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**Our reference:**
**Your reference:**
**Date:** 15 February 2023

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 23 February 2023 at 6.00 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 see the video appear.

Yours sincerely

Gemma Dennis
Monitoring Officer

## *AGENDA*

1. Apologies for Absence
2. Declarations of Interest
3. Minutes of the meeting held on 24 November 2022 (Pages 1 - 6)
4. Third Internal Audit Progress Report (Pages 7 - 24)

   Report of the Director for Finance and Corporate Services
5. Internal Audit Strategy (Pages 25 - 54)

   Report of the Director for Finance and Corporate Services
6. Annual Audit Completion Report (Pages 55 - 102)

   Report of the Director for Finance and Corporate Services

Rushcliffe Borough Council

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**Monday, Tuesday and Thursday**
8.30am - 5pm
**Wednesday**
9.30am - 5pm
**Friday**
8.30am - 4.30pm

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disability confident EMPLOYER

7. Approval of the Statement of Accounts (Pages 103 - 264)

   Report of the Director for Finance and Corporate Services

8. Risk Management Progress Report (Pages 265 - 278)

   Report of the Director for Finance and Corporate Services

9. Draft Risk Management Strategy 2023 - 2026 (Pages 279 - 300)

   Report of the Director for Finance and Corporate Services

10. Capital and Investment Strategy Monitoring Q3 (Pages 301 - 310)

    Report of the Director for Finance and Corporate Services

11. Capital and Investment Strategy 2023/2024 (Pages 311 - 342)

    Report of the Director for Finance and Corporate Services

12. Work Programme (Pages 343 - 344)

    Report of the Director for Finance and Corporate Services

Membership

Chairman: Councillor D Virdi
Vice-Chairman: Councillor P Gowland
Councillors: R Adair, K Beardsall, D Simms, Mrs M Stockwood, L Howitt, K Shaw 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, 24 NOVEMBER 2022

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

**PRESENT:**

Councillors D Virdi (Chairman), R Adair, K Beardsall, D Simms, P Gowland (Vice-Chairman), K Shaw and J Stockwood

**ALSO IN ATTENDANCE:**

Councillors D Wheeler

**OFFICERS IN ATTENDANCE:**

| | |
|---|---|
| Sarah Whittaker | Service Manager – Finance |
| Emma Richardson | Democratic Services Officer |

**APOLOGIES**

Councillors L Howitt, M Stockwood

19 **Declarations of Interest**

There were no declarations of interest.

20 **Minutes of the Meeting held on 1 November 2022**

The minutes of the meeting held on 1 November 2022 were approved as a true record and were signed by the Chairman.

21 **Internal Audit Progress Report**

Ms Thomas from BDO, the Council's internal auditors, presented the Internal Audit Progress Report which highlighted the completion and issuance of two reports from the 2022/23 Internal Audit Annual Plan.

She confirmed that the Council was making good progress in completing the 2021/22 recommendations, with nearly all being completed apart from two related to planning and S106, and which were due to be completed in January 2023.

In relation to the Internal Audit findings, Ms Thomas said that IT Asset Management audit had received a moderate rating for Design and a substantial rating for Effectiveness. She explained that the review had looked at the Council's physical IT assets and software licensing arrangements, including assessing the controls in place for disposal and management of the lifecycle of hardware.

She explained that a medium rating had been found in relation to the Council not having documented procedures in place for the management of IT assets and that policies scheduled for review in March 2022 had not been reviewed at the time of the audit. She noted however that the Council did have many associated policies in place regarding hardware and encryption but that it was recommended that all information be incorporated into one document.

Members of the Group referred to the Council's process for reviewing software licences and the lack of IT process documentation. Ms Thomas confirmed that the Council did have a system in place to alert if more or fewer licences were required, but that internal audit had recommended that a more proactive approach be taken. The Service Manager for Finance confirmed that the Council did have IT policies in place which worked well and that the finding was that they be brought together into one place.

In relation to the Asset Refresh Policy, Ms Thomas said that the Council had processes in place monitoring the lifecycle of equipment but that inclusion of more detail, including in relation to oversight of the process, had been recommended.

In relation to the Health and Wellbeing audit, a moderate rating for both Design and Effectiveness had been made and three medium and three low level findings were raised.

Ms Thomas explained that one of the medium ratings related to the Council not having a detailed, overarching, strategy to outline responsibilities and its approach towards managing employee health & well-being, including information about the activities and work that the Council provided in relation to health and well-being. She noted that Management did not concur with this moderate rating.

Ms Thomas explained that the second medium rating related to health and well-being KPIs for sickness absence monitoring being limited to the number of days lost to sickness, that although the Council recorded causes of sickness absence this information was not currently included in the KPIs. The Council having a broader suite of KPIs was recommended. She noted that Management did not concur with this moderate rating.

Ms Thomas said that the third medium rating related to the Workplace Health intranet not being updated with contact details for the current Workplace Health Champions.

Members of the Group thought that having information about the causes of sickness absence was important, particularly for mental health issues, to help understand and support staff. The Service Manager for Finance explained that the Council did maintain and monitor the type of information highlighted by internal audit but hadn't included it in the KPI. She said that any concerns would initially be picked up by line managers and then followed up by HR. She said that staff had access to employee assistance and counselling services and confirmed that the Council was proactive about mental health and held a variety of activities such as 'coffee and a chat' type events to support staff.

Members of the Group questioned whether all Council employees had the same level of access to HR support and services and how many layers of management lay between staff and the Chief Executive. The Service Manager for Finance said that there were three or four layers and that most issues were raised through direct line managers who had access to Service Managers and Directors, and that this applied for all Council staff.

The Chairman summarised the Group's recognition of the importance of IT and health and wellbeing, particularly in light of the pandemic and home working. He thought that the Council's position was positive overall. He noted that the Council had signed up to the Time to Change pledge as an employer and had Health Champions in place and agreed that it was important that the Council kept this information on the intranet up to date. He noted that Management had taken the audit findings onboard and agreed that there was always scope for improvement.

It was **RESOLVED** that the Group noted the progress report for 2022/23 prepared by the Council's Internal Auditor.

22 **Capital and Investment Strategy - Mid Year Review 2022-23**

The Chairman introduced the Capital and Investment Strategy item and noted that Cipfa recommendations had changed to recommend that this information be reported quarterly, with this being the mid-term report.

The Service Manager for Finance presented the Capital and Investment strategy Mid-year Report 2022/23, which summarised the Council's capital and investment activities for the period 1 April to 30 September 2022. She confirmed that the previous update had been presented to Members of the Group at the meeting on 1 November 2022.

In relation to the economic forecast, the Service Manager for Finance said that inflation was currently at 10.1% and forecast to reach 12% in the next few months. Interest rates were currently at 3% and forecast to peak at 5.2% by March 2023.

In relation to investment income, the Service Manager for Finance said that whilst the Council had budgeted to receive £673k in investment income in Q1, this had been revised to become £1.3m due to increases in interest receipts. She said that the Council had received an average interest rate of 2.16% across its diversified investment portfolio and that the rate received depended on when the investment was made, with investments made earlier in the year earning lower interest. Short-term investments were currently preferred, to benefit from the increasing interest rates. She explained that the Council had a greater spread of investment durations now than this time last year when there had been a greater need to hold more cash for liquidity purposes. She noted that £40.8m of investments related to funds held in relation to Section 106 and CIL Agreements. The Service Manager for Finance added that the Council was showing good average interest rates compared to Sterling Overnight Index Average (SONIA) rates for investments of longer duration.

The Service Manager for Finance said that as there was currently a deficit on the capital value of the Council's diversified funds and so the Council had earmarked funds from this year and last year's efficiencies savings as mitigation.

The Service Manager for Finance explained that as the Council did not eternally borrow, borrowing liability limits were of less relevance, noting that the Council's liability benchmark currently stood at $41m. She, said, however, that the Council's internal need to borrow had increased slightly due to a delay in capital receipts from Hollygate Lane.

In relation to prudential indicators, the Service Manager for Finance said that there was no change from Q1 and that capital underspend was projected to be circa £6m, primarily due to Support from Registered Housing Providers, Bingham Hub and re-profiling of expenditure on other operational land and buildings. The financing costs to net revenue stream showed an improved position due to higher investment returns and higher interest rates. She added that the expected investment position was higher due to rephasing of the capital programme and additional S106 monies.

In relation to Capital Financing Requirement (CFR), the Service Manager Finance said that the position would be greater than predicted due to the delayed receipt from disposal of land at Hollygate Lane but that this would correct itself when the receipt was received.

In relation to commercial investment, the Service Manager Finance explained that the Council had set a ratio target to not exceed 30% of income and that this currently stood at 16.3%.

The Service Manager Finance highlighted the Treasury Management training scheduled for Wednesday, 17 January 2023.

In conclusion, the Service Manager for Finance said that the economy was fraught with difficulty, with a real risk of a recession and with inflationary pressures and rising interest rates. Whilst rising interest rates would have a positive effect on income returns on investments, uncertainty in the economy would have a negative impact on the capital value of some of the Council's investments, however, as the Council held them as long-term investments it currently had no plans on withdrawing from them. She said that changes to the accounting codes would restrict what local authorities could do, along with the threat of borrowing caps, and confirmed that Officers would continue to report back on any changes to the Group.

Members of the Group referred to CIL and S106 monies held by the Council. The Service Manager Finance explained that the funds held by the Council at any given time depended on the receipts and applications received by the Council. She said that the Council had policies and procedures in place for S106 and CIL monies and that S106 funds were linked to the planning process and had special agreements and criteria in place as to what they could be spent on and when. She noted that both CIL and S106 funds were ringfenced. She explained that in general monies were for external organisations to spend, such as the County Council, and said the Council held the monies, which

earned interest, until it received applications. The Group thought it important that the monies be released in a timely fashion to deliver projects in the community, whilst accepting that this was not always in the Council's control.

The Service Manager Finance agreed to provide further information and clarification about S106 and CIL monies and processes to the Group.

Councillor D Wheeler asked about the Council's rental property income and whether there was any to risk given the current economic climate. The Service Manager Finance said that the Council was not currently experiencing any impact on its rental property income but would raise it as a concern should the position negatively change.

Councillor Gowland asked about the underspend on registered housing providers and the Service Manager Finance confirmed that Officers were actively looking for schemes to utilise the funding.

