Group £'000**	**Comprehensive Income & Expenditure Statement**	**RBC Adjusted £'000**	**Streetwise Environmental Ltd Adjusted £'000**	**Group £'000**
12,960	1,560	14,520	(Surplus)/Deficit on Continuing Operations	13,232	1,778	15,010
2,374	0	2,374	Other Operating Expenditure	3,212	0	3,212
(4,889)	64	(4,825)	Financing & Investment Income & Expenditure	(904)	26	(878)
(15,049)	0	(15,049)	Taxation & Non-Specific Grant Income	(23,010)	0	(23,010)
(4,604)	**1,624**	**(2,980)**	**(Surplus)/Deficit on Provision of Services**	**(7,470)**	**1,804**	**(5,666)**

b. Reconciliation of the Single Entity (Surplus)/Deficit to the Group (Surplus)/Deficit

2019/20 £'000		**2020/21 £'000**
(13,415)	(Surplus)/Deficit on the Council's Comprehensive Income & Expenditure Statement	6,924
(1,522)	Adjustments for transactions with other group entities	(1,678)
(14,937)	**(Surplus)/Deficit in the Group Comprehensive Income & Expenditure Statement attributable to the Council**	**5,246**
1,713	(Surplus)/Deficit in theGroup Comprehensive Income & Expenditure Statement attributable to the Group subsidiaries (adjusted for inter group transactions)	1,924
(13,224)	**(Surplus)/Deficit for the year on the Group Comprehensive Income & Expenditure Statement**	**7,170**

G. GROUP ACCOUNTS

c. Group Transactions in relation to Debtors, Creditors, Provisions and Investments.

2020/21 Balance Sheet	RBC £'000	Streetwise Environmental Ltd £'000	Adjustment £'000	Group £'000
Fixed Assets - PPE	45,725	548	0	46,273
Long term debtors	13,050	955	(1,256)	12,749
Short term debtors	7,789	511	(166)	8,134
Short term borrowing	0	(127)	127	0
Long term investments	2,570	0	0	2,570
Short term investments	15,000	0	0	15,000
Short term creditors	(17,402)	(631)	39	(17,994)
Long term creditors	0	(301)	301	0
Long term provisions	(4,555)	0	955	(3,600)

The elimination of £1.256m Streetwise Long-Term Debtors relates mainly to the RBC pension liability for Streetwise staff pre-company formation (£955k), reducing long term provision for RBC. The remaining £301k is being the remaining balance of a long-term loan to Streetwise.

The elimination of £166k Short Term Debtors - includes the opposite entry to remove Short term creditors plus removal of £127k short term loan to Streetwise.

2019/20 Balance Sheet	RBC £'000	Streetwise Environmental Ltd £'000	Adjustment £'000	Group £'000
Fixed Assets - PPE	47,878	694	0	48,572
Long term debtors	2,862	583	(880)	2,565
Short term debtors	7,301	338	(246)	7,393
Short term borrowing	0	(91)	91	0
Long term investments	11,907	0	0	11,907
Short term investments	15,000	0	0	15,000
Short term creditors	(8,970)	(541)	155	(9,356)
Long term creditors	0	(329)	297	(32)
Long term provisions	(1,950)	0	583	(1,367)

H. GLOSSARY OF TERMS

ACCOUNTING PERIOD
This is the length of time covered by the accounts. It is a period of twelve months commencing on 1 April and ending on 31 March.

ACCRUALS
Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

ACTUARIAL ASSUMPTIONS
Assumptions made by the Pension Fund Authority in valuing the funds' assets and liabilities.

ACTUARIAL GAINS AND LOSSES
For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made at the last actuarial valuation
- the actuarial assumptions have changed.

ACTUARIAL VALUATION
An actuary undertakes a valuation by comparing the value of the pension scheme assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

AMORTISATION
This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the assets used in the delivery of services.

ASSET
An asset is something the Council owns. Assets can be either current or fixed.

A **current asset** is one that will be used or cease to have a material value by the end of the next financial year.

A **non-current asset** provides a benefit to the Council for a period greater than one year.

AUGMENTATION (PENSIONS)

Payment to the pension scheme over and above normal scheme entitlements, usually as part of a redundancy or severance package.

BALANCE SHEET
A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

BILLING AUTHORITY
Rushcliffe Borough Council is classed as a Billing Authority as it has the responsibility of collecting the Council Tax and non-domestic rates. It collects the Council Tax on behalf of the County Council, Fire, Police and Crime Commissioner and Parish Councils and the non-domestic rates on behalf of the central government.

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of a fixed asset, which adds to and not merely maintains the value of existing assets.

CAPITAL FINANCING
Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT (CFR)
The CFR represents the Council's underlying need to borrow in order to finance its capital expenditure. It is the difference between the value of Total Fixed Assets in the balance sheet and the Revaluation and Capital Financing Accounts. This represents the propensity of the authority to borrow for capital purposes and is the basis for the minimum revenue provision charge to the revenue account.

CAPITAL ADJUSTMENT ACCOUNT
This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount that must be set aside from revenue for the repayment of external debt.

CAPITAL GRANTS UNAPPLIED
These are capital grants that the Council has received, where the conditions of the grant have been satisfied, that have yet to be used to finance capital expenditure.

CAPITAL PROGRAMME
The planned capital schemes the Council intends to carry out over a specified period of time.

CAPITAL RECEIPTS
Proceeds arising from the sale of fixed assets (such as land and buildings) and repayments of the principle elements of capital loans. The Council can use the proceeds from capital receipts to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

CASH FLOW STATEMENT (INDIRECT METHOD)
The indirect method adjusts net income from an accrual to a cash basis by adding back non-cash expenses and adjusts net income for changes between the starting and ending account balances in current assets (excluding cash) and current liabilities for the period.

CIPFA - CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY
Professional accountancy body specialising in the public sector.

COLLECTION FUND
A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

CONTINGENT LIABILITIES/ ASSETS
A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council’s control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

CREDITORS
Amounts owed by the Council for goods or services they have received for which payment has not been made.

CURRENT SERVICE COST (PENSIONS)
The increase in the present value of a defined benefit schemes liabilities.

DEBTORS
Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

DEFRA

Department for Environment, Food and Rural Affairs

DEPRECIATION
This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in delivery of services.

DWP
Department for Work and Pensions.

EXPENDITURE AND FUNDING ANALYSIS
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

FINANCE LEASE
This is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL INSTRUMENT
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. Most straight forward financial assets (debtors, bank deposits and investments) are covered, together with more complex ones not used by the Council (debt instruments with embedded swaps and options).

GOVERNMENT GRANTS
Grants made by the government towards either revenue or capital expenditure or support the cost of provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

GROSS BOOK VALUE
The historical cost or the revalued amount of the asset before depreciation.

GROUP ACCOUNTS
Group Accounts consolidate the financial results of the Council and its subsidiaries.

HISTORICAL COST ADJUSTMENT
This is the difference between Historical Cost Depreciation and the actual depreciation charged calculated on re-valued assets.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities. The Accounting Standards emanate from the International Financial Reporting Interpretations Committee (IFRIC).

IMPAIRMENT
Where the value of fixed assets reduces below its carrying amount on the balance sheet.

INVENTORIES
Items bought for consumption or resale, or raw materials, currently being held.

LAA
Local Area Agreement

LIABILITY
Where the Council owes payment to an individual or an organisation.

LSP
Local Strategic Partnership

MHCLG
Ministry of Housing Communities and Local Government

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to a Council's CIES each year for the servicing of debt.

NET BOOK VALUE
This is the value of an asset that is on the balance sheet. It represents its historical re-valued cost less the accumulated depreciation of the asset.

NET WORTH
The total value of an organisation expressed as total assets less total liabilities.

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

NON-DOMESTIC RATES (NDR)
The Council collects Non domestic rates for its area based on local rateable values multiplied by a national uniform rate. With the introduction of the Business Rates Retention Scheme on 1 April 2013, billing authorities act as agents and collect Non domestic rates on behalf of major preceptors and central government.

NON OPERATIONAL ASSET
Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

NOTTINGHAMSHIRE BUSINESS RATES POOL
As a result of the new business rates arrangements the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

OPERATING LEASE
A lease where the ownership of the asset remains with the lessor.

OPERATIONAL ASSET
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

POOLED FUNDS

Funds from many individual investors that are aggregated for the purposes of investment

PRECEPT
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from taxpayers on their behalf.

PROJECTED UNIT CREDIT METHOD

Under the projected unit credit method, the obligation for long-term employee benefits is measured by calculating the present value of the expected future payments that will result from employee services provided to date

PROVISIONS
Liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

RATEABLE VALUE (RV)
The annual assumed rental value of a property that is used for business purposes.

REALISED VALUATIONS
Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account and are referred to as Realised Valuations. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

RELATED PARTIES
The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

REFCUS
Revenue Expenditure Funded by Capital Under Statute.

RENEWABLE ENERGY RELIEF
The amount of non-domestic rates to be retained by the Council in respect of designated renewable energy projects.

RESERVES
Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

REVALUATION RESERVE
Records unrealised revaluation gains/ losses from holding fixed assets.

REVENUE EXPENDITURE
Expenditure on the day-to-day costs of providing services.

REVENUE INCOME
Income from day-to-day provision of services

REVENUE SUPPORT GRANT (RSG)
Grant from Central Government towards the cost of service provision.

S106
Developer contributions lodged under Section 106 of the Town and Country Planning Act 1990 (as amended).

SOFT LOAN
A loan to an outside body at less than market rates.

TRANSFER PAYMENTS

Relates to payments for which no goods or services are received by the Council e.g. Rent Allowances.

Rushcliffe
Borough Council

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Governance Scrutiny Group

Thursday, 25 November 2021

Streetwise Annual Report

Rushcliffe Borough Council

Report of the Chief Executive

1. Purpose of report

1.1. This report is to present the annual report of Streetwise Enterprises Ltd and Streetwise Enterprises Trading Ltd, wholly owned companies of Rushcliffe Borough Council.

1.2. Streetwise provide the grounds maintenance and street cleansing services for the Borough Council as well as for other clients in Rushcliffe and the surrounding area.

1.3. Following a review of the governance of Streetwise Environmental Limited and Streetwise Enterprises Trading Ltd, it was agreed that an annual report of the companies should be presented to Governance Scrutiny and then Cabinet each year.

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

a) Receives the annual report from the Managing Director.

b) Considers the report and asks questions of the Managing Director to satisfy themselves that the companies continue to be well run and financially sound.

c) Refers any comments to Cabinet to be considered at the Cabinet meeting in December.