The Chairman referred to the Council holding £26m in MMF/Call accounts and asked about the net impact of the lag in rates. The Service Manager Finance said that the Council did not make an assessment of lag on interest rates as due to cash flow requirements does not always have any alternative but to hold the funds in cash and so was unable to move them to achieve a higher interest regardless.

The Chairman referred to the Council's internal borrowing increasing. The Service Manager for Finance explained that the Council had planned on using some capital receipts to fund its programme for the year, one of which was Hollygate Lane, however as this receipt had been delayed until 2023/24 the Council would need to borrow internally to cover costs.

The Chairman concluded that the Group had been provided with assurance that the Council's trajectory was positive and that it's investment and interest income balances were higher and that management of funds and thresholds for balances were being adhered to. The Chairman thanked Officers for their work in managing the Council's successful performance.

It was **RESOLVED** that the Governance Scrutiny Group noted the Capital and Investment Strategy up-date position as of 30 September 2022.

23 **Work Programme**

The Service Manager for Finance presented the work programme report which detailed the proposed Governance Scrutiny items for 2022/23.

The Service Manager Finance confirmed that the Statement of Accounts and the Annual Audit Report had been carried forward from today's meeting to become agenda items at the 23 February 2023 meeting. She explained that this was due to a national issue with infrastructure assets as part of the audit, and that as such the auditors were unable to sign off the accounts until the consultation had been completed.

The Service Manager for Finance reminded Members of the Group that training

on the Statement of Accounts was scheduled to be held before the February 2023 meeting.

The Chairman referred to the Skills Audit which all Councillors had been asked and to complete and encouraged Members of the Group to complete it.

The Chairman referred to the Redmond Review which had looked at the appointment of an Independent Member to this Committee and confirmed that it would report back to a meeting next year.

It was **RESOLVED** that the Group noted the work programme:

**23 February 2023**

- Internal Audit Progress Report
- Statement of Accounts
- Annual Audit Report
- Annual Audit Strategy Plan
- Risk Management – Update
- Capital and Investment Strategy Monitoring Q3
- Capital and Investments Strategy 2023/24
- Work Programme

The meeting closed at 7.53 pm.

CHAIRMAN

**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Third Internal Audit Progress Report**

**Report of the Director – Finance and Corporate Services**

## 1. Purpose of report

The attached report has been prepared by the Council's internal auditors BDO and is the third report for this financial year. 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 2022/23 (**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 2022/23 was approved by the Governance Scrutiny Group at its meeting on 3 February 2022 and includes 10 planned reviews.

4.2. The attached report highlights the completion and issuing one report from the 2022/23 Internal Audit Annual Plan. In terms of findings:

- The Main Financial Systems audit received a substantial rating for Design and substantial rating for Effectiveness, with three low level findings
- No limited assurance reports have been issued
- Management actions have been agreed for all recommendations and it should be noted that no moderate or high level recommendations have been raised.

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

## 5. Risks and Uncertainties

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 | Good health and safety processes and statistics is indicative of a good quality of life. |
| Efficient Services | Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council. |
| Sustainable Growth | There are no links between the recommendations of this report and the Council's Sustainable Growth priority |
| The Environment | There are no links between the recommendations of this report and the Council's Environment priority |

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2022/23 (**Appendix A**) prepared by the Council's Internal Auditor.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director of Finance and Corporate Services<br>Tel: 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for** | Internal Audit Plan 2022/23 Governance Scrutiny |

| | |
|---|---|
| **Inspection:** | Group 3 February 2022<br>Internal Audit Q1 Progress Report 2022/23 – Governance Scrutiny Group, 1 November 2022 |
| **List of appendices:** | Appendix A - Internal Audit Progress Report – BDO |

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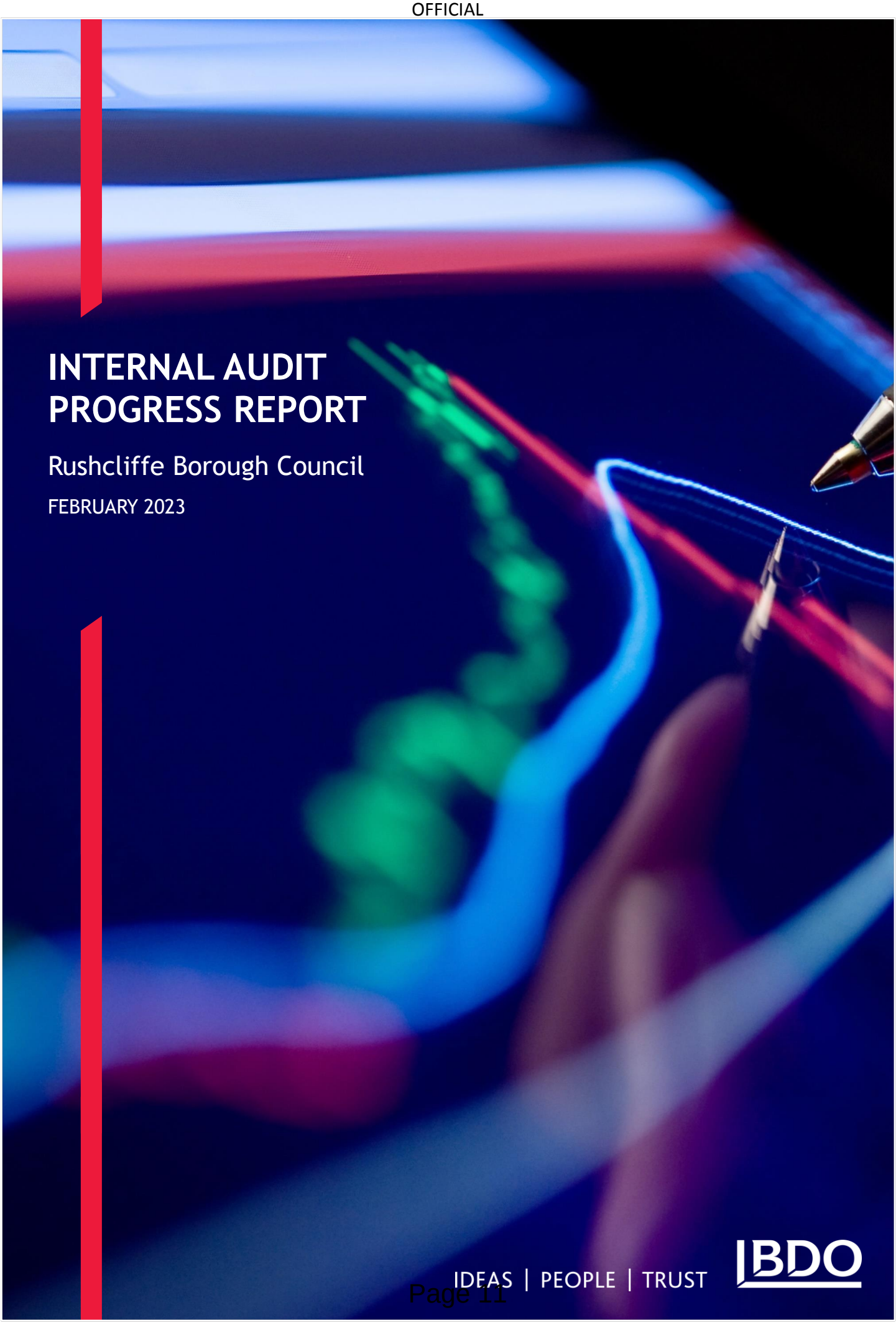

# INTERNAL AUDIT PROGRESS REPORT

## Rushcliffe Borough Council

FEBRUARY 2023

IDEAS | PEOPLE | TRUST

BDO

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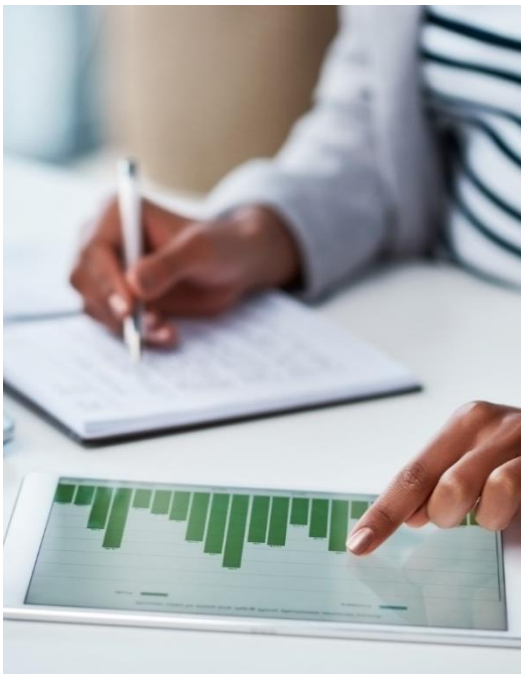
# SUMMARY OF 2022/2023 WORK

## INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2022/2023 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.

## 2022/2023 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of 2022/2023 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- Main Financial Systems

Fieldwork is underway in respect of the following audits and we expect to finalise these reports by the end of February

- Safeguarding
- Sustainable Warmth
- Project Management: Hybrid Mail
- Channel Shift

We will present these reports at future Audit Committee meetings.

## CHANGES TO THE 2022/2023 INTERNAL AUDIT PLAN

No changes to note.

# REVIEW OF 2022/2023 WORK

| AUDIT | AUDIT COMMITTEE | PLANNING | FIELDWORK | REPORTING | DESIGN | EFFECTIVENESS |
|---|---|---|---|---|---|---|
| Fraud Report | June 2022 | ✓ | ✓ | ✓ | N/A | N/A |
| Project Management (1) | September 2022 | ✓ | ✓ | ✓ | M | S |
| Environment | September 2022 | ✓ | ✓ | ✓ | S | M |
| Risk Management | September 2022 | ✓ | ✓ | ✓ | S | S |
| Health and Wellbeing | November 2022 | ✓ | ✓ | ✓ | M | M |
| Main Financial Systems (MFS) | February 2023 | ✓ | ✓ | ✓ | S | S |
| IT Asset Management | November 2022 | ✓ | ✓ | ✓ | M | S |
| Sustainable Warmth Funding | June 2023 | ✓ | ✓ | ✓ | | |
| Safeguarding | June 2023 | ✓ | ✓ | ✓ | | |
| Channel Shift | June 2023 | ✓ | ✓ | | | |
| Project Management (2) | June 2023 | ✓ | ✓ | | | |

# MAIN FINANCIAL SYSTEMS

## CRR REFERENCE:

11: Failure to prevent or detect fraud and corruption

| | | | |
|---|---|---|---|
| Design Opinion | S Substantial | Design Effectiveness | S Substantial |
| Recommendations | 0 | 0 | 3 |

SCOPE

### BACKGROUND

Local authorities are required to maintain sufficient effective controls over their main financial systems to support effective management of resources. Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud, and protecting the organisation's resources, both physical and intangible. These internal control procedures reduce process variation, leading to more predictable outcomes.