3. Reasons for recommendation

It was agreed by Cabinet in January 2021 to simplify the reporting procedures for Streetwise and to make them more transparent. The previous holding company Rushcliffe Enterprises Ltd has been made dormant and the companies will now report to an oversight board made up of three Cabinet members and three officers on an (at least) biennial basis. In addition, the annual report will be submitted to Governance Scrutiny Group for comment before being passed on the Cabinet.

4. Supporting information

4.1. The annual report is attached and Mr Nigel Carter, Managing Director will attend to present to the scrutiny group and take questions.

4.2. It is suggested that scrutiny consider the companies' performance based on:

- Key performance indicators
- Ability to win contracts
- Ability to deliver against contracts awarded
- Financial standing
- Environmental credentials
- Appropriate governance measures being in place
- Response to Covid

It should be noted that the Council has an in-house officer team that monitors day to day performance of the service provided to Rushcliffe Borough Council and so Governance Scrutiny Group is asked to provide more strategic scrutiny.

5. Risks and uncertainties

This is a backward-looking review to consider the financial year 2020/21. Governance Scrutiny Group may wish to provide feedback via Cabinet to the Streetwise Oversight Board around any risks that they consider should be highlighted in 2021/22.

6. Implications

6.1. Financial implications

6.1.1. Streetwise have been awarded the Council's grounds maintenance and street cleansing contract to Summer 2022 when it will be up for renewal.

6.1.2. The prime contract sum is £1.77m

6.1.3. Governance Scrutiny Group should satisfy themselves that the company is financially sound.

6.2. Legal implications

Streetwise Enterprise Ltd and Streetwise Enterprise Trading Ltd are wholly owned companies of Rushcliffe Borough Council.

6.3. Equalities implications

There are no equalities implications arising from this report.

6.4. **Section 17 of the Crime and Disorder Act 1998 Implications**

There are no S17 implications arising from this report.

7. Link to Corporate Priorities

Quality of Life	Streetwise provide grounds maintenance and street cleansing services for RBC and therefore are directly involved with ensuring the borough looks good and that the quality of life for residents in maintained.
Efficient Services	The contract should be operated efficiently to ensure maximum benefit for residents.
Sustainable Growth	
The Environment	Streetwise should be following sound environmental practices to ensure that their services enhance the environment and biodiversity wherever possible.

8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:

a) Receives the annual report from the Managing Director.

b) Considers the report and asks questions of the Managing Director to satisfy themselves that the companies continue to be well run and financially sound.

c) Refers any comments to Cabinet to be considered at the Cabinet meeting in December.

For more information contact:	Kath Marriott Chief Executive Tel: 0115 9148291 kmarriott@rushcliffe.gov.uk
Background papers available for Inspection:	None
List of appendices:	Streetwise Annual Report and Appendices

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Streetwise	Governance Scrutiny Group 25 November 2021 **Streetwise Annual Report 2020/2021**

Report of the Managing Director

1. Purpose of report

1.1. This report provides a summary of our key operational and financial performance for the year 2020/2021. In addition, it provides details of the governance arrangements for the Streetwise companies and the measures in place to minimise the operational and reputational risks to the Borough Council.

2. Background

2.1. Streetwise Environmental Limited (SEL) was incorporated in 2014, is wholly owned by Rushcliffe Borough Council, and is limited by guarantee and with maximum liability of £1. Streetwise Environmental Trading Limited (SETL) was established in 2018 to expand the trading capability. SETL is limited by shares (£100) and again is wholly owned by Rushcliffe Borough Council via Rushcliffe Enterprises Limited.

2.2. SEL was awarded Rushcliffe's street cleansing and grounds maintenance five year contract in 2014 under the then TECKAL regulations (Public Contract Regulations 2015). The contract was extended by a further three years and expires in September 2022.

2.3. In 2019 Streetwise acquired a grounds maintenance company and this has been successfully incorporated into SETL.

2.4. In terms of the extent of operations and services provided and as part of the Rushcliffe contract, Streetwise:

a) cleans all town and major village centres in Rushcliffe by 10am each day;

b) mechanically sweeps 1,018 miles of roads multiple times each year with 1,212 tonnes of waste collected;

c) collects 413 tonnes of rubbish from litter picking and bin emptying in the Borough;

d) undertakes hedge cutting and shrub pruning for Rushcliffe generating 84 tonnes of green waste which is recycled;

e) removes over 1,000 fly tips around the Borough. The largest last year was over 30 tonnes;

f) cuts grass in parks and open spaces up to 18 times p.a.;

g) maintains all the trees on Rushcliffe owned land; and

h) maintain 20 sports pitches which are line marked weekly during the various playing seasons.

2.5. In addition to the Rushcliffe Borough Council contract, Streetwise has contracts with and undertakes regular work with over 90 Parish and Town Councils, local authorities, schools and sports clubs across Nottinghamshire, Lincolnshire and Leicestershire.

2.6. Recently Streetwise has been awarded a 5-year (starting 2021) contract to manage and maintain the Romans' Quarter development at Bingham with over 1,000 properties.

2.7. Streetwise operates from three sites including West Bridgford, Bingham (main office) and Sproxton.

3. Governance Arrangements

3.1. The companies are managed by a joint board, currently comprising, an external non-executive director (Chairman) and the Managing Director. The Streetwise Board reports to the Oversight Board. New for this year is the annual report being scrutinised by the Governance Group and considered by Cabinet.

3.2. As you would expect the Articles of Association for the companies set out the governance arrangements. Appointment of the Directors is determined by Rushcliffe Borough Council as owner. The Articles also contain "Reserved Matters" which means that key decisions are referred to the Oversight Board ensuring that RBC maintains strategic control.

3.3. In terms of mitigating risk the Reserved Matters require Oversight Board approval of the annual Business Plan, plus key matters such as acquisitions and mergers, entering into financial commitments exceeding £20k, changing bank arrangements, and entering into significant contracts.

3.4. Due to their size the Streetwise companies are not required to have an annual external audit. However, Streetwise decided to commission an annual external audit to provide an additional layer of scrutiny and assurance. Streetwise uses the same external auditors as the Borough Council to improve efficiency and coordination.

4. External Accreditations

4.1. Over the last two years Streetwise has pursued and been successful in gaining a number of nationally recognised accreditations, including: UKAS accredited ISO9001 and ISO 14001 (Environmental Management); the Contractors' Health and Safety Assessment premium scheme (CHAS); Construction Line Gold status; and the Considerate Constructors Scheme. These are important not only to show that we have been externally validated and recognised but to enable us to win contracts. Without these accreditations the opportunity to work for Barratt Homes, Wates and G F Tomlinson and other developers would not be possible.

5. Business Plan

5.1. An annual three-year rolling business plan is produced which is reviewed by the SEL Board and reviewed and approved by the Rushcliffe Enterprises Limited Board, now Oversight Board. The plan is commercially confidential and sets the strategic direction, the supporting tactical plan and funding plan to deliver the strategy.

5.2. Progress is monitored regularly by the SEL Board and Oversight Board.

6. Risks and business continuity

6.1. Strategic and operational risks are identified and monitored by the SEL Board. A risk register is maintained and reviewed regularly. Streetwise purchases services from the Borough Council to provide expertise and resilience to our management team. For example, Streetwise has access to the RBC ICT infrastructure and business continuity measures. This was particularly beneficial at the start of the first lockdown where our office-based employees were able to work remotely with a seamless transition.

6.2. Whilst not relating to the review year 2020/21, it is important to note that Metropolitan Thames Valley Housing Association (MTV) decided not to renew the contract with Streetwise in 2021/22. The contract finished on 31 August 2021. MTV was the second largest client and does therefore create challenges. These are being actively managed to minimise risk and impact on business continuity. This does not impact Streetwise's ability to deliver services and in particular the RBC prime contract.

7. **Environmental Credentials**

7.1. Playing our part in becoming carbon clever and reducing our carbon footprint is recognised as an issue of growing importance. As referred to above Streetwise gained ISO 14001 accreditation for the first time in 2020/21. A Carbon Reduction Plan has been produced with the aim of reducing our carbon footprint and working closely to support the Borough Council's carbon reduction targets. Initiatives within the plan include:

a) updating our fleet, moving towards alternative low emission fuel, hybrid and electric vehicles;

b) increasing the number of battery powered hand tools;

c) installation of trackers in all vehicles to improve route efficiency and driver behaviour;

d) increased recycling; and

e) planting trees to offset carbon emission.

7.2. Streetwise is proud to be sponsor of the Celebrating Rushcliffe Awards, Environmental Group or Project of the Year, for the last 5 years.

8. Finance and financial standing– Draft Statutory Accounts 2020/2021

8.1. The draft Statutory Accounts for 2020/2021 are attached. Ordinarily the accounts would have been audited in June, however, due to Covid Mazars could not undertake the audit until week commencing 20 September 2021. The accounts have to be signed off and submitted to Companies House by 31 December.

8.2. Turnover for SEL amounted to £3.1m, an increase of 7.9% on the previous year. Cost of sales was £2.3m representing a 14.6% increase on the previous year. Part of the increase was incurred supporting the increased turnover. However, it was an exceptional year with Covid-19 having a significant impact in terms of increased cost of personal protective equipment (PPE), employee absence, and the hire of additional vehicles to comply with Government guidelines for safe working. The impact of Covid was circa £84k which the company has had to absorb.

8.3. The main reason for the year on year increase in expenses is an increase in depreciation charged. The policies for depreciating assets were formed when the companies were established and have been considered fair and consistent. However, the disposal of a number of vehicles and equipment in the year revealed that the market value was consistently lower than the net book value. It was therefore prudent to undertake an impairment review of the assets. As a result, the depreciation rate has been increased on plant and equipment from 15% to 20% through to 33% depending on the category, plus adjustments made on residual value of vehicles, which includes the road sweepers purchased in 2015. In total the adjustments amount to £108k and puts the company on a better footing moving forward into 2021/22.

8.4. The accounting adjustments to comply with IAS19 (International Accounting Standard) in relation to the Local Government Pension Scheme have a significant impact on the accounts. For example, the net pension liability has increased by

£705k to £1.8m for 2020/21. An unforeseen consequence of SEL being created was that it became exposed to the volatility of actuarial risks in respect of liabilities within the LGPS fund as opposed to these being retained by the Council. A "pass through" arrangement has been agreed in principle with Rushcliffe Borough Council and the external Auditors. It is planned that this will be implemented in 2021/22, therefore removing the liability and the volatility from Streetwise accounts.

8.5. The cashflow position remains positive with £498k cash at bank and in hand as at 31 March 2021.

8.6. Overall, this has been an exceptionally challenging year with Covid, the impairment review and the impact of the LGPS resulting in a total comprehensive loss for the year of £333k.

8.7. SETL turnover increased to £374k in 2020/21 from £107k in the previous year. This is due to the first full year of trading since the purchase of a grounds maintenance company in November 2019. Covid-19 impacted sales with most schools and sports clubs reducing maintenance and line marking of pitches during the lockdown. It is estimated this reduced income by £40k.

8.8. Similarly, costs have increased as a consequence of the first full year of trading.

8.9. Overall, operating profit, after taxation, amounted to £74k.

8.10. Consolidating the two companies' accounts results in a combined turnover of £3.5m and a total comprehensive loss for the financial year, after tax, of £260k.

8.11. Despite this loss Streetwise is a viable going concern with an underlying financial standing and profitability moving forward.

9. Ability to win contracts - Business Development

9.1. Business development is reviewed at SEL monthly Board meetings. Sales targets from the 2020/21 Business Plan have been monitored. 2020/21 was an extremely challenging year due to Covid-19. Revised targets were set to reflect the uncertainty. The initial lockdown in March 2020 saw clients suspend services for a number of weeks. Despite this, Streetwise achieved the revised sales target of £3.5m combined turnover.

9.2. Segmented market analysis is undertaken. Marketing and business development is tailored for each segment. This ranges from basic advertising, flyers, social media, targeted visits, and relationship management through to monitoring tender portals for the identification and submission of larger tenders.

9.3. Grounds maintenance is a mature and competitive market. However, it is a large market and Streetwise is competitive with small to medium contracts (sub £50K).

9.4. A new website was launched in 2020/21 aimed at commercial and domestic markets. Traffic and enquires has increased by 200% on the previous year.

9.5. Despite the challenging conditions Streetwise has continued to win contracts and develop positive relationships with developers and clients. Year on year an average of 7% growth has been achieved.

10. Performance monitoring

10.1. The RBC contract is monitored by service users and the central RBC client hub. A framework of performance indicators is measured and monitored on a monthly basis. The framework includes a monthly review with the client hub team and quarterly meetings with the service users. In addition, the SEL Board monitors contract performance at its monthly meetings.

10.2. Key services were delivered during April, however due to the national lockdown there were no RBC performance inspections.

10.3. Inspections resumed in May, with the tables below showing the percentage of services on or above target.

Month	%	Comment
May	92.5%	Phased return to services
June	100%	
July	100%	
August	94%	
September	75%	Unfortunately, performance dropped during September to 75% of services at tolerance or above. Areas for improvement included Zone 1s (town centres), litter cleansing and detritus management. Immediate action was taken, with toolbox talks to remind employees of the standards required and additional temporary resource deployed to bring sites back to standard.
October	100%	
November	92%	

Month	%	Comment
December	100%	
January	100%	
February	90%	
March	95.5%	

10.4. As shown in the tables above overall performance for the RBC contract has been maintained at a high standard. However, there have been a number of improvement areas which we have been addressing. These areas include: the town centres; detritus management and pavement sweeping. Employee absence and agency cover was a contributing factor at the height of Covid. We have been working in close partnership with colleagues at Rushcliffe to deliver long term improvement in these areas, including additional training, revised working systems, and additional resources.

For more information contact:	Nigel Carter Managing Director, Streetwise 0115 914 8379 ncarter@streetwiseenvironmental.co.uk
Background papers Available for Inspection:	None
List of appendices (if any):	Appendix A – A1 SETL – Draft Statutory Accounts for YE 31/03/2021 Appendix B – A1 SEL – Draft Statutory Accounts for YE 31/03/2021

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

FOR

STREETWISE ENVIRONMENTAL TRADING LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

STREETWISE ENVIRONMENTAL TRADING LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021

DIRECTORS:	N Carter K T F Daniell
REGISTERED OFFICE:	Unit 10, Moorbridge Industrial Estate Moorbridge Road Bingham Nottingham Nottinghamshire NG13 8GG
REGISTERED NUMBER:	11360352 (England and Wales)
AUDITORS:	Mazars LLP Chartered Accountants and Statutory Auditor Park View House 58 The Ropewalk Nottingham NG1 5DW

STATEMENT OF FINANCIAL POSITION
31 MARCH 2021

	Notes	31/3/21 £	31/3/21 £	31/3/20 £	31/3/20 £
FIXED ASSETS					
Intangible assets	4		84,754		120,141
Tangible assets	5		234,468		295,312
			319,222		415,453
CURRENT ASSETS					
Stocks		-		17,374	
Debtors	6	56,766		47,457	
		56,766		64,831	
CREDITORS					
Amounts falling due within one year	7	233,215		390,677	
NET CURRENT LIABILITIES			(176,449)		(325,846)
TOTAL ASSETS LESS CURRENT LIABILITIES			142,773		89,607
CREDITORS					
Amounts falling due after more than one year	8		-		(41,667)
PROVISIONS FOR LIABILITIES	9		(28,600)		(8,133)
NET ASSETS			114,173		39,807
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Retained earnings	11		114,073		39,707
SHAREHOLDERS' FUNDS			114,173		39,807

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on .... and were signed on its behalf by:

....
N Carter - Director

....
K T F Daniell - Director

1. STATUTORY INFORMATION

Streetwise Environmental Trading Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern
The financial statements have been prepared on a going concern basis. The directors have considered the impact of the COVID-19 pandemic on the company from both a financial and economic perspective. As part of this review the directors have considered cash flow forecasts for a period of at least 12 months from the date of signing of these financial statements and are confident that the company can meet its liabilities as they fall due. As such, the directors do not believe that COVID-19 will have any material or adverse impact on the company's ability to continue as a going concern.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes in accordance with the company's principal activity.

In respect of service contracts turnover represents the value of work done and services performed in the period.

Goodwill
Goodwill, being the amount paid in connection with the acquisition of a business in 2019, is being amortised evenly over its estimated useful life of five years. After initial recognition, goodwill is measured at cost less any accumulated amortisation and any accumulated impairment losses.

Business combinations
Business combinations are accounted for under the purchase method.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.
Plant and machinery - 50% on reducing balance, 25% on reducing balance and 15% on reducing balance

Stocks
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was NIL (2020 - NIL).

continued...

4. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2020	124,284
Impairments	(10,530)
At 31 March 2021	113,754
AMORTISATION	
At 1 April 2020	4,143
Amortisation for year	24,857
At 31 March 2021	29,000
NET BOOK VALUE	
At 31 March 2021	84,754
At 31 March 2020	120,141

5. TANGIBLE FIXED ASSETS

	Plant and machinery £
COST	
At 1 April 2020	315,000
Additions	13,672
Disposals	(5,093)
At 31 March 2021	323,579
DEPRECIATION	
At 1 April 2020	19,688
Charge for year	70,457
Eliminated on disposal	(1,034)
At 31 March 2021	89,111
NET BOOK VALUE	
At 31 March 2021	234,468
At 31 March 2020	295,312

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/3/21 £	31/3/20 £
Trade debtors	56,666	47,357
Other debtors	100	100
	56,766	47,457

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31/3/21 £	31/3/20 £
Trade creditors	13,022	11,829
Amounts owed to group undertakings	162,110	310,819
Social security and other taxes	23,787	6,696
Other creditors	31,136	58,333
Accruals and deferred income	3,160	3,000
	233,215	390,677

continued...

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31/3/21	31/3/20
	£	£
Other creditors	-	41,667

9. PROVISIONS FOR LIABILITIES

	31/3/21	31/3/20
	£	£
Deferred tax		
Accelerated capital allowances	44,549	50,203
Deferred tax on taxable losses c/f in the year	(15,949)	(42,070)
	28,600	8,133

	Deferred tax
	£
Balance at 1 April 2020	8,133
Accelerated capital allowances	(5,654)
Deferred tax on taxable losses c/f in the year	26,121
Balance at 31 March 2021	28,600

10. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31/3/21	31/3/20
			£	£
100	Ordinary	£1	100	100

11. RESERVES

	Retained earnings
	£
At 1 April 2020	39,707
Profit for the year	74,366
At 31 March 2021	114,073

12. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Auditors' Report was unqualified.

David Hoose (Senior Statutory Auditor)
for and on behalf of Mazars LLP

Mazars LLP

13. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

continued...

14. ULTIMATE CONTROLLING PARTY

The Members of the Rushcliffe Borough Council are the ultimate controlling party. The Company is a subsidiary undertaking of Rushcliffe Enterprises Limited which is in turn a subsidiary undertaking of Rushcliffe Borough Council which operates from the Rushcliffe Arena, Rugby Road, West Bridgford, Nottingham, NG2 7YG. The accounts for Rushcliffe Borough Council can be viewed on their website at www.rushcliffe.gov.uk.

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

FOR

STREETWISE ENVIRONMENTAL LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

STREETWISE ENVIRONMENTAL LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2021

DIRECTORS:	N Carter K T F Daniell
REGISTERED OFFICE:	Unit 10, Moorbridge Industrial Estate Moorbridge Road East Bingham Nottingham Nottinghamshire NG13 8GG
REGISTERED NUMBER:	09042551 (England and Wales)
INDEPENDENT AUDITORS:	Mazars LLP Chartered Accountants and Statutory Auditor Park View House 58 The Ropewalk Nottingham NG1 5DW

STREETWISE ENVIRONMENTAL LIMITED (REGISTERED NUMBER: 09042551)

STATEMENT OF FINANCIAL POSITION
31 MARCH 2021

	Notes	31/3/21 £	£	31/3/20 £	£
FIXED ASSETS					
Tangible assets	4		313,247		398,730
CURRENT ASSETS					
Stocks		87,025		32,214	
Debtors: amounts falling due within one year	5	645,737		612,639	
Debtors: amounts falling due after more than one year	5	955,000		583,000	
Cash at bank and in hand		498,324		370,468	
		2,186,086		1,598,321	
CREDITORS					
Amounts falling due within one year	6	690,712		570,212	
NET CURRENT ASSETS			1,495,374		1,028,109
TOTAL ASSETS LESS CURRENT LIABILITIES			1,808,621		1,426,839
CREDITORS					
Amounts falling due after more than one year	7		(300,984)		(286,913)
PENSION LIABILITY	12		(1,817,000)		(1,116,000)
NET (LIABILITIES)/ASSETS			(309,363)		23,926
RESERVES					
Retained earnings	10		(309,363)		23,926
MEMBERS' FUNDS			(309,363)		23,926

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on .... and were signed on its behalf by:

....
N Carter - Director

....
K T F Daniell - Director

1. STATUTORY INFORMATION

Streetwise Environmental Limited is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern
The financial statements have been prepared on a going concern basis. The directors have considered the impact of the COVID-19 pandemic on the company from both a financial and economic perspective. As part of this review the directors have considered cash flow forecasts for a period of at least 12 months from the date of signing of these financial statements and are confident that the company can meet its liabilities as they fall due. As such, the directors do not believe that COVID-19 will have any material or adverse impact on the company's ability to continue as a going concern.