Main financial systems audits are conducted each year at Rushcliffe Borough Council (the Council):

- In November 2020 we focused on the processes and controls relating to payroll, accounts receivable and reconciliations. We provided substantial assurance for both the design and the operational effectiveness of the controls in place
- In October 2021 we looked at processes and controls in place in relation to Council Tax and NNDR, payroll and treasury management. An opinion of substantial assurance was given.

The Council's main financial system is the E-Financial system within which general ledger transactions are recorded. Accounts payable transactions are recorded in the E-Procurement system which automatically feeds into the E-Financial system. Only members in the Finance Team have the authority to make entries onto the general ledger system. The level of access an Officer external to the Finance Team is granted is determined by their manager which could be:

- Requisitioner – Officer can raise purchase orders (POs)
- Authoriser – Officer can approve POs of a certain value.

This year's audit focussed on the processes and controls relating to the general ledger, access controls, and accounts payable.

### AREAS REVIEWED

This review focused on the following:

#### GENERAL LEDGER RISKS

- We reviewed the policies and procedures relating to the management of the general ledger
- Walkthrough testing of the E-Financial System and the E-Procurement system
- Review of the bank reconciliations to confirm they have been done in a timely manner and discrepancies have been investigated
- Sample testing of the Suspense Account entries to ensure these are reallocated in a timely manner.

#### ACCESS CONTROLS RISKS

- Reviewed a report of user access rights and completed sample testing to ensure officers at the Council were granted the correct level of access

#### ACCOUNTS PAYABLE RISKS

- Reviewed the policies and procedures relating to the accounts payable process

- Completed sample testing of payments to determine purchase orders was raised, approved appropriately, raised before the receipt of an invoice and the payment was made accurate and timely.

## AREAS OF STRENGTH

We identified the following areas of good practice:

GENERAL LEDGER

- The Council has Financial Regulations that provide information to officers on key areas including contracts, financial management, orders for goods and services and payroll. The Regulations were last reviewed by the Services Manager in February 2022 and remain fit for purpose. Additionally, the Council has guidance documents for the performance of the suspense account reconciliation and bank reconciliation. Each document is clear and concise with supporting images and remain relevant to the Council's current processes
- The Council has four systems that feed into the E-Financial System: Civica (payment system); Academy (Revenue and Benefits System); Resources Link (payroll system) and the HSBC Bank File. Finance Technicians download these reports from the system and upload these on to the E-Financial system on a daily or monthly basis. Our walkthrough testing of the system identified that the E-Financial system automatically fails to upload the report if there are errors in the data. Officers then have to investigate the errors in the report before re-running the data on the system
- The Council performs daily and monthly bank reconciliations to the E-Financial system. We reviewed three monthly bank reconciliations performed since April 2022 and noted these were completed in a timely manner, with reviews undertake by an appropriate officer. Each reconciliation had supporting documentation and where variances occurred these were investigated and solved
- Daily reconciliations are performed to ensure that the suspense account entries are allocated to the correct cost centre code and are signed off by a member of the Finance Team. We tested a sample of five transactions entered in the suspense account and confirmed that these were allocated to the correct cost centre code and had supporting documentation in place.

JOURNALS

- The Finance Team generates a report of journals that exceed £10,000, which is reviewed and approved by the Senior Finance Business Partner on a monthly basis. We reviewed the report and confirmed this was completed in a timely manner and signed by the Senior Finance Business Partner.

ACCOUNTS PAYABLE

- The Council receives invoices which are not raised by POs such as utility bills. We tested a sample of four of these invoices received by the Council since April 2022 and identified that the payment was approved by the appropriate persons and processed in a timely manner
- The Council has a target to pay suppliers within 30 days from the date of receipt. We tested a sample of eight invoices received since April 2022 and confirmed all the suppliers were paid within this deadline
- The Council has guidance documents to outline the processes for accounts payable detailing the use of the different financial systems which are available on the intranet. Procedure notes are provided for Purchase Order Amendments, BACS Payment Runs, Goods Receipting and Authorising a Requisition on the E-Procurement system. Each procedure document was informative with supporting images to support the user and assist them through the process. Discussions with the Systems and Performance Officer confirmed that all the documents are representative of the Council's current processes
- Officers must complete a new supplier form, which is available on the staff intranet and submit this to the Finance Team. The Finance Team will verify the supplier details by contacting the supplier directly using contact details available on the internet rather than details provided on the new supplier form by the Officer. We tested a sample of five new

suppliers and confirmed the Council retains contact details which match to those available online.

AREAS OF CONCERN

| Finding | Recommendation and Management Response |
|---|---|
| ▸ Individuals external to the Finance Team can have two levels of access to the E-Financial System: either requisitioner or authoriser level. No individual should have access to both. We tested a sample of 10 individuals and found that in one instance an Officer was granted both requisitioner and authoriser level access up to a value of £15,000. Due to the system's automated controls this was deemed a low risk finding as the E-Procurement system does not allow requisitioners to authorise POs they have raised.(see Finding One – Low) | The Finance Team should introduce a checking process when setting up or changing the level of access of individuals on the E-Financial system to ensure the correct level of access is granted.<br><br>Management Response:<br>We will implement a checking process when changing roles within the system.<br><br>Target date: 31/01/2023 |
| ▸ The Council has procurement card procedure notes; however these do not state what type of spend is permitted and associated limits, nor the requirement for cardholders to retain receipts. Limits are established by the Director of the area and the Finance Team which are communicated to the officer. There is a requirement for cardholders to complete a procurement log that Managers must approve, which details an explanation of the transactions but no guidance on the transactions which are allowed (see Finding Two – Low) | a) To update the Procurement Card procedure documents to include guidance for cardholders on the transactions which are permitted<br><br>b) The guidance should be updated to include the requirement for cardholders to retain receipts and include these with the monthly procurement card log.<br><br>Management Response:<br>We will issue guidance notes to new cardholders and put these on the intranet for reference. We will include details of permitted spend and retention of receipts as recommended above. We have also spoken to current cardholders about the requirements and for departments where they hold a high number of cards, we are booked to attend their team meetings to address any questions that they may have.<br><br>Target date: 31/01/2023 |
| ▸ We tested a sample of four invoices that had been raised from POs on the E-Procurement system and identified that there were two invoices where the goods received value stated was different to the value on the invoice. These were annual contracts and the invoice received was for one month service suggesting the goods receipt was done ahead of the service being received. (see Finding Three – Low). | For officers at the Council to indicate 'good received' on a monthly basis for annual contracts and only when a good or service has been received.<br><br>Management Response:<br>We accept the two errors identified in the first finding above, both of which had arisen due to the postholders being new to the process. Both individuals have received refresher training and we will ensure training is given in the future. Current procedure is to only good receipt on a monthly basis and this is included in the procedure note.<br><br>Target date: 31/01/2023 |

## CONCLUSION

- Overall, the Council has good controls in place to manage the main financial system. The Council uses the E-Financial system which automatically identifies discrepancies within uploaded data. Additionally, the Finance Team performs bank reconciliations which ensures that the data within the E-Financial system and are approved by the Senior Financial Business Partner. However, our sample testing identified that one individual was granted access to both raise and approve a purchase order. Management was unaware of this, indicating that there are no controls to check that user access is appropriate. This creates a risk of fraudulent activity occurring at the Council
- Whilst the Council monitors the usage of procurement cards via cardholders completing a monthly procurement log, we identified that the procurement card procedure notes do not provide guidance on the type and value of transactions that are acceptable
- The findings raised are low level findings and will be addressed by management, which has led us to conclude a substantial assurance over the control effectiveness and on the control design.

# SECTOR UPDATE

This briefing summarises recent publication and emerging issues relevant to local government that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers and Members.

## ROCHDALE MBC PLANS TO PARTLY OFFSET COUNCIL TAX RISE WITH DISCOUNT FOR RESIDENTS

Rochdale MBC plans to raise council tax by the maximum allowed without a referendum (4.99%) but then use its reserves to give residents a 2% discount on their bills. The council has made the decision to raise general council tax by 2.99%, with an additional 2% for the adult social care precept because future government funding is expected to be based on councils increasing council tax by the full amount.
However, Rochdale is proposing to give all residents a 2% discount which will be taken off council tax bills prior to their being issued at the beginning of March.
This discount will be funded by the council through its reserves at an estimated cost of £2.75m.
According to the council's latest statement of accounts (for the 2021-22 financial year), Rochdale had £275.8m in useable reserves.
These proposals are due to be discussed at the next meeting of Rochdale's corporate overview and scrutiny committee next week on 2 February.
Neil Emmott (Lab) said: "We have been told that when it comes to future funding the government will assume all councils have maximised their council tax increase, but we must all have sympathy for our residents who are living through a cost-of-living crisis."
Cllr Emmott said the government had given the council "no choice" and is "twisting our arm up our back".
He added: "But by using our reserves to take some pressure off our residents, I hope we can also safeguard the services that are increasingly needed, and which people expect to see provided for their council tax."

Met plans to partly offset council tax rise with discount for residents | Local Government Chronicle (LGC) (lgcplus.com)

FOR INFORMATION

For the Audit Committee Members and Executive Directors

## 'LOCAL AUDIT IS IN CRISIS'

Responding to a report by the National Audit Office on the timeliness of local auditor reporting, Cllr Pete Marland, Chair of the Local Government Association's Resources Board, said:
"Effective external audit and clear and transparent financial reporting are vital, and councils take them extremely seriously. However, as this report makes clear, local audit is in crisis, which is a serious concern for councils.
"While it acknowledges some actions have been taken to address this, we support the call for the Government to set out a detailed timetable by which it expects to restore timely audited accounts.
"Most councils have been able to finalise their draft accounts by the published deadlines but will be under greater pressure to do this for their 2022/23 accounts if the deadline reverts to 31 May 2023, as currently proposed by DLUHC.
"The report also highlights the wider impact the crisis in local audit is having elsewhere in the public audit system, which reinforces the need for long-term and permanent solutions to address these challenges."

Responding to a Joseph Rowntree Foundation annual report on poverty, which shows that 13.4 million people were in poverty during 2020/21 including 3.9 million children, Cllr Peter Marland, Chair of the Local Government Association's Resources Board, said:

"Protecting those in poverty is a critical priority for councils. As this report highlights, targeted government support does help, but millions of people still face uncertainty due to inflation and being unable to pay rising bills.

"The Government should make the Household Support Fund it has provided to councils permanent, alongside greater flexibility to ensure this helps those in the greatest need and crucially shift focus from short-term crisis support to investing in prevention.

"Councils should also have the resources and flexibilities to tackle inequalities in housing, employment, education and to improve access to services such as debt advice and welfare benefits, to improve our communities' overall health. Green, inclusive local economies and access to amenities which promote health and wellbeing also have a role, at a time of intense pressure on households and services.

"Alongside this, we need a sufficient mainstream welfare system, which ensures families have enough income to meet their essential living costs including addressing the freeze in local housing allowance rates."

'Local audit is in crisis' – LGA responds to NAO report on Timeliness of Local Auditor Reporting | Local Government Association

FOR INFORMATION

For the Audit Committee Members and Executive Directors

## PROTECTING THOSE IN POVERTY A CRITICAL PRIORITY – LGA RESPONDS TO JRF REPORT

Responding to a Joseph Rowntree Foundation annual report on poverty, which shows that 13.4 million people were in poverty during 2020/21 including 3.9 million children, Cllr Peter Marland, Chair of the Local Government Association's Resources Board, said:
"Protecting those in poverty is a critical priority for councils. As this report highlights, targeted government support does help, but millions of people still face uncertainty due to inflation and being unable to pay rising bills.
"The Government should make the Household Support Fund it has provided to councils permanent, alongside greater flexibility to ensure this helps those in the greatest need and crucially shift focus from short-term crisis support to investing in prevention.
"Councils should also have the resources and flexibilities to tackle inequalities in housing, employment, education and to improve access to services such as debt advice and welfare benefits, to improve our communities' overall health. Green, inclusive local economies and access to amenities which promote health and wellbeing also have a role, at a time of intense pressure on households and services.
"Alongside this, we need a sufficient mainstream welfare system, which ensures families have enough income to meet their essential living costs including addressing the freeze in local housing allowance rates."

**PROTECTING THOSE IN POVERTY A CRITICAL PRIORITY - LGA RESPONSE TO JRF REPORT ON POVERTY | LOCAL GOVERNMENT ASSOCIATION**

FOR INFORMATION

For the Audit Committee Members and Executive Directors

# KEY PERFORMANCE INDICATORS

| QUALITY ASSURANCE | KPI | RAG RATING |
|---|---|---|
| The auditor attends the necessary, meetings as agreed between the parties at the start of the contract | All meetings attended including Governance Scrutiny Group meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Director or Audit Manager | G |
| Positive result from any external review | Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards | G |
| Quality of Work | No surveys have been received as yet for 22/23 | - |
| Completion of audit plan | On track | G |

# APPENDIX 1

## 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. |

## RECOMMENDATION SIGNIFICANCE DEFINITION

| RECOMMENDATION SIGNIFICANCE | |
|---|---|
| High | A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently. |
| Medium | A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action. |
| Low | Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency. |

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**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Internal Audit Strategy 2023-2026**

**Report of the Director - Finance and Corporate Services**

## 1. Purpose of report

1.1. On 6 February 2020, the Council's internal audit team from BDO presented a three-year Internal Audit Strategy. This was subsequently approved by the Governance Scrutiny Group.

1.2. On 3 February 2022, the plan for 2022/23, as well as provisional internal audit plans for a new cycle of audits in 2023/24 and 2024/25 were approved by the Governance Scrutiny Group.

1.3. This report focuses on the planned audits due to take place in Year One of the new cycle of audits, starting 2023/24. This is included at Appendix A for consideration. A small number of changes have been made to the 2023/24 plan to respond to evolving situations and amended risks.

1.4. A member of the BDO internal audit team will attend the meeting to present the report and answer any questions the Group may have.

## 2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group review and approve:

(a) the Internal Audit Strategy and Plan 2023-2026

(b) the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan.

## 3. Reasons for Recommendation

3.1. To conform with 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 Council's internal auditors, BDO, compiled an Audit Strategy for the 2020 to 2023 period. The strategy was agreed by the Governance Scrutiny Group in February 2020. A strategy for 2023 to 2026 is now being proposed.

4.2. The plan is set within the context of a multi-year approach to internal audit planning, such that areas of key risks would aim to be looked at over a three-year audit cycle.

4.3. Appendix A gives an indicative strategic plan for 2023-26 and the programme is kept under continuous review during the year with any areas of significant risk added during that period.

4.4. Slight amendments have been made to the 2023/24 plan outlined in the Audit Strategy approved in 2022/23, to take account of amended local risks, continued resource pressures and sector-led advice. The Internal Audit Plan 2023-2026 is included at Appendix A for information.

4.5. Ten audits are planned for 2023/24 totalling 150 days and covering a number of the Council's key policies and systems. These include:

- Main Financial Systems
- Reconciliations
- Rushcliffe Oaks Crematorium (Income)
- Fleet Management and Air Pollution
- Fraud Report
- Governance of Partnership Arrangements

4.6. There will also be a follow-up audit of recommendations made in previous years but not yet implemented to ensure that audit recommendations are being complied with by officers.

4.7. There are three questions to assist the Group in their consideration of the audit plan. These are:

- Is the Group satisfied that sufficient assurance is being received within their annual plan to monitor the Council's risk profile effectively?

- Does the strategy for internal audit cover the Council's key risks as they are recognised by the Group?

- Are the areas selected for coverage this coming year appropriate?

4.8 There is also a requirement that Councillors understand and approve the role and scope of Internal Audit covered in the Internal Audit Charter as stated at Appendix 1 of the audit plan.

## 5. Risks and Uncertainties

5.1. There are no risks directly attributable to the report although the nature of the internal audit service and the audit plan helps manage risk. The audit fees are always subject to risk in terms of if an internal control weakness is identified fees can potentially exceed the budget or work may take less time than planned (ie there is both upside and downside risk).

## 6. Implications

### 6.1. Financial Implications

The audit fee relating to the costs of the audit work is included within existing budgets.

### 6.2. Legal Implications

There are no legal implications arising from this report.

### 6.3. Equalities Implications

None

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

None

## 7. Link to Corporate Priorities

| | |
|---|---|
| Quality of Life | The nature of audit is that it is cross cutting across a range of services and will impact on all of the Council's Corporate Objectives |
| Efficient Services | |
| Sustainable Growth | |
| The Environment | |

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group review and approve:

(a) the Internal Audit Strategy and Plan 2023-2026

(b) the Internal Audit Charter, Appendix 1 of the Internal Audit Strategy and Plan.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director - Finance and Corporate Services<br>Tel: 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | None |
| **List of appendices:** | Appendix A –Internal Audit Strategy 2023-2026 |

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# INTERNAL AUDIT ANNUAL PLAN

## RUSHCLIFFE BOROUGH COUNCIL

2023/24

IDEAS | PEOPLE | TRUST

BDO

# CONTENTS

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# AUDIT RISK ASSESSMENT

## BACKGROUND

Our risk-based approach to internal audit uses Rushcliffe Borough Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

## PLANNED APPROACH TO INTERNAL AUDIT 2023/24

The indicative Internal Audit programme for 2023/24 is set out on pages 14-20. We met with the Deputy Chief Executive and Director of Finance and Corporate Service; the Service Manager, Finance; consulted all other heads of service and the Governance Scrutiny Group Chair in order to bring together a full plan which will be presented at this Governance Scrutiny Group for formal review and approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 9-13.

## INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Executive Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

## VARIATIONS TO THE PLAN

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Executive Directors. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

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# OUR NEXT GEN INTERNAL AUDIT APPROACH

Our new and innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach has allowed us to move away from the traditional approach of compliance auditing, transitioning in to delivering a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

## CORE ASSURANCE

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

## SOFT CONTROLS

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

## FUTURE FOCUSED ASSURANCE

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

## FLEXIBLE AUDIT RESOURCE

Undertake proactive work across the [Council/Trust/ICB], perhaps in preparation for regulatory reviews or change management programmes.

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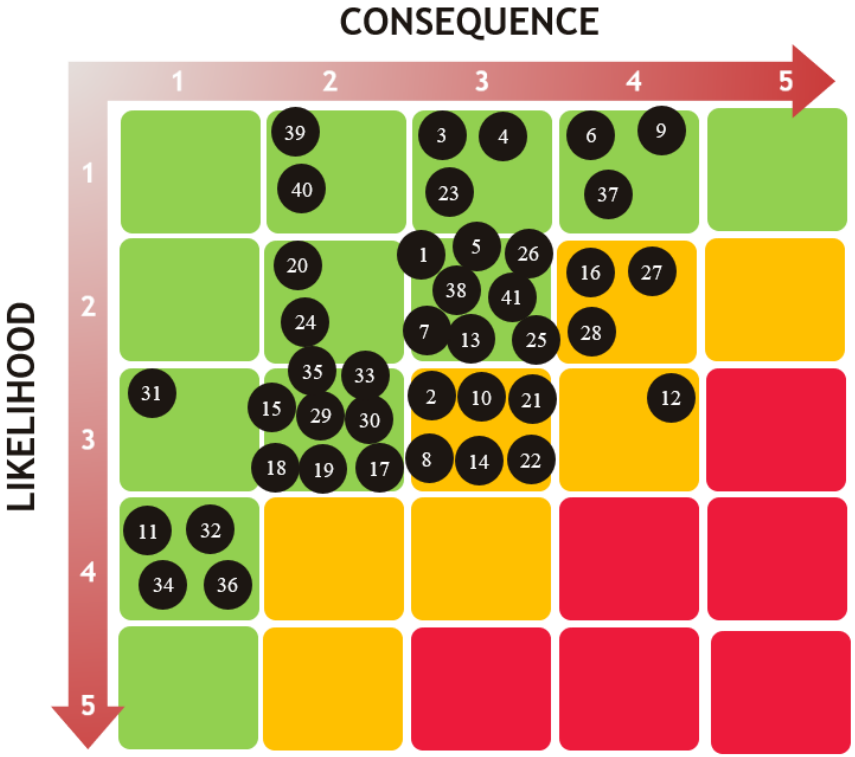
# MAPPING YOUR STRATEGIC RISKS

| REF | STRATEGIC RISKS FROM YOUR CRR | SCORE |
|---|---|---|
| 1 | Equal pay claim | 6 |
| 2 | Insufficient staff capacity - skills, knowledge etc. | 9 |
| 3 | Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites | 3 |
| 4 | Failure to properly manage our property assets | 3 |
| 5 | Ability to deliver Rushcliffe Oaks project on time and within budget | 6 |
| 6 | Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget | 4 |
| 7 | Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area | 6 |
| 8 | Failure to secure the Local Development Order for the Ratcliffe on Soar site | 9 |