Turnover
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes in accordance with the company's principal activity.

In respect of service contracts turnover represents the value of work done and services performed in the period.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Plant and machinery	-	33% on reducing balance, 25% on reducing balance and 20% on reducing balance
Motor vehicles	-	33% on reducing balance and 25% on reducing balance
Computer equipment	-	33% on cost

Stocks and work in progress
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

 continued...

2. ACCOUNTING POLICIES - continued

Pension costs and other post-retirement benefits
The company participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit scheme based on career average re-valued salary and length of service on retirement.

The company also operates a defined contribution pension scheme. Contributions payable to the company's defined contribution pension scheme are charged to the profit and loss account in the period to which they relate. The pension scheme is operated by People's Pension and it is available for employees that do not qualify for the LGPS.

Government grants
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the company will comply with conditions attaching to them and the grants will be received using the accrual model.

Grants relating to revenue are recognised in profit and loss on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are received in respect of expenses or losses already incurred by the company are recognised in profit and loss in the period when the grant becomes receivable.

3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 64 (2020 - 63).

4. TANGIBLE FIXED ASSETS

	Plant and machinery £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 April 2020	283,147	452,310	13,698	749,155
Additions	67,157	8,915	199	76,271
Disposals	(28,770)	(173,565)	-	(202,335)
At 31 March 2021	321,534	287,660	13,897	623,091
DEPRECIATION				
At 1 April 2020	89,520	247,471	13,434	350,425
Charge for year	51,942	37,842	138	89,922
Eliminated on disposal	(17,074)	(113,429)	-	(130,503)
At 31 March 2021	124,388	171,884	13,572	309,844
NET BOOK VALUE				
At 31 March 2021	197,146	115,776	325	313,247
At 31 March 2020	193,627	204,839	264	398,730

5. DEBTORS

	31/3/21 £	31/3/20 £
Amounts falling due within one year:		
Trade debtors	243,288	234,794
Amounts owed by group undertakings	162,110	310,819
Other debtors	11,287	9,264
Tax	22,986	4,435
Deferred tax asset	174,942	22,311
Prepayments	31,124	31,016
	645,737	612,639

 continued...

5. **DEBTORS - continued**

	31/3/21	31/3/20
	£	£
Amounts falling due after more than one year:		
Amount due from Rushcliffe Borough Council in respect of Pension Deficit	955,000	583,000
	955,000	583,000
Aggregate amounts	1,600,737	1,195,639

6. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31/3/21	31/3/20
	£	£
Other loans (see note 8)	127,179	85,948
Trade creditors	185,571	161,975
Social security and other taxes	175,404	100,048
Other creditors	10,108	9,908
Amount due to Rushcliffe Borough Council	173,929	176,026
Accruals	18,521	36,307
	690,712	570,212

7. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31/3/21	31/3/20
	£	£
Other loans (see note 8)	300,984	286,913

8. **LOANS**

An analysis of the maturity of loans is given below:

	31/3/21	31/3/20
	£	£
Amounts falling due within one year or on demand:		
RBC Loan	127,179	85,948
Amounts falling due between one and two years:		
RBC Loan - Amount falling due between one and two years	123,396	84,679
	123,396	84,679
Amounts falling due between two and five years:		
RBC Loan - Amount falling due between two and five years	177,588	202,234
	177,588	202,234

Interest is charged on the RBC loan at a rate of 4.25% per annum.

continued...

9. DEFERRED TAX

	£
Balance at 1 April 2020	(22,311)
Provided during year	(8,781)
Tax credit on pension liability movements	(143,850)
Balance at 31 March 2021	(174,942)

10. RESERVES

	Retained earnings £
At 1 April 2020	23,926
Deficit for the year	(185,529)
Actuarial Gains and Losses arising on changes in assumptions	(1,043,000)
Return on Pension Plan Assets	401,000
Deferred tax on Pension Liability	122,240
Net liability assumed on settlements	372,000
At 31 March 2021	(309,363)

11. DISCLOSURE UNDER SECTION 444(5B) OF THE COMPANIES ACT 2006

The Auditors' Report was unqualified.

David Hoose (Senior Statutory Auditor)
for and on behalf of Mazars LLP

continued...

12. EMPLOYEE BENEFIT OBLIGATIONS

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Company offers retirement benefits. Although these benefits will not be payable until employees retire, the Company has the commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

On 31 August 2014, the pension deficit in relation to the employees that were transferred from Rushcliffe Borough Council to the Company was £583,000 and this amount is reflected as both an opening pension deficit liability (see below) and as an amount due after more than one year (see note 8). During the year ended 31 March 2021 a further pension deficit liability of £372,000 was transferred from RBC to the Company relating to employees transferred to the Company from RBC in the previous financial year. These amounts are underwritten by Rushcliffe Borough Council.

The Company participates in two post employment schemes:

The Local Government Pension Scheme, administered locally by Nottinghamshire County Council is a funded defined benefit scheme and until 31 March 2014 was a final salary scheme. Changes came into effect on 1 April 2014 and any benefits accrued from this date are based on career average revalued salary and length of service on retirement, meaning that the Company and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

The principal risks to the Company of the scheme are:

***** Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges

***** Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

***** Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

***** Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

***** Statutory changes to the scheme.

***** Structural changes to the scheme (ie large-scale withdrawals from the scheme)

***** In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

Transactions relating to retirement benefits.
The liabilities of the fund are valued using a discount rate based on corporate bond yields that match the duration of the employer's liabilities and the Merrill Lynch AA-rated corporate bond yield curve. As a result of this approach, the company reports an actuarial loss of £1,043k reported in the 2020/21 accounts (2019/20: gain of £442k).

The return on assets reported in the accounts is a gain of £401k (2019/20: loss of £198k).

Value of scheme assets and liabilities

	31/3/21	31/03/20
	£	£
Market value of assets comprise:		
Equities	1,659,000	1,195,000
Gilts	86,000	86,000
Other Bonds	175,000	190,000
Property	261,000	309,000
Cash	116,000	84,000
Inflation-linked pooled fund	124,000	77,000
Infrastructure	138,000	129,000
Market value of assets	2,559,000	2,070,000

	31/3/21	31/03/20
	£	£
Market value of assets	2,559,000	2,070,000
Present value of scheme liabilities	(4,376,000)	(3,186,000)
Net pension liability	(1,817,000)	(1,116,000)

Movement in deficit during the year

	31/3/21	31/03/20
	£	£
Deficit in scheme at start of year	(1,116,000)	(823,000)
Current service cost	(83,000)	(98,000)
Past service cost	-	(45,000)
Contributions	51,000	43,000
Net interest expense	(26,000)	(64,000)
Administration expense	(1,000)	(1,000)
Return on plan assets	401,000	(198,000)
Actuarial (loss)/gain	(1,077,000)	389,000
Change in demographic assumptions	34,000	53,000
Net liability assumed on settlements	-	(372,000)
Deficit in scheme at end of year	(1,817,000)	(1,116,000)

Other finance costs as reported in the Income Statement comprise:

	31/3/21	31/03/20
	£	£
Current service cost	82,956	98,402
Past service cost	-	45,000
Net interest expense	26,000	64,000
Administration expense	1,000	1,000
Other finance costs	109,956	208,402

continued...

From the information we have received from the administering authority, we understand that;

Of the Equities allocation, 40.5% are UK investments, 59.5% are overseas investments
100.0% of the above are listed in a market..
Of the Gilts allocation above, 100% are UK fixed interest Gilts
Of the Other Bonds allocation above, 24.6% are UK corporates, 75.4% are overseas corporates
Of the Property and Cash allocations 100% are unquoted
Of the Inflation linked pooled fund 100% were listed in an active market This was included in equities.

Basis for Estimating Assets & Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years that is dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2021.

The principal assumptions used by the actuary have been:

	LGPS & Disc. Benefits	
	31/3/21	**31/3/20**
Mortality Assumptions		
Longevity at 65 for current pensioners		
Men	21.6	21.8
Women	24.3	24.4
Longevity at 65 for future pensioners		
Men	22.9	23.2
Women	25.7	25.8
Rates of Inflation		
CPI (Real)	-0.35%	-0.80%
CPI (Per Annum)	2.85%	1.85%
RPI (Per Annum)	3.20%	2.65%
Rate of Increase in Salaries		
(Per Annum)	3.85%	2.85%
(Real)	0.65%	0.20%
Rate of Increase in Pensions		
(Per Annum)	2.85%	1.85%
(Real)	-0.35%	-0.80%
Rate for Discounting Scheme Liabilities		
(Per Annum)	2.00%	2.35%
(Real)	-1.20%	-0.30%

continued...

Additional Assumptions
***** Members will exchange half of their commutable pension for cash at retirement.
***** Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
***** 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	**Decrease in Assumption £'000**
Longevity (increase or decrease in 1 year)	182	(175)
Rate of increase in salaries (increase or decrease by 0.1%)	16	(16)
Rate of increase in pensions (increase or decrease by 0.1%)	82	(80)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(96)	99

Impact on the Cash Flows
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The employer contribution rate for 2020/21 is 20.6% (2019/20 20.6%) and the Company anticipates paying £51,000 in expected contributions to the scheme in 2021/22. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022. 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 estimated duration of the defined benefit obligation for scheme members is 23 years (2020 - 23 years).

Projected Pension Expense for the Year to 31 March 2022

	£'000
Service cost	115
Net Interest on the defined liability (asset)	35
Administration Expenses	1
Total	**151**
Employer contributions	51

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2021.

These projections are based on the assumptions as at 31 March 2021, as described in the Barnett Waddington actuary report.

13. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

14. ULTIMATE CONTROLLING PARTY

The Members of the Rushcliffe Borough Council are the ultimate controlling party. The Company is a subsidiary undertaking of Rushcliffe Enterprises Limited which is in turn a subsidiary undertaking of Rushcliffe Borough Council which operates from the Rushcliffe Arena, Rugby Road, West Bridgford, Nottingham, NG2 7YG. The accounts for Rushcliffe Borough Council can be viewed on their website at www.rushcliffe.gov.uk.

15. LIMITED BY GUARANTEE

The company is limited by guarantee. The amount guaranteed is £1.

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Governance Scrutiny Group

Thursday, 25 November 2021

Capital and Investment Strategy Mid-Year Report 2021/22

Rushcliffe
Borough Council

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of report

1.1. The purpose of this report is to summarise the capital and investment activities of the Council for the period 1 April to 30 September 2021.