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| REF | STRATEGIC RISKS FROM YOUR CRR | SCORE |
|---|---|---|
| 9 | Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value | 4 |
| 10 | Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review | 9 |
| 11 | Failure to prevent or detect fraud and corruption | 4 |
| 12 | Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure | 12 |
| 13 | Lack of funding from partners | 6 |
| 14 | Central Government policy changes | 9 |
| 15 | Inadequate capital resources | 6 |
| 16 | Fee income volatility | 8 |
| 17 | Increased demand for services | 6 |
| 18 | Risk and return from Asset Investment Strategy | 6 |
| 19 | Failure to deliver the Transformation Strategy | 6 |
| 20 | Failure to properly manage and deliver significant projects | 4 |
| 21 | Potential inflationary pressures, with volatility over prediction for budget | 9 |

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| REF | STRATEGIC RISKS FROM YOUR CRR | SCORE |
|---|---|---|
| 22 | Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement | 9 |
| 23 | ICT supplier goes out of business | 6 |
| 24 | Long term loss/failure of main ICT systems | 4 |
| 25 | Loss or compromise of sensitive data | 6 |
| 26 | Short term loss/failure of main ICT systems | 6 |
| 27 | Threat of major successful cyber-attack | 8 |
| 28 | Failure to comply with General Data Protection Regulation | 8 |
| 29 | Loss or compromise of confidential or restricted information or data | 6 |
| 30 | Increases in interest rates which potentially increases the burden if the Council has to borrow | 6 |
| 31 | Failure of internal health and safety compliance or enforcement of health and safety | 3 |
| 32 | Unforeseen incidents happening at public events | 4 |
| 33 | Failure of business continuity | 6 |
| 34 | Ineffective emergency planning arrangements | 4 |
| 35 | Response to flooding impacts on delivery of statutory services | 6 |
| 36 | Inadequate resources to respond to flooding incidents | 4 |

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| REF | STRATEGIC RISKS FROM YOUR CRR | SCORE |
|---|---|---|
| 37 | Failure of public sector partnerships / withdrawal of financial support | 4 |
| 38 | Failure to safeguard children and vulnerable adults | 6 |
| 39 | Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion) | 2 |
| 40 | Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion) | 2 |
| 41 | Failure to deliver the Carbon management plan objectives | 6 |

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# MAPPING YOUR CRR TO THE STRATEGIC PLAN

| REF | STRATEGIC RISKS FROM YOUR CRR | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| 1 | Equal pay claim | • N/A | • Equality, Diversity and Inclusion | • N/A |
| 2 | Insufficient staff capacity – skills, knowledge etc. | • N/A | • Workforce and Succession Planning | • N/A |
| 3 | Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites | • N/A | • Local Development Plan | • Building Control and Development Management |
| 4 | Failure to properly manage our property assets | • N/A | N/A | • Asset Investment and Management |
| 5 | Ability to deliver Rushcliffe Oaks project on time and within budget | • Rushcliffe Oaks Crematorium - Income | • Budgetary Control<br>• Contract Management and Procurement | • N/A |
| 6 | Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget | • N/A | • Budgetary Control<br>• Contract Management and Procurement | • N/A |
| 7 | Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area | • Governance of Partnership Arrangements | N/A | • N/A |
| 8 | Failure to secure the Local Development Order for the Ratcliffe on Soar site | N/A | • Local Development Plan | • N/A |

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| REF | STRATEGIC RISKS FROM YOUR CRR | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| 9 | Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value | • N/A | • N/A | • Assets of Community Value |
| 10 | Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review | • N/A | • N/A | • Council Tax and Business Rates |
| 11 | Failure to prevent or detect fraud and corruption | • Fraud Report<br>• Reconciliations<br>• Main Financial Systems | • Main Financial Systems<br>• Fraud Report | • Main Financial Systems<br>• Fraud Report |
| 12 | Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure | N/A | N/A | • Council Tax and Business Rates |
| 13 | Lack of funding from partners | • Governance of Partnership Arrangements | • N/A | • N/A |
| 14 | Central Government policy changes | • Governance of Partnership Arrangements | • N/A | • N/A |
| 15 | Inadequate capital resources | • N/A | • Budgetary Control<br>• Main Financial Systems | • Main Financial Systems |
| 16 | Fee income volatility | • Country Parks Income<br>• Crematorium Income<br>• Markets | • Budgetary Control<br>• Car Parking | • N/A |
| 17 | Increased demand for services | • Country Parks Income<br>• Crematorium Income<br>• Markets | • Budgetary Control<br>• Contract Management and Procurement<br>• Car Parking | • N/A |

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| REF | STRATEGIC RISKS FROM YOUR CRR | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| 18 | Risk and return from Asset Investment Strategy | • N/A | • N/A | • Asset Investment and Management |
| 19 | Failure to deliver the Transformation Strategy | • Governance of Partnership Arrangements | • Budgetary Control | • N/A |
| 20 | Failure to properly manage and deliver significant projects | • N/A | • Budgetary Control<br>• Contract Management and Procurement | • N/A |
| 21 | Potential inflationary pressures, with volatility over prediction for budget | • Main Financial Systems | • Main Financial Systems | • Main Financial Systems |
| 22 | Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement | • N/A | • N/A | • Council Tax and Business Rates |
| 23 | ICT supplier goes out of business | • IT General Controls / Strategy | • N/A | • N/A |
| 24 | Long term loss/failure of main ICT systems | • IT General Controls / Strategy | • N/A | • N/A |
| 25 | Loss or compromise of sensitive data | • IT General Controls / Strategy | • N/A | • N/A |
| 26 | Short term loss/failure of main ICT systems | • IT General Controls / Strategy | • Cyber Security | • N/A |
| 27 | Threat of major successful cyber-attack | • N/A | • Cyber Security | • N/A |
| 28 | Failure to comply with General Data Protection Regulation | • IT General Controls / Strategy | N/A | • GDPR |

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| REF | STRATEGIC RISKS FROM YOUR CRR | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| 29 | Loss or compromise of confidential or restricted information or data | • IT General Controls / Strategy | • N/A | • GDPR |
| 30 | Increases in interest rates which potentially increases the burden if the Council has to borrow | • N/A | • Budgetary Control | • Main Financial Systems |
| 31 | Failure of internal health and safety compliance or enforcement of health and safety | • N/A | • Business Continuity & Emergency Planning | • Health and Safety |
| 32 | Unforeseen incidents happening at public events | • N/A | • Events Management<br>• Business Continuity & Emergency Planning | • N/A |
| 33 | Failure of business continuity | • N/A | • Business Continuity & Emergency Planning | • N/A |
| 34 | Ineffective emergency planning arrangements | • N/A | • Business Continuity & Emergency Planning | • Health and Safety |
| 35 | Response to flooding impacts on delivery of statutory services | • N/A | • Business Continuity & Emergency Planning | • N/A |
| 36 | Inadequate resources to respond to flooding incidents | • N/A | • Business Continuity & Emergency Planning | • Health and Safety |
| 37 | Failure of public sector partnerships / withdrawal of financial support | • Governance of Partnership Arrangements | • N/A | • N/A |
| 38 | Failure to safeguard children and vulnerable adults | • N/A | • N/A | • Leisure Contracts<br>• Homelessness and Temporary Accommodation (National Schemes: Afghanistan; Ukraine; Domestic Abuse) |

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| REF | STRATEGIC RISKS FROM YOUR CRR | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|
| 39 | Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion) | • N/A | • N/A | • Homelessness and Temporary Accommodation (National Schemes: Afghanistan; Ukraine; Domestic Abuse) |
| 40 | Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion) | • N/A | • N/A | • Homelessness and Temporary Accommodation (National Schemes: Afghanistan; Ukraine; Domestic Abuse) |
| 41 | Failure to deliver the Carbon management plan objectives | • Fleet Management and Air Pollution | • Waste and Recycling | • Environment – Carbon Management Plan |

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# INTERNAL AUDIT OPERATIONAL PLAN 2023/24

| AREA | CRR | DAYS | TIMING | DESCRIPTION OF THE REVIEW | REASON FOR INCLUSION |
|---|---|---|---|---|---|
| **Core Assurance** | | | | | |
| Main Financial Systems | 11,21 | 18 | Q2 | This review will focus on Treasury Management and include reviewing if the Council has adequately met the CIPFA Treasury Management in the Public Services Code of Practice in particular in relation to Environmental, Social and Governance (ESG) requirements. | • Main financial system areas are a critical risk<br>• Treasury Management is part of our 3 year MFS cycle and is therefore due a review as part of this cycle of activity<br>• This is a staple review that is incorporated in all local authority audit plans across the country. This is because it is a recognised risk area as it contains critical controls which underpin the integrity of a Council |
| Reconciliations | 11 | 17 | Q2 | To ascertain all key transaction areas for the Council and understand the reconciliations procedure for each between internal reports, cash and to the General Ledger. | • This has been identified as an area of control weakness in some other local authorities that can exacerbate the risk of fraud |
| Governance of Partnership Arrangements | 13,14,19,37 | 15 | Q1 | There has been a growth of place-based and themed partnership arrangements. These have largely been designed to implement and administer arrangements within defined areas focussed upon common objectives.<br>This partnerships to be reviewed will be agreed with Executive Management prior to the audit but will likely include: | • The Council relies on its partnership arrangements for some key operational activities and funding arrangements |