1.2. The Capital and Investment Strategy for 2021/22, approved by Council on 4 March 2021 outlines the Council's capital and investment priorities as follows:

- Security of capital
- Liquidity of investments; and
- Optimising yield earned on investments (cash and property).

1.3. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

2. Recommendations

It is recommended that the Group notes the Capital and Investment Strategy up-date position as of 30 September 2021.

3. Reasons for Recommendation

3.1 CIPFA's Code of Practice for Treasury Management (2017) recommends that Councillors should be informed of Treasury Management activities at least twice a year. This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the Code of Practice.

3.2 The Treasury Management Code is currently being reviewed. The main proposals are that going forward monitoring should be quarterly, there should be specific training for members involved in scrutiny and broader training for members who sit on full council, and the introduction of a Liability Benchmark to manage debt risks. Together with proposed changes in the Prudential Code there is a greater focus on climate and environmental, social and governance risks when making financial decisions.

4. Supporting Information

Economic Background

4.1. The Coronavirus outbreak caused huge economic damage to the UK and around the world in 2020/21. With the roll out of the vaccination programme, the recovery is starting to gather pace. In the first six months of 2021/22:

- The economy increased 4.8% in the second quarter of 2021 (April to June 2021), with growth of 6.6% forecast this year and 5.4% in 2022 allowing the economy to reach pre covid levels by the first quarter of next year.
- The Bank of England base rate remains at 0.1% and is expected to stay at this level until June 2022 when it is expected to increase to 0.25% with a further increase to 0.5% in June 2023.

Economic Forecast

4.2. The economy is recovering, with some sectors such as manufacturing and construction, having already recovered most of the ground lost last year. While for sectors such as hospitality and Leisure, the big times are now.

4.3. The recovery is also likely to be uneven across the UK, with strongest growth expected in the West Midlands, London and the East of England. It provides the Government with an opportunity to help poorer regions as part of its levelling up agenda.

4.4. The UK unemployment rate fell to 4.6 percent in the three months to July 2021, the lowest level since the June-August 2020 period and in line with market expectations.

4.5. The current Bank of England base rate remains at 0.1%. Link (the Council's Treasury Advisors) are forecasting no change until June 2022 when they predict rates will increase to 0.25%, with a subsequent increase the following year (June 2023) to 0.5%.

4.6. The consumer price inflation rate in the UK jumped to 3.2% in August of 2021 (3.1% in September), the highest since March 2021, from 2% in July and above market forecasts of 2.9%.

4.7. Overall, the short-term outlook for the economy is favourable. The possible emergence of new variants of the virus that are less responsive to the current vaccines is still a downside risk. With the furlough scheme having ended in September unemployment levels are expected to peak at 5.7% at the end of the year. Rising cost pressures and the reversal of temporary tax cuts will cause inflation to rise this year, but interest rates are not expected to increase before June 2022.

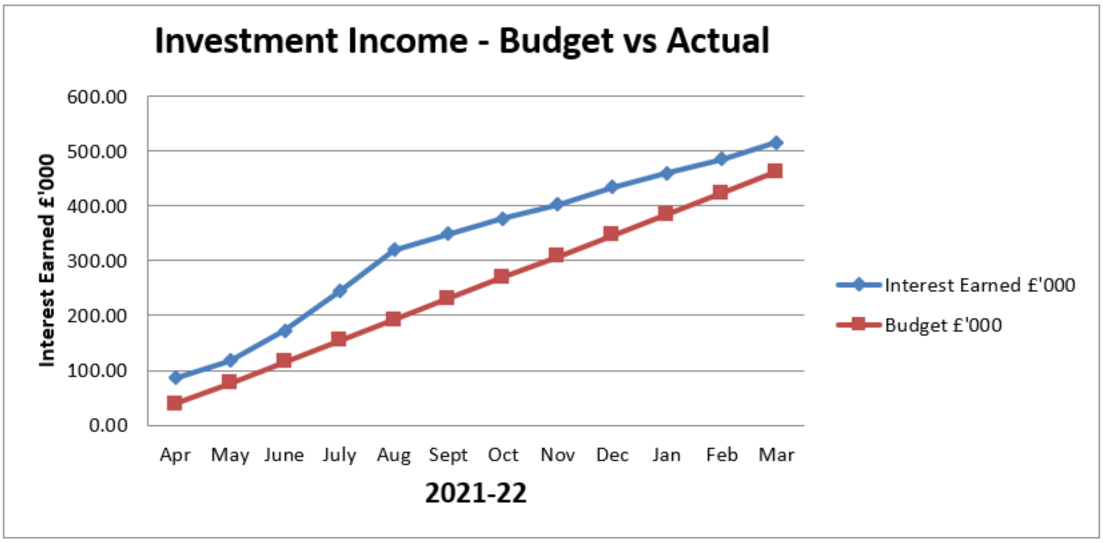
Investment Income

4.8. A combination of base rate forecasts, constraints on the lending list and the expenditure expected to be incurred on the Capital Programme meant the

Council budgeted to receive £462,100 in investment income in 2021/22 (£376,800 in 2020/21). Actual interest earned to 30 September 2021 totalled £349,100 (£297,610 in 2020/21) with total receipts for the year expected to be £516,440 (£440,460 in 2020/21). Interest receipts are higher than estimated due to investing in higher interest earning diversified funds coupled with delays in the capital programme and additional grant funding. All investments have been made in accordance with the Council's Capital and Investment Strategy.

4.9. In order to maintain returns and mitigate risks, the Council has continued to diversify its investments mix. As a result, the Council is currently placing deposits in Money Market Funds (MMFs), Call Accounts, CCLA Property Fund, UK Local Authorities and Diversified Funds with a larger amount than normal being held in MMFs to ensure liquidity.

4.10. The projected return on investments is highlighted in the following graph, which depicts the performance against the budget.



4.11. The average interest rates achieved so far this year on the Council's investments are compared to the London interbank bid rate (LIBID) rates. In addition, the Council has just over £15 million invested in diversified income and property accounts that are earning on average a rate of 4.56% in interest.

Benchmark	2021-22 LIBID	Council Performance
Instant Access	0.08%	0.00%
1 month	0.07%	0.06%
3 months	0.05%	-
6 months	0.02%	0.06%
12 months +	0.07%	1.64%

4.12. The table below highlights the level of investment activity and the rates obtained at 30 September 2021. Investments were made in line with Link's approved counterparty list.

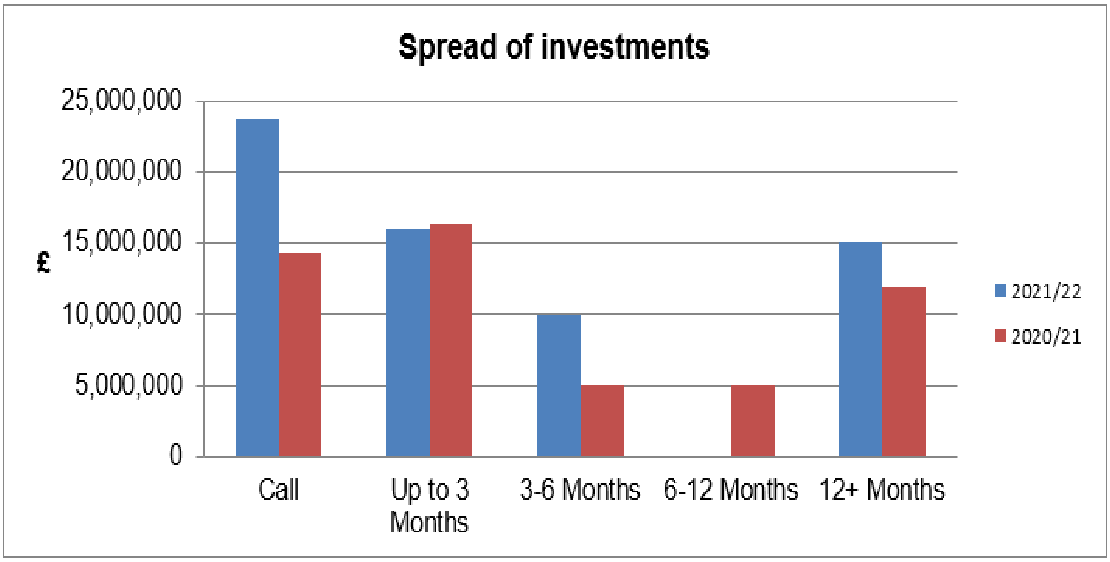
Financial Institution	Amount £	Length of Investment	Interest
Goldman Sachs Asset Management	5,000,000	183 days	0.12%
Lancashire County Council	5,000,000	2 Years	1.20%
Blackrock	3,950,860	Call	0.01%
Federated Investors (Uk)	4,530,588	Call	0.01%
Handelsbanken Plc	2,412,000	Call	0.00%
Hsbc Asset Management	1,769,841	Call	0.01%
Invesco Aim	2,102,201	Call	0.01%
Aberdeen Asset Management	4,350,290	Call	0.01%
Bank Of Scotland Plc	4,377,793	Call	0.05%
Bank Of Scotland Plc	108,016	32 Days	0.03%
Barclays Bank Plc	4,356,126	32 Days	0.02%
Handelsbanken Plc	2,500,685	35 Days	0.01%
Santander Uk Plc	4,009,917	35 Days	0.30%
Residual MMF/Call Account Balances	261,517	Call	0.00%
Close Brothers	5,000,000	98 Days	0.25%
Royal London Cash Plus Fund	1,006,286	On-going	1.38%
Ccla Property Fund	2,055,925	On-going	4.58%
Ccla Diversified Income Fund	1,929,083	On-going	4.58%
Kames Diversified Income Fund	4,989,037	On-going	5.01%
Investec Diversified Income Fund	5,069,297	On-going	4.07%
Total Investments/Average Interest Rate	**64,779,463**		**1.16%**

4.13. As the table above indicates, investments as of 30 September 2021 totalled £64.779m compared with £40.173m in 2020/21. The average rate of interest was 1.16%, higher than previous year (0.74% 2020/21). This is because funds available for investment far exceeded those in the preceding year primarily as a result of the receipt of grants and progress not as expected on the capital programme. The rates achieved vary between different institutions, for different durations, dependant on when the investment was made.

4.14. With such poor interest rates the Council continues to internally borrow to fund capital expenditure. Whilst the Council continues to ensure investments are secure and liquidity is achieved (in light of uncertain income streams), it is proactively looking to maximise its rate of return.

4.15. It should be noted that £29.3 million of the above investments relate to funds held in relation to Section 106 Agreements that are yet to be released by the Authority. As part of the agreement, interest has to be paid over once funds are released. This interest amounts to approximately £32,500. See comment

4.16. The above details the counterparties that the Council had investments placed with on 30 September 2021. The graph below depicts our investment spread showing the range of investments and the different time periods; balancing both cash flow risk and counterparty risk and shows the movement from longer term to shorter term investments between 2020/21 and 2021/22. A consequence of Covid19, and ensuring liquidity, is that increasingly the Council has been holding investments, over a shorter period of time, with a greater number of institutions. This is compliant with the Council's Capital and Investment Strategy and recommended action by the Council's Treasury advisors.



4.17. Council agreed, 19 September 2019, to consider its carbon footprint and aim to divest from fossil fuel investments. Currently 18.5% (22% in 2020) of our portfolio is invested in diversified funds which invest in equities and, therefore, carry a small risk of fossil fuel investments. Security, Liquidity and Yield are the Council's main priority (in accordance with the CIPFA Code for treasury investments).

4.18. The fair value of the Council's diversified funds fell by £1.238m at 31.3.2020. These were expected to bounce back and during 2020/21 the values had increased by £1.143m. The position to date (see table below) shows that these assets have fully recovered and are now valued at £1.262m above March 2020 values. At the end of July, a further £2m was invested in Kames and Investec (£1m in each, not reflected below). These funds will continue to fluctuate in value but are being held long term.

Fair Value	**31.03.2020**	**31.03.2021**	**30.09.2021**
Kames	3,358,073	3,989,037	3,960,219
Investec	3,706,999	4,069,297	4,042,574
RLAM	991,347	1,006,286	1,003,950
CCLA Property	2,070,647	2,055,925	2,126,334
CCLA Divesified	1,779,479	1,929,083	2,035,552
	11,906,545	**13,049,628**	**13,168,629**

Borrowing

4.19. In accordance with the Local Government Act 2003, the Council has a statutory duty to determine and keep under review how much it can afford to borrow. Therefore, the Council establishes 'Affordable Borrowing Limits' (or Authorised Limit) as part of the Prudential Indicators within the approved Capital and Investment Strategy Statement.

4.20. The 'authorised limit' and 'operational boundary' indicators govern the maximum level of external borrowing to fund the capital programme and short-term cash flow.

4.21. The need to externally borrow is now anticipated to be nil in 2021/22. The Operational Boundary set for the year is £20m (see **Appendix A**). The Authorised limit is set at £25m and any change in this would require Full Council approval.

4.22. As part of the Capital and Investment Strategy, the Council established a range of Prudential Indicators (which also accords with professional practice) to monitor both Treasury and Capital as the two are intrinsically linked. Details of the performance against the Prudential Indicators can be found at **Appendix A**. Key comments to note are as follows:

(a) Capital Expenditure – The original budget for 2021/22 was £28.158m and revised largely due to carry forwards giving a current budget of £35.602m. The programme was reviewed in the light of Covid19 impact and re-phasing of £6.533m was requested together with the budget adjustments of £0.911m giving a revised Capital Programme of £35.602m for 2021/22. The projected outturn is around £25m – resulting in an estimated underspend of £10m primarily due to rephasing of Bingham Hub (£2m), the Crematorium (£3m); Leisure Centre Schemes £1m; and Support for Registered Housing Providers £0.9m. This position is reported to both Cabinet and Corporate Overview Group.
(b) Financing costs to net revenue stream – improved position anticipated due to higher investment returns and no debt charges (no external borrowing).
(c) Expected investment position – is expected to be lower due to not externally borrowing as expected and using internal balances in the short term.
(d) Capital Financing Requirement (CFR) – the closing position will be slightly less than budgeted for as a result of capital programme re-phasing as mentioned at (a) above. The CFR projected end of year position is £16.273m.

Commercial Investments

4.23. The definition of investments in CIPFA's definition of treasury management activities above covers all financial assets of the organisation as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may, therefore, include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework, which is outlined in the Capital and Investment Strategy.

4.24. The Council whilst committed to being self-sustainable has taken the decision to no longer invest on property for commercial gain. This accords with the current professional ethos of CIPFA, mentioned below. Hence the Council no longer has an Asset Investment Fund, which was £20m.

4.25. Last year the Council acquired two Business Units in West Bridgford, leaving a balance £3.828m which was removed from the Capital Programme. Under new proposals discussed below Local Authorities will no longer be allowed to borrow to fund non-financial assets solely to generate a profit.

4.26. The Prudential Code is currently being reviewed and following a consultation exercise CIPFA has announced that proportionality will be included as an objective, clarification and definitions to define commercial activity and investment will be included, and that the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (CFR). Pleasingly this has always been a cornerstone of Rushcliffe's investment philosophy. CIPFA is also to introduce a liability benchmark as a treasury management indicator. The revised Prudential Codes is expected to be published in December 2021. It is important to note the section on commercial investments from paragraph 4.29 does cover the issue of proportionality with different types of asset investments the Council has made.

4.27. The Authority has to disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchase through the Council's AIS, as well as pre-existing commercial investments.

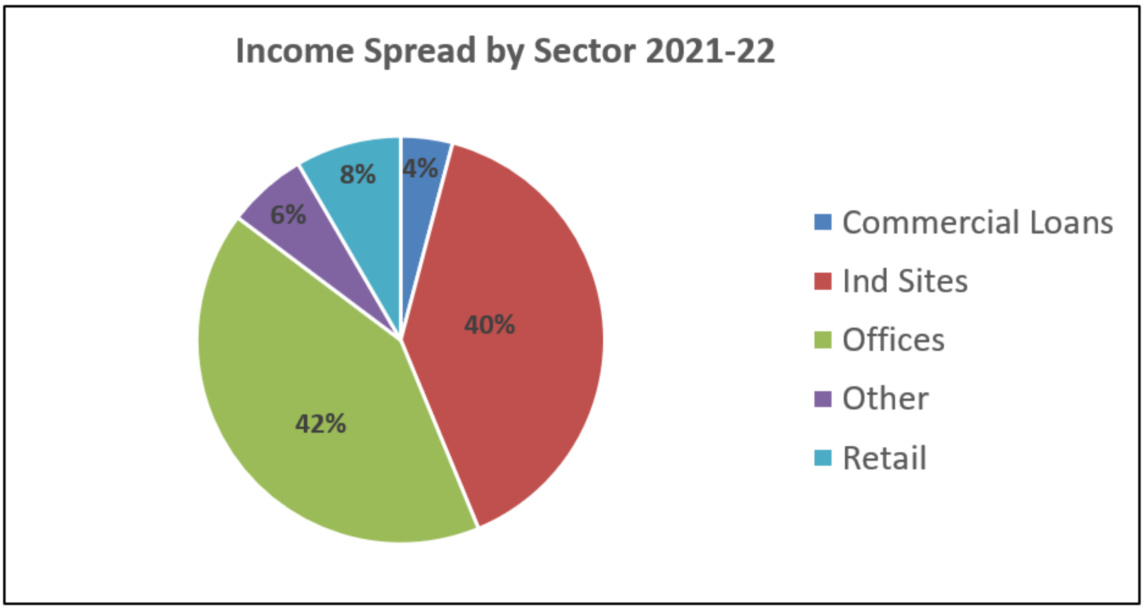
4.28. The expected contributions from commercial investments are shown below. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. It is estimated to be around 20% in the current year. Our objective is that this ratio should not exceed 30% in future years, subject to annual review.

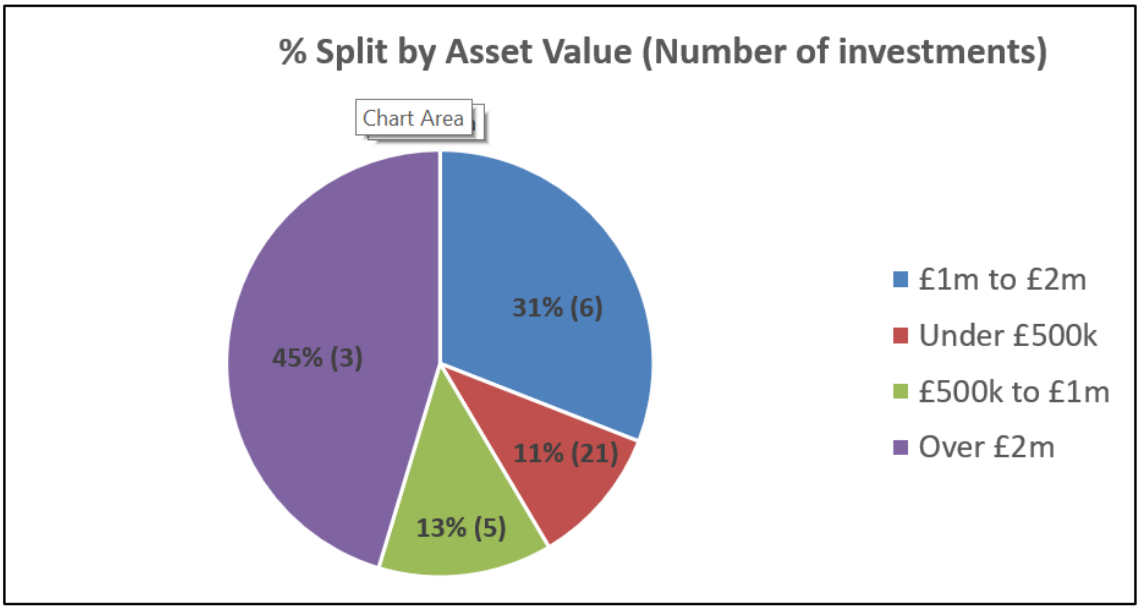
Commercial Investment income and costs

2021/22	Original £'000	Current £'000	Actual £'000	Projected £'000
Commercial Property Income	(1,660)	(1,660)	(862)	(1,621)
Running Costs	516	516	516	516
Net Contribution to core functions	(1,144)	(1,144)	(346)	(1,105)
Interest from Commercial Loans	(89)	(89)	(10)	(89)
Total Contribution	(1,233)	(1,233)	(356)	(1,194)
Sensitivity:				
+/- 10% Commercial Property Income	166	166	86	162
Indicator:				
Investment Income as a % of total Council Income	22.8%	22.8%	12.8%	20.0%
Total Income	7669.3	8172.2	6809	8540.3

Risk Exposure Indicators

4.29. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments. Generally, there is a spread of investment across sectors. The Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful. Covid has accelerated remote working which has reduced office occupation during lockdown. There is a risk that this may become a new way of working which could reduce demand for office accommodation although the long-term impact is unknown. This will be monitored and reported in future reports.





Security and Liquidity

4.30. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5-year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.

4.31. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.

4.32. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible.

4.33. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk.

Training and Development

4.34. The Council's Treasury Management Advisors, Link Asset Services held a presentation and training session to Councillors on 9 December 2020 and the next is scheduled for 22 November 2021.