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| AREA | CRR | DAYS | TIMING | DESCRIPTION OF THE REVIEW | REASON FOR INCLUSION |
|---|---|---|---|---|---|
| | | | | • The Joint Planning and Advisory Board (Nottingham City, Nottinghamshire County Council, Broxtowe BC, Gedling BC, Erewash DC and Rushcliffe BC);<br>• the Greater Nottingham Housing Market area<br>• Joint safeguarding groups<br><br>We will review the key aspects of the partnerships governance arrangements and monitoring/management in place. | |
| Fraud Report | 11 | 10 | Q1 | Provide an annual report on the activities of the Council and areas of potential fraud such as council tax and benefits as well as compliance with functional standards and ensuring up to date policies and procedures are in place. | • Risk to all Councils and identified as a corporate risk<br>• This includes corporate fraud and benefits fraud<br>• Council take part in NFI<br>• CIFAS reporting in 2019 the rise of local authority fraud and lack of identification across the sector |
| Markets | 16,17 | 8 | Q2 | • Assess the formal cash collection process in place at the market<br>• Liaise and visit the external suppliers to understand their arrangements once the cash is collected, including security of the cash<br>• Sample test 15 market cash collection cases | • Risks of working with cash include miscalculations, misplacing cash, human error, theft and fraud |
| Rushcliffe Oaks Crematorium - Income | 5, 16,17 | 15 | Q4 | The Council is due to open a new crematorium, Rushcliffe Oaks in the Spring of 2023. This review will: | • This is a new area of income so management would like assurance on the |

OFFICIAL

| AREA | CRR | DAYS | TIMING | DESCRIPTION OF THE REVIEW | REASON FOR INCLUSION |
|---|---|---|---|---|---|
| | | | | • assess the fee setting and collection processes in place at the crematorium<br>• review income data to ensure it is valid and correct to inform decision making | controls in place to effectively manage and monitor it |
| Country Parks - Income | 16,17 | 15 | Q3 | • Assess the formal cash collection process in place at the Rushcliffe Country Park<br>• Liaise and visit the external suppliers to understand their arrangements once the cash is collected, including security of the cash<br>• Sample test 15 Rushcliffe Country Park cash collection cases | • Fee income volatility and income concerns feature in the Council's corporate risk register<br>• As an area that works with cash directly there is scope for fraud |
| **Total** | | **98** | | | |

OFFICIAL

| AREA | CRR | DAYS | TIMING | DESCRIPTION OF THE REVIEW | REASON FOR INCLUSION |
|---|---|---|---|---|---|
| **Future focussed reviews** | | | | | |
| IT General Controls/Strategy | 23-26;28,29 | 15 | Q4 | The Council has an ICT strategy in place 2022-2025. The Terms of reference for this review is to be discussed, however in summary the review will look at some or all of the following:<br>• IT General Controls - examining application; password and user access and segregation of duties controls<br>• Whether the Council's IT strategy has been appropriately developed considering the increased risk that has emerged as a result of post-covid working arrangements. | We are aware of deficiencies in other local authority's IT General Controls that can exacerbate the risk of fraud and management would like assurance that there are no control gaps in its IT controls environment. |
| Fleet Management and Air Pollution | 41 | 15 | Q3 | • Rushcliffe has 23 frontline refuse collection vehicles ranging from 15 to 32 Gross Vehicle Weight vehicles<br>• Streetwise Environmental which provides grounds maintenance and services has also been brought in-house to the Council<br>• This review will assess that the Council's Fleet Management processes are in place and ensure there is an adequate fleet management strategy to manage fleet adequately<br>• We will review the processes the Council has used to become carbon neutral and support its green infrastructure in relation to fleet, including the Council's work with the wider Air Quality Strategy within Nottinghamshire. | • The Council has brought Streetwise Environmental in-house and there are inherent risks and benefits associated with this<br>• As part of the Council's net zero carbon commitments, and addressing the Government's Air Quality (England) 2000 regulations, the effective identification, reduction and monitoring of air quality in the borough is critical. |
| **Total** | | **30** | | | |

OFFICIAL

| AREA | CRR | DAYS | TIMING | DESCRIPTION OF THE REVIEW | REASON FOR INCLUSION |
|---|---|---|---|---|---|
| **Flexible Live Assurance - To be allocated during the year as required but could include the example shown below** | | | | | |
| Contingency | N/A | 3 | TBC | Contingency days left available for flexible work | . |
| **Total** | | **3** | | | |

| AREA | CRR | DAYS | TIMING | DESCRIPTION OF THE REVIEW | REASON FOR INCLUSION |
|---|---|---|---|---|---|
| **Contract Management** | | | | | |
| Planning / liaison / management | N/A | 7 | Q1 - Q4 | Creation of audit plan, meeting with Executive Directors | Effective contract management |
| Recommendations follow up | N/A | 7 | Q1 - Q4 | Assessment and reporting of status of implementation of recommendations raised | Assurance for Executive Team and Governance Scrutiny Group |
| [Audit Committees] | N/A | 5 | Q1 - Q4 | Attendance at Governance Scrutiny Group meetings, pre-meets and Audit Committee Chair liaison | Effective contract management |
| **Total** | | **19** | | | |

| SUMMARY | DAYS |
|---|---|
| Core Assurance | 98 |
| Future Focused Reviews | 30 |

OFFICIAL

| SUMMARY | DAYS |
|---|---|
| Flexible Audit Resource | 3 |
| Contract Management | 19 |
| **Total days** | **150** |

# APPENDIX I

## INTERNAL AUDIT CHARTER - ROLE AND SCOPE OF INTERNAL AUDIT

### PURPOSE OF THIS CHARTER

This charter is a requirement of Public Sector Internal Audit Standards (PSIAS).

The charter formally defines internal audit's mission, purpose, authority and responsibility. It establishes internal audit's position within Rushcliffe Borough Council and defines the scope of internal audit activities.

Final approval resides with the Council, in practice the charter shall be reviewed and approved annually by management and by the Governance Scrutiny Group on behalf of the Cabinet of Rushcliffe Borough Council.

### INTERNAL AUDIT'S MISSION

Internal audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

### STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its mission, internal audit will perform its work in accordance with PSIAS, which encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF): Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing.

### INTERNAL AUDIT DEFINITION AND ROLE

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Governance Scrutiny Group with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities. The range of work performed by internal audit is set out in PSIAS and not repeated here.

### INTERNAL AUDIT'S SCOPE

The scope of internal audit activities includes all activities conducted by Rushcliffe Borough Council. The Internal Audit Plan sets out those activities that have been identified as the subject of specific internal audit engagements.

The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management, with the aim of improving governance, risk management and control and contributing to the overall opinion. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

## EFFECTIVE INTERNAL AUDIT

Our internal audit function is effective when:

- It achieves the purpose and responsibility included in the internal audit charter
- It conforms with the Standards
- Its individual members conform with the Code of Ethics and the Standards
- It considers trends and emerging issues that could impact the organisation.

The internal audit activity adds value to Rushcliffe Borough Council (and its stakeholders) when it considers strategies, objectives and risks, strives to offer ways to enhance governance, risk management and control processes and objectively provides relevant assurance.

We will agree with you an audit plan for a total number of days activity. Once agreed, we will turn this into a cash budget which we will work to, in order to ensure that you have certainty around the fees you will pay us.

## INDEPENDENCE AND INTERNAL AUDIT'S POSITION WITHIN RUSHCLIFFE BOROUGH COUNCIL

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Governance Scrutiny Group. The Head of Internal Audit has free and full access to the Chair of the Governance Scrutiny Group. The Head of Internal Audit reports administratively to the Deputy Chief Executive and Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Governance Scrutiny Group.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest. The internal audit service is not ordinarily authorised to perform any operational duties for Rushcliffe Borough Council.

In the event that internal audit undertakes non-audit activities, safeguards will be agreed to ensure that independence or objectivity of the internal audit activity are not impaired. This might include a separate partner review of the work or a different team undertaking the work. Approval of the arrangements for such engagements will be sought from the Governance Scrutiny Group prior to commencement.

In the event that internal audit provides assurance services where it had previously performed consulting services, an assessment will be undertaken to confirm that the nature of the consulting activity did not impair objectivity and safeguards will be put in place to manage individual objectivity when assigning resources to the engagement. Such safeguards will be communicated to the Governance Scrutiny Group.

Internal audit must be free from interference in determining the scope of internal auditing, performing work and communicating results. Should any interference take place, internal audit will disclose this to the Governance Scrutiny Group to discuss the implications.

## INTERNAL AUDIT'S ROLE IN COUNTERING FRAUD, BRIBERY AND CORRUPTION

Management, not internal auditors are responsible for the prevention and detection of fraud, bribery and corruption. Auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption as well as seeking to identify indications that fraud and corruption may have been occurring. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud and corruption will be detected. In the event that internal audit suspects a fraud, this will be referred to appropriate management in the first instance and then the Governance Scrutiny Group.

## ACCESS TO RECORDS AND CONFIDENTIALITY

There are no limitations to internal audit's right of access to Rushcliffe Borough Council's officers, records, information, premises, or meetings which it considers necessary to fulfil its responsibilities.

When the auditors receive confidential information about your affairs it shall at all times be kept confidential, except as required by law or as provided for in regulatory, ethical or other professional pronouncements applicable. All information will be maintained in line with appropriate regulations, for example the Data Protection Act 2018.

## COORDINATION AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

In co-ordinating activities internal audit may rely on the work of other assurance and consulting service providers.

A consistent approach is adopted for the basis of reliance and internal audit will consider the competency, objectivity, and due professional care of the assurance and consulting service providers. Due regard will be given to understanding of the scope, objectives and results of the work performed by other providers of assurance and consulting services.

Where reliance is placed upon the work of others, internal audit is still accountable and responsible for ensuring adequate support for conclusions and opinions reached by the internal audit activity.

## INTERNAL AUDIT'S COMMITMENTS TO RUSHCLIFFE BOROUGH COUNCIL

Internal audit commits to the following:

- Working with management to improve risk management, controls and governance within the organisation
- Performing work in accordance with PSIAS
- Complying with the ethical requirements of PSIAS
- Dealing in a professional manner with Council staff, recognising their other commitments and pressures
- Raising issues as they are identified, so there are no surprises and providing practical recommendations
- Liaising with external audit and other regulators to maximise the assurance provided to the Council
- Reporting honestly on performance against targets to the Governance Scrutiny Group.

## INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The [Audit Committee] should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

As required by PSIAS, an external assessment of the service will be performed at least every five years. BDO also has an internal quality assurance review process in place, which takes place annually. This is performed by a separate team independent to the internal audit team.