5 Conclusion

5.1. Treasury Management continues to be fraught with difficulty. The UK economy is recovering but interest rates remain low affecting the returns that can be achieved from investments. Changes in accounting codes will restrict what local authorities can do coupled with the threat of borrowing caps. Officers will continue to be vigilant and report any significant issues to the Governance Scrutiny Group.

6 Risk and Uncertainties

6.1. The report covers both counterparty, interest rate and property related risks.

7 Implications

7.1. Financial Implications

Financial Implications are covered in the body of the report.

7.2. Legal Implications

There are no specific legal implications identified in this report. The report demonstrates the Councils good practice in following CIPFA's Code of Practice for Treasury Management (2017) recommends by informing Councillors of Treasury Management activities at least twice a year. Adoption of the best practice ensures scrutiny of capital and investment activity undertaken during the relevant period.

7.3. Equalities Implications

There are no equalities implications identified for this report

7.4. Section 17 of the Crime and Disorder Act 1998 Implications

None

8 Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 4.24

9 Recommendations

It is recommended that the Group notes the Capital and Investment Strategy update position at 30 September 2021.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Treasury Management Strategy 2021/22
List of Appendices (if any):	Appendix A – Prudential and Treasury Indicators for 2021/22 position at 30 September 2021

APPENDIX A

Prudential and Treasury Indicators for 2021/22
Position at 30 September 2021

	2021/22 £'000 Original Estimate	2021/22 £'000 Current Projections
Prudential Indicators		
Capital Expenditure	28,158	25,769
Proportion of financing costs to net revenue streams	5.45%	3.68%
Expected Investment Position (at 31 March 2022)	20,752	16,431
Capital Financing requirement as at 31 March 2022	16,909	16,273
Treasury Management Indicators		
Authorised Limit for external debt Borrowing and other long-term liabilities	25,000	25,000
Operational Boundary for external debt Borrowing and other long-term liabilities	20,000	20,000
Upper limit for fixed interest rate exposure on investments up to 1 year	50%	50%
Upper limit for variable rate exposure (investments)	100%	100%
Upper limit for total principal sums invested over 1 year	10,400	8,200

Glossary of Terms

Money Market Funds – these funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks.

CCLA Property Fund - this a local authority property investment fund. The property fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

Covered Bonds – these investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means they are exempt from bail-in.

Pooled Funds – shares in diversified investment vehicles consisting of different investment types including banks, equity shares and property, these funds have the advantage of providing wide diversification of investment risks

LIBID – London Inter Bank Bid Rate. The rate at which banks are willing to borrow from other banks

Governance Scrutiny Group

Thursday, 25 November 2021

Review of Investment Assets

Rushcliffe
Borough Council

Report of the Director Finance and Corporate Services

1. Purpose of report

1.1. This report is intended to provide the Governance Scrutiny Group with an update on the performance of the commercial property estate.

1.2. The asset investment strategy was launched 4 years ago and so it is the right time to review the performance of the now expanded property portfolio. The objective of the asset review was to assess all of the Council's commercial property portfolio, how individual properties are performing and what the expectations are for the next 5 to 10 years in terms of income and costs.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

a) Scrutinise the review of the Council's commercial property portfolio with both the review and any scrutiny comments being reported to Cabinet

b) Receive a bi-annual report on the Council's commercial property portfolio.

3. Reasons for Recommendation

3.1. It is important that the Council takes a proactive approach to managing its assets to avoid any issues in the future. The review, and this accompanying report, provides transparency for members on the performance of the portfolio and allows the opportunity for review and challenge so options for the future can be considered in detail.

3.2. The report states there are currently no high-risk properties and, therefore, no immediate action is deemed to be required. However, the proposed ongoing monitoring and review will ensure that should action be required this will be brought to the attention of members in a timely manner as appropriate.

4. Supporting Information

4.1. The Asset Investment Strategy was launched 4 years ago and to ensure the Council's property portfolio is still performing well it was identified that a detailed review should be carried out. It is particularly important in light of

Covid-19, which has had a significant impact on commercial property although the legacy implications of this are still to be determined.

4.2. The Council's Asset Investment Strategy in relation to commercial investments from the outset always paid due attention to market conditions. The focus of investments has tended to be industrial, warehouse and office based rather than retail, hospitality or leisure (as detailed below). Whilst this report highlights some risk, as there is with all asset investments, ultimately the highest risk detailed below is considered to be no more than a medium rating.

4.3. The Council's property portfolio is made up of industrial estates and multi let / single let buildings, incorporating 99 investment interests, 54 of which are industrial, 25 offices, 16 retail and 4 leisure. The total portfolio generates an annual return from rental income of approximately £1,600,000, of which around 35% is attributable to the more recently purchased investment properties. As reported in performance updates, occupancy levels are at 96%, this is slightly down on previous years (99% at the same time in 2020) but is very positive given the current market conditions. The privately owned commercial property in the Borough is also performing well with occupancy levels of 94.9%.

4.4. The property portfolio also includes car parks, mast sites and land but these have not been included as part of the review as the focus is on the commercial property portfolio which is leased to businesses. These are, therefore, out of scope for this review.

4.5. To facilitate the review a detailed spreadsheet has been produced and completed by the Property Team with the support of colleagues in Finance. This includes details of all commercial property owned by the Council, the information includes for each property:

- Value (current and projected in 2026)
- Rent (current and projected in 2026)
- Yield
- Maintenance costs (over the next 10 years)
- Lease length
- Age of asset
- EPC rating
- A risk rating which is based on 4 factors; statutory risk (e.g. not meeting EPC rating), condition risk, tenant covenant risk and economic obsolescence risk (e.g. changes in terms of the market). Scoring 1 – 10 (low to high risk).

4.6. It is important to note that the information on matters such as risk is subjective and based on informed estimates (officer's professional knowledge and expertise as well as insights from agents). It is also based on the current market and covid has had an impact on commercial property. The scale of this is to be determined, as such, much of this information must be caveated to reflect that wider context and the ongoing impact of covid particularly in some sectors.

4.7. A summary graph and table have been produced from the spreadsheet (Appendix A and B); they provide an at a glance view of the property portfolio.

4.8. The graph included at appendix A shows the properties comparing projected maintenance costs over the next 10 years with average risk score. To make values comparable the maintenance costs have been changed to a scale as shown below the graph.

4.9. The table shown at appendix B provides a summary of the spreadsheet and it includes more information about the specific reasons why a property may appear on the graph in a certain place. It also includes information on ‘Net Estimated Return’ and ‘Net Rent Trends’, not contained within the graph and highlights properties using a traffic light system. As this demonstrates there are no properties currently rated high (or a red) risk.

4.10. The salient points are as follows:

- No property has an average risk score higher than 4.75 (scale is 1 to 10)
- A high proportion of properties have low maintenance costs over the next 10 years (less than £50k)
- Some maintenance costs are high but generally this is for commercial estates rather than individual assets, with the exception of Unit 1 Bardon; Unit 10 Moorbridge Road and The Point.
- Properties requiring significant maintenance costs have seen reductions of between 8% and 22% to Net Rent values however are still considered to provide good or acceptable annual returns compared with asset value, ranging from 5.3% to 9.4%.
- Unit 1, Bardon is the only one of the recently purchased investment properties that is identified as a risk (for reasons outlined below) and all of the others are performing well, particularly the 2 units at Edwalton Business Park and the Co-op at Trent Boulevard.

4.11. As can be seen the graph and table (Appendices A and B) highlights that there are a number of properties that are considered to be more of a risk than others. As already stated, though these are not considered to be high risk and the following table sets out some further detail on some of those properties:

Property	Reason
Manvers Business Park (MBP)	Due to the high projected property maintenance costs over the next 10 years (£495k), net rent will decline for a period however annual return on asset value still remains at a good return of around 7%. Returns will regain present values in the longer term (post 10 years). No significant capital costs have been spent on MBP since their construction and those highlighted in this report are attributable to new roofing and upgrading required to meet EPC legislation, which are understandable outlays for property of this age and type.

	MBP meets many of the Councils priorities, providing new and small companies flexible lease terms, which reduce business risk thereby supporting new growth and local employment.
The Point	As well as the significant maintenance costs, this property could be considered to be a greater risk as it is an office building and there may be a reduced requirement for this type of space from businesses resulting from the pandemic (noting two tenants have vacated suites in the last 12 months). However, marketing agents have confirmed there is evidence that suggests there are also businesses downsizing from larger office spaces and The Point still provides an attractive opportunity to these businesses. No significant capital costs have been spent on the property since construction and those highlighted are attributable to new roofing works; upgrading of Air Conditioning (and other plant in years 6 to 10), as well as refurbishment of suites to meet EPC legislation, which are understandable outlays for property of this age and type. Return on investment going forward is projected to reach around 7%, which still remains a good return on asset value. It is anticipated these rates of return will rebound to former levels once the upgrade works have been completed.
Unit 10, Moorbridge Road	Due to the projected property maintenance costs over the next 10 years (£75k), net rent will decline although return on asset value remains at a good level of around 7%. The maintenance costs are attributable to upgrading required to meet EPC legislation, which is understandable for this type and age of property. Demand for commercial industrial / warehouse property remains strong and is a sector which has fared well during the pandemic. Despite the limited current outlay, the property remains a good asset.
Phase 1, Colliers Business Park	Due to the projected property maintenance costs over the next 10 years (£65k), net rent will decline although return on asset value remains strong at around 9%. The maintenance costs are attributable to roofing and upgrading required to meet EPC legislation and are understandable outlays for property of this type and age profile. Demand for commercial industrial / warehouse property remains strong and is a sector which has fared well during the pandemic and the property remains a good asset.
Boundary Court, Castle Donnington	Similar to The Point, Boundary Court has been affected by the pandemic and one of the two tenants has vacated as a direct result of the company's new 'working from home' policies. The marketing agent has however confirmed Heads of Terms have been provisionally agreed with a strong covenanted national company who are attracted to the area and the good location. Should the new letting proceed to completion, at the proposed rental, the risk score will

	decrease considerably and our current downward assumption on achievable rental income will be reversed.
Unit 1, Bardon 22, Coalville	Due to the projected property maintenance costs over the next 10 years (£130k), net rent will decline although return on asset value remains at around 5.3%. The maintenance costs are attributable to general upgrading and improvement works required to meet EPC legislation and are understandable outlays for property of this type and age profile.
Others	Unit 1/2 and Unit 3 Walkers Yard are respectively let as a micro-pub and offices. Unit 1 will require upgrade work in years 6 to 10, in order to meet EPC legislation (£41k). Unit 3 will require upgrade works in years 6 to 10, again to meet EPC legislation (£30k). Candleby Lane, Cotgrave and Debdale Lane, Keyworth are industrial estates in which the Council holds the freehold interest of the ground, being paid 11.5% of annual rental income derived by the long leaseholders via their sub-tenancies. Income may be at risk going forward as the long leaseholders will need to meet EPC standards for 2027.