The results of internal and external assessments will be communicated to the Governance Scrutiny Group as part of the internal audit annual report, along with corrective action plans.

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## TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

| MEASURE / INDICATOR |
|---|
| **Audit Coverage**<br>Annual Audit Plan delivered in line with timetable.<br>Actual days are in accordance with Annual Audit Plan. |
| **Relationships and customer satisfaction**<br>Customer satisfaction reports – overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.<br>Annual survey to Governance Scrutiny Group to achieve score of at least 70%.<br>External audit can rely on the work undertaken by internal audit (where planned). |
| **Staffing and Training**<br>At least 60% input from qualified staff. |
| **Audit Reporting**<br>Issuance of draft report within 3 weeks of fieldwork `closing' meeting.<br>Finalise internal audit report 1 week after management responses to report are received.<br>90% recommendations to be accepted by management.<br>Information is presented in the format requested by the customer. |
| **Audit Quality**<br>High quality documents produced by the auditor that are clear and concise and contain all the information requested.<br>Positive result from any external review. |

### MANAGEMENT AND STAFF COMMITMENTS TO INTERNAL AUDIT

The management and staff of Rushcliffe Borough Council commit to the following:

- Providing unrestricted access to all of Rushcliffe Borough Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the organisation
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

### MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The following three indicators are considered good practice performance measures but we go beyond this and report on a suite of measures as included in each Governance Scrutiny Group Progress Report.

OFFICIAL

## TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

| MEASURE / INDICATOR |
|---|
| **Response to Reports**<br>Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt. |
| **Implementation of recommendations**<br>Audit sponsor to implement all audit recommendations within the agreed timeframe. |
| **Co-operation with internal audit**<br>Internal audit to confirm to each meeting of the Governance Scrutiny Group whether appropriate co-operation has been provided by management and staff. |

## BDO CONTACTS

| NAME | GRADE | EMAIL |
|---|---|---|
| Greg Rubins | Partner | Greg.rubins@bdo.co.uk |
| Gurpreet Dulay | Director | Gurpreet.dulay@bdo.co.uk |
| Charlotte Thomas | Assistant Manager | Charlotte.thomas@bdo.co.uk |

FOR MORE INFORMATION:

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**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Audit Completion Report 2021/22**

**Report of the Director – Finance and Corporate Services**

## 1. Purpose of report

1.1. This report presents attached Audit Completion Report (Appendix A); Management Representation Letter (Appendix B) This document reports to those charged with Governance the key conclusions in the audit process for the 2021/22 financial year and also comments upon the Statement of Accounts and their quality.

1.2. There was a delay in issuing the 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 in addition to a national issue relating to the treatment of infrastructure assets both of which were completely outside the Council's and Mazars control.

1.3. Mazars have substantially completed the audit in respect of the financial statements for the year ended 31 March 2022. However significant matters remaining outstanding as outlined in section 2 of the Audit Completion Report. Mazars will provide an update in relation to the significant matters outstanding by a follow up letter to this group.

1.4. 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 in June 2023 in their Auditor's Annual Report.

## 2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

a) Approve the findings of Mazars Audit Completion Report **(Appendix A)**

b) Approve the Management Representation Letter **(Appendix B)**

c) Receive at a later date a follow up letter from Mazars in relation to the significant matters outstanding.

## 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,the Management Representation Letter at Appendix B.

4.2. It was reported last year that Value for Money (VFM) findings are now reported by exception where significant weaknesses are identified in VFM arrangements. Section 7 of the report refers to the Value for Money process and at the time of writing Mazars confirm they have not identified any significant weaknesses in arrangements. Work is ongoing and Mazars will provide commentary on the Council's VFM arrangements in their Annual Audit Letter to be presented to this group in June 2023.

4.3. The Audit Completion Report identifies an unadjusted misstatement as identified by Mazars during the audit. This relates to a cumulative £46m difference across the pension fund in the estimate asset values used by the Actuary to prepare the Council's IAS19 pension report. A new report has been obtained from the actuary and the variance for Rushcliffe is £0.471m or £0.8% of the net pension liability. Management have chosen not to amend the accounts on the grounds of this not being material (as defined by Mazars in the Audit Plan agreed by GSG in June 2022) which has been agreed with Mazars.

4.4. Section 6 (page 21) provides a summary of misstatements. There were a small number of minor disclosure amendments and 2 adjusted misstatements which also form the Internal Control Recommendations on page 19. Officers have noted these recommendations and will put controls in place.

4.5. The circumstances in which the audit is conducted continues to be challenging. The extension to the statutory deadline for signing off the Statement of Accounts remained at 30 November for the 2021/22 accounts. Unfortunately, this deadline was not met due to delays in the auditors gaining assurance from the Pension Fund Accounts (again for the third year) and a national issue with the assurances on infrastructure assets This has subsequently resulted in a Prior Period Adjustment (PPA) requiring amendments to the asset category for some Infrastructure Assets in the 2020/21 balance sheet which has a knock-on effect on the 2021/22 balance sheet.

4.6. In addition, a further PPA was required in relation to the recognition of a deferred capital receipt in the 2020/21 accounts. It should be noted that the PPA is subjective and whilst the Council's Director of Finance and Corporate

Services does not agree with it being a PPA he is not prepared to risk the accounts being qualified. Irrespective of the above, no significant issues have arisen during the 2021/22 financial year.

4.7. 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 fees for the audit of the Statement of Accounts are covered by existing budgets.

### 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 | The Council's financial statements and financial information impacts upon all Council Corporate Priorities. |
| Efficient Services | |
| Sustainable Growth | |
| The Environment | |

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group:

a) Approve the findings of Mazars Audit Completion Report (Appendix A)

b) Approve the Management Representation Letter (Appendix B)

c) Receive at a later date a follow up letter from Mazars in relation to the significant matters outstanding.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Executive Manager - Finance and Corporate Services<br>Tel: 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | Statement of Accounts 2021/22 |
| **List of appendices:** | Appendix A – Mazars Audit Completion Report 2021/22<br>Appendix B – The Management Representation Letter |

# Audit Completion Report

## Rushcliffe Borough Council - Year ended 31 March 2022

February 2023

mazars

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**04** Significant findings

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
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9 February 2023

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. 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 24 May 2022. 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

David Hoose, Key Audit Partner

Mazars LLP

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01

Section 01:

# Executive summary

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 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;
- Net defined benefit liability valuation; and
- Valuation of property, plant and equipment.



## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements and unadjusted 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 2022. 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. No such correspondence from electors has been received.

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 |
|---|---|---|
| Infrastructure Classification | 🔴 | We are currently in discussion with management in relation to an error within their Infrastructure asset category. The error total is around £1.4m and will require a write off of expenditure within the financial statements. We anticipate a prior period adjustment to be posted as the amount in question is material. |
| Infrastructure Assets CIPFA | 🟢 | We are in discussion with management in respect of the CIPFA bulletin on Infrastructure Assets and what this may mean for the financial statements. |
| Completion Procedures | 🟢 | Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report. |
| Whole of Government Accounts | 🟢 | 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. |

🔴 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 in July 2022. 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 £799k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £822k using the same benchmark.

## Reliance on internal audit

No reliance has been placed on internal audit for the 2021/22 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.



## Use of experts

| Item of account | Management's expert | Our expert |
|---|---|---|
| Property, Plant and Equipment and Investment property | **Internal Valuer**<br>N Berry and L Ashmore<br>**External Valuer/s**<br>Covers Other PPE and Investment Properties | None.<br>We have used third party evidence provided via the NAO to support our challenge of valuation assumptions. |
| Pensions | **Barnett Waddingham**<br>Actuary for Nottinghamshire Pension Fund | PWC (Consulting actuary appointed by the NAO) |
| Financial Instrument disclosures | Link Asset Management (LAM)<br>Treasury management advisors | None. We have used information supplied by LAM to support our challenge and assumptions to management. |

# 3. Audit approach

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

| Items of account | Service organisation | Audit approach |
|---|---|---|
| Payroll Costs | **Gedling Borough Council**<br><br>*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.<br><br>We are able to conclude that the Council has sufficient controls in place over the services provided by Gedling Borough Council, in addition to this we have undertaken substantive based procedures for payroll costs included within the financial statements. |

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 14 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;
- any significant difficulties we experienced during the audit; and

## Significant risks

| | |
|---|---|
| **Management override of controls** | **Description of the risk**<br><br>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.<br><br>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**<br><br>We addressed this risk through performing audit work over:<br><br>• Accounting estimates impacting amounts included in the financial statements;<br><br>• Consideration of identified significant transactions outside the normal course of business; and<br><br>• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements. |
| | **Audit observations**<br><br>Our considerations of estimates is set out on page 16. We did not identify any significant transactions outside the normal course of business. We applied a combination of audit judgement and computer aided audit tools to analyse and perform tests over journal entries. |
| | **Audit conclusion**<br><br>No issues have been identified, that need to be brought to the attention of members. |

# 4. Significant findings

| | |
|---|---|
| **Defined benefit liability valuation**<br><br>(Local Government Pension Scheme) | **Description of the risk**<br><br>The defined benefit liability relating to the Local Government Pension Scheme represents significant balances 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 of misstatement in this area.<br><br>Relevant Account Balances (taken from the 2021/22 draft financial statements):<br><br>• £57,057k – Balance Sheet and Note 32 (Defined benefit pension schemes) |
| | **How we addressed this risk**<br><br>We addressed this risk by:<br><br>• critically assessing the competency, objectivity and independence of the Pension Funds' Actuary;<br><br>• liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This 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;<br><br>• reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and<br><br>• agreeing 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 Observations**<br><br>A non-material £471k misstatement has been identified in relation to the movement on Local Government Pension Fund assets. Further details are in part 6 of this report. |
| | **Audit conclusion**<br><br>Aside from the unadjusted misstatement identified above, there are no further issues noted from our testing that need to be brought to the attention of Members. |

# 4. Significant findings

| | |
|---|---|
| **Valuation of land & buildings and investment properties** | **Description of the risk**<br>Land, Building and Investment Property assets are significant balances on the council's balance sheet. 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.<br>At the planning stage of the audit, this risk covers (figures have been taken from the draft 2021/22 financial statements):<br>• Land & Buildings (£34,604k - Note 8)<br>• Investment Properties (£30,753k – Note 9) |
| | **How we addressed this risk**<br>We addressed this risk by:<br>• critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;<br>• considering 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;<br>• assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends;<br>• critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and<br>• testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied. |
| | **Audit conclusion**<br>Subject to the satisfactory resolution of the infrastructure asset item mentioned on page 7, no issues 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 other than where already documented they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 23 June 2022.