4.12. As the above table outlines those properties identified as higher risk than others in the portfolio are not of particular concern. The risk ratings are associated with required maintenance much of which is due to the age of some of the properties as well as the new requirements on energy performance standards.

4.13. The situation with commercial property can change relatively quickly due to tenants leaving, unexpected maintenance costs etc. Through the ongoing monitoring of the Council's assets though this is not anticipated to cause significant challenges over the coming months. It is important that members are kept informed of the property portfolio so any required decisions can be made in a timely fashion and this review is an integral part of that.

5. Risks and Uncertainties

5.1. As set out there are no specific properties that are identified as high risk and that shows that the Council's chosen strategy to asset investment is performing well. There are however risks with managing any commercial property and this includes; the changing market particularly since the start of the pandemic and the uncertainty that still remains around that; vacant units that are challenging to relet; future requirements around energy performance of buildings and the associated costs and unforeseen maintenance costs.

5.2. By carrying out this asset review and continuing with the regular monitoring of the performance of our properties including vacancy rates, required inspections, condition reports etc the Council can ensure it mitigates these risks as much as is possible.

6. Implications

6.1. Financial Implications

The projected enhancement costs of the assets covered in the report form part of the Council's current and proposed capital programme. Funding of these enhancements comes from the investment property reserve. Appropriate budget provision will be provided to ensure any future liabilities are met. Provisions are made for general repairs in the revenue budget and these are assessed on an ongoing basis.

6.2. Legal Implications

There are no legal implications associated with this report.

6.3. Equalities Implications

There are no equalities implications associated with this report.

6.4. Section 17 of the Crime and Disorder Act 1998 Implications

There are no crime and disorder implications associated with this report.

7. Link to Corporate Priorities

Quality of Life	
Efficient Services	Generating a revenue return to help fund the Council's budget
Sustainable Growth	The Council's property portfolio provides space for small businesses in the Borough to start up and grow.
The Environment	Ensuring properties have adequate energy ratings.

8. Recommendations

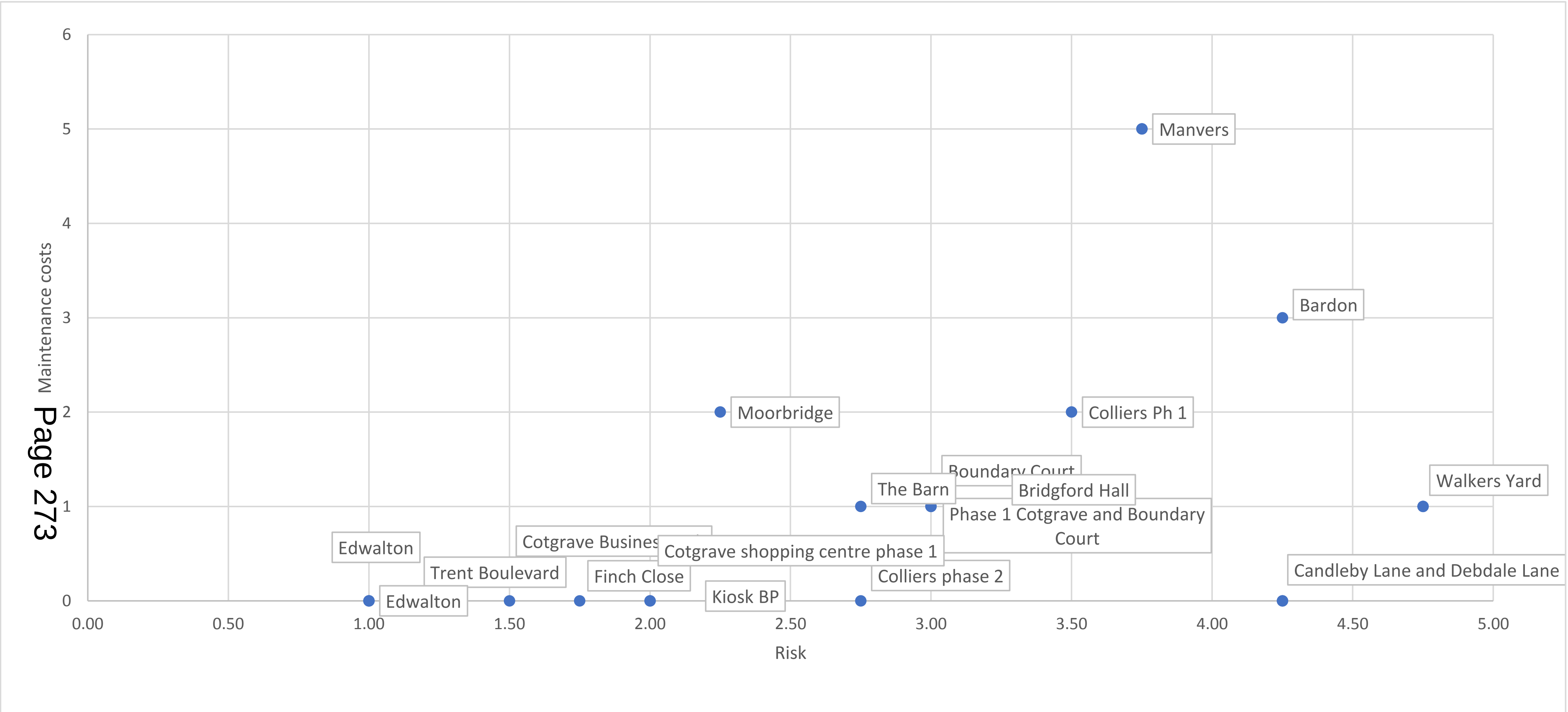
It is RECOMMENDED that the Governance Scrutiny Group:

a) Scrutinise the review of the Council's commercial property portfolio with both the review and any scrutiny comments being reported to Cabinet

b) Receive a bi-annual report on the Council's commercial property portfolio.

For more information contact:	Peter Linfield Director of Finance and Corporate Services plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	Appendix A – Cost vs Risk Graph Appendix B – Property Asset Table

Appendix A – Cost vs risk



- 0 = £0
- 1 = £1 to £50k
- 2 = £51k to £100k
- 3 = £101k to £150k
- 4 = £151 to £200k
- 5 = £200k +

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ADDRESS	Property Maintenance Costs 1 to 5 Years (TOTAL)	Property Maintenance Costs 6 to 10 Years (TOTAL)	Estimated Annual Return 2021 - 2026	Estimated Annual Net Rent Trend 2021 - 2026	Property Maintenance Costs 1 to 5 Years (PA)	Next 5 Years Average Risk 1 to 10 1 = Lowest Risk 10 = Highest Risk
UNITS 1 TO 30, MANVERS BUSINESS PARK	£345,000	£150,000	7.17%	-22.14%	69,000	3.75
UNIT 1, BARDON 22, COALVILLE	£130,000	£0	5.29%	-21.67%	26,000	4.25
UNIT 10, MOORBRIDGE ROAD, BINGHAM	£60,000	£15,000	7.81%	-18.75%	12,000	2.25
SUITES A TO I, THE POINT	£140,000	£299,000	7.37%	-13.88%	28,000	3.75
6F, BOUNDARY COURT	£15,000	£5,000	7.32%	-9.69%	3,000	3.00
PHASE 1, COLLIERS BUSINESS PARK	£50,000	£15,000	9.41%	-8.90%	10,000	3.50
Unit 3, WALKERS YARD	£0	£30,000	9.48%	0.00%	0	4.75
UNIT 1, WALKERS YARD	£0	£41,000	12.86%	0.00%	0	4.75
CANDLEBY LANE INDUSTRIAL ESTATE	£0	£0	5.76%	0.00%	0	4.25
DEBDALE LANE INDUSTRIAL ESTATE	£0	£0	4.37%	0.00%	0	4.25
PHASE 1, COTGRAVE SHOPPING CENTRE	£0	£18,000	11.87%	0.00%	0	3.00
PHASE 2, COTGRAVE SHOPPING CENTRE	£0	£0	9.41%	0.00%	0	2.00
UNIT 3, FINCH CLOSE, LENTON LANE	£0	£0	7.26%	0.00%	0	1.75
UNIT 1, EDWALTON BUSINESS PARK	£0	£0	5.64%	0.00%	0	1.00
UNIT 3, EDWALTON BUSINESS PARK	£0	£0	5.59%	0.00%	0	1.00
GROUND & FIRST FLOOR, BRIDGFORD HALL	£20,000	£20,000	9.04%	0.57%	4,000	3.25
PHASE 2, COLLIERS BUSINESS PARK	£0	£0	9.47%	5.00%	0	2.75
KIOSK, BRIDGFORD PARK	£0	£0	7.17%	5.00%	0	2.00

SUITES A TO I, COTGRAVE BUSINESS HUB	£0	£0	**9.10%**	**5.00%**	**0**	**1.50**
111, TRENT BOULEVARD, LADY BAY	£0	£0	**4.88%**	**5.00%**	**0**	**1.25**
OFFICE, COTGRAVE MULTISERVICE CENTRE	**£0**	£0	**9.54%**	**10.00%**	**0**	**1.00**

Actual Net Rent	Actual Gross Rent with Property Maintenance Costs deducted.
Estimated Net Rent	Estimated Gross Rent with Property Maintenance Costs deducted.
	Estimated reduction in net income.
	Net income estimated as stable.

Governance Scrutiny Group

Thursday, 25 November 2021

Work Programme

Rushcliffe
Borough Council

Report of the Director – Finance and Corporate Services

1. Summary

1.1. The work programmes for all Scrutiny Groups are created and managed by the Corporate Overview Group. This Group accepts and considers Scrutiny Matrices from both officers and councillors which propose items for scrutiny. If those items are accepted following discussion at Corporate Overview Group, they are placed on the work programme for one of the Council's Scrutiny Groups. In creating the work programme for the Governance Scrutiny Group due regard has been given to matters usually reported to the Group, the resources available for scrutiny, and the timing of issues to ensure best fit within the Council's decision-making process.

1.2. The work programme is provided in this report for information only so that the Group is aware of the proposed agenda for the next meeting. The work programme does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

3 February 2022

- Internal Audit Progress Report
- Internal Audit Strategy
- External Audit Annual Plan
- Annual Audit Letter
- Value for Money Statement
- Risk Management
- Treasury and Investments Strategy – Update
- Work Programme

19 May 2022

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Constitution Update
- Work Programme

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	None.