## Significant matters discussed with management

Significant matters discussed with management during our audit, and which had implications for out audit testing and reporting included:

- The on-going impact of Covid-19 on the Council's business, including any potential impact on risks of material misstatement;
- How the current financial market, has impacted the Council's budget setting process, and assumptions made within the financial statements, alongside the impact of future funding.
- Earlier this year, the Government became aware of an issue relating to the reporting of infrastructure assets, which has led to delays in local authority audits. In response, CIPFA LASAAC Code Board agreed to try to assist in the resolution of the issue through changes to the Code of Practice on Local Authority Accounting (the Code). An accounting solution has not been found and a proposal has been made for an accounting statutory override under the Local Government Act 2003. Infrastructure assets as at 31 March 2022 for the Council within the draft financial statements was £5,310k, therefore, represents a material consideration



## Going Concern

The Council's financial statements are prepared on the assumptions that it is a going concern and will continue its operations for the foreseeable future. International Auditing Standard ISA (UK) 570, requires auditors to 'obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern'.

Following the issue of Supplementary Guidance Note 1 (SGN1) by the National Audit Office, we have adopted a sector-specific approach to our work on going concern, which follows the principles of Practice Note 10 (PN10) and the guidance provided in SGN1. The SGN1 and PN10 make it clear that the auditor's focus for non-trading public sector bodies should be on the extent to which there are any indications that the services provided by an entity will cease or transfer outside of the public sector (termed the Continued Provision of Service approach ('CPoS')).

## Significant difficulties during the audit

One difficulty we did encounter throughout the audit, that was out of our control and the Council's was in respect of the formal response from the Pension Fund Auditors of Nottinghamshire Pension fund. Initial contact was made on 10 May 2022, with a supplementary letter dated 05 October 2022. The letter stipulated a 31st October deadline, to allow for our timely review of workings in line with reporting requirements.

Acknowledgement was made, however; formal response was not received until 14 November 2022. Due to the delay and change in findings from the Pension Fund Auditor, this led to additional work and discussions with management in respect of any potential material change of the Council's LGPS Pension assets. An unadjusted misstatement has been identified which is detailed in section 6 of this report.

# 4. Significant findings

## 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 2021/22 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 were no internal control recommendations identified in 2020/21.**

| 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. | 2 |
| 3 (low) | In our view, internal control should be strengthened in these additional areas when practicable. | 0 |

# 5. Internal control recommendations

## Other deficiencies in internal control – Level 2

**Description of deficiency**

In line with our adjusted misstatements on page 22, a journal posting in relation to the Council's bank process was made incorrectly.

**Potential effects**

Year-end balances could be misstated due to incorrect postings.

**Recommendation**

Users need to be aware of the account/s they are posting to and timely reviews need to be undertaken to ensure any inconsistencies are picked up and amended.



## Other deficiencies in internal control – Level 2

**Description of deficiency**

In line with our adjusted misstatements on page 22, the Council have incorrectly accounted for a material balance in the prior period, resulting in an understatement of debtors and income.

**Potential effects**

Income could be recognised in the incorrect period leading to the financial statements being materially misstated

**Recommendation**

The Council need consider all future cashflows on large non-recurring transactions such as this in order to ensure they are applying the accruals basis of accounting within their financial statements.

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 £25k. 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 page outlines the misstatements that have been adjusted by management during the course of the audit.

## Unadjusted misstatements

Mazars advised management of two matters brought to their attention by the Nottinghamshire Pension Fund auditors. This was based on their original letter dated 14 November 2022.

- The actuary was not provided with details of c£25m of assets to base their IAS19 calculations on; and
- The pension fund auditor has identified a c£32m understatement in asset values.

We received an additional letter on 24 November 2022 stating that the £32m understatement in asset values had decreased to around £21m. Therefore, there was a cumulative total of £46m that directly impacts asset values within the Pension Fund accounts and wider individual employer accounts. Based on our calculations we were concerned that this may result in a material issue linked to our identified significant risk.

Management chose, on the grounds of uncertainty and the volatility within the market, to obtain an updated IAS19 valuation report. The total adjustment identified was £471k which results in an increase in both Total Net Assets and Total Reserves. As this is not considered material, management have not made any adjustments to the financial statements.



## Disclosure amendments

A number of disclosure amendments have been discussed and agreed with management, these are;

- The CIES section headings have been amended to ensure consistency;
- Note 2 and 27 has been updated in respect of Government grants and contributions to ensure that both notes reconcile;
- A typo has been amended in respect of Employer contributions within the pensions note;
- Narrative in the audit fee note has been updated to ensure consistency with our prior year figures;
- The officer's remuneration note has been amended to ensure consistency in respect of an individual's pension cost;
- A classification change has been made in respect of Investment income, moving from the CIES to Investment income line (no financial impact); and
- The lease note has been updated to reflect consistency across the term of the lease and underlying records.

# 6. Summary of misstatements

## Adjusted misstatements

| | | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|---|---|---|---|---|
| | | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 | Dr: Creditors | | | 1,243 | |
| | Cr: Debtors | | | | 1,243 |
| | As part of our Creditors testing, we identified a number of transactions that related to year-end bank journals. This is where the Council have to post a journal to correct the year-end bank balance to account for timing differences. Upon inspection, it was confirmed that the original post had been incorrectly posted to Creditors and Debtors, in addition to this the cash had been physically received on 31 March 2022. Therefore, both creditors and debtors are overstated and the amount in question needs to be eliminated from the Council's balance sheet. | | | | |
| 2 | Dr: Debtors (2020/21) | | | 4,068 | |
| | Cr: Gain on disposal (CIES) (2020/21) | | 4,068 | | |
| | Our audit testing identified a c£4m income amount that the Council had received during 21/22 relating to the second tranche of proceeds for a land sale. The first tranche was received in 20/21. As the Council were aware during 20/21 that this second tranche was due this amount should have been recognised as income and an associated debtor in the Council's 20/21 financial statements. As the amount is material, a prior period adjustment has been processed to restate the Council's 20/21 comparative figures.. | | | | |
| | **Total adjusted misstatements** | | 4,068 | 5,311 | 1,243 |

07

Section 07:

# Value for Money

# 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.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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. We intend to issue the Auditor's Annual Report in [insert date].

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. 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 2022**

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 2022 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 2021/22 (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.

# Appendix A: Draft management representation letter

**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).

**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.

# Appendix A: Draft management representation letter

**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..

# Appendix A: Draft management representation letter

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.



**Ukraine**

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report 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 and internal control recommendations**

I confirm that the effects of the uncorrected misstatements and internal control recommendations 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

## Other deficiencies in internal control – Level 2

**Description of deficiency**

In line with our adjusted misstatements on page 22, a journal posting in relation to the Council's bank process was made incorrectly.

**Potential effects**

Year-end balances could be misstated due to incorrect postings.

**Recommendation**

Users need to be aware of the account/s they are posting to and timely reviews need to be undertaken to ensure any inconsistencies are picked up and amended.

## Other deficiencies in internal control – Level 2

**Description of deficiency**

In line with our adjusted misstatements on page 22, the Council have incorrectly accounted for a material balance in the prior period, resulting in an understatement of debtors and income.

**Potential effects**

Income could be recognised in the incorrect period leading to the financial statements being materially misstated

**Recommendation**

The Council need consider all future cashflows on large non-recurring transactions such as this in order to ensure they are applying the accruals basis of accounting within their financial statements.



## Unadjusted misstatements

Mazars advised management of two matters brought to their attention by the Nottinghamshire Pension Fund auditors. This was based on their original letter dated 14 November 2022.

- The actuary was not provided with details of c£25m of assets to base their IAS19 calculations on; and
- The pension fund auditor has identified a c£32m understatement in asset values.

We received an additional letter on 24 November 2022 stating that the £32m understatement in asset values had decreased to around £21m. Therefore, there was a cumulative total of £46m that directly impacts asset values within the Pension Fund accounts and wider individual employer accounts. Based on our calculations we were concerned that this may result in a material issue linked to our identified significant risk.

Management chose, on the grounds of uncertainty and the volatility within the market, to obtain an updated IAS19 valuation report. The total adjustment identified was £471k which results in an increase in both Total Net Assets and Total Reserves. As this is not considered material, management have not made any adjustments to the financial statements.

# 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) for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Account, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.



In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2022 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

#### 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 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 Annual Governance Statement and 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.

# Appendix B: Draft audit report

**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 2021/22, 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 2021/22 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 to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.



**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 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 which were contrary to applicable laws and regulations, including fraud.

# Appendix B: Draft audit report

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 September 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 2022.

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 December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

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.

### 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.

# Appendix B: Draft audit report

**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 December 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;
- 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.<br><br>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.<br><br>We will obtain written representations from management confirming that:<br><br>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<br><br>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.<br><br>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<br><br>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;<br><br>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;<br><br>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<br><br>i. Management;<br><br>ii. Employees who have significant roles in internal control; or<br><br>iii. Others where the fraud could have a material effect on the financial statements; and<br><br>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, Key Audit Partner

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



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

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

Dear Sirs

**Rushcliffe Borough Council - audit for year ended 31 March 2022**

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 2022 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 2021/22 (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



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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).

**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.

**Ukraine**
We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report 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 and internal control recommendations**

I confirm that the effects of the uncorrected misstatements and internal control recommendations 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

### Unadjusted misstatements

Mazars advised management of two matters brought to their attention by the Nottinghamshire Pension Fund auditors. This was based on their original letter dated 14 November 2022.

- The actuary was not provided with details of c£25m of assets to base their IAS19 calculations on; and
- The pension fund auditor has identified a c£32m understatement in asset values.

We received an additional letter on 24 November 2022 stating that the £32m understatement in asset values had decreased to around £21m. Therefore, there was a cumulative total of £46m that directly impacts asset values within the Pension Fund accounts and wider individual employer accounts. Based on our calculations we were concerned that this may result in a material issue linked to our identified significant risk.

Management chose, on the grounds of uncertainty and the volatility within the market, to obtain an updated IAS19 valuation report. The total adjustment identified was £471k which results in an increase in both Total Net Assets and Total Reserves. As this is not considered material, management have not made any adjustments to the financial statements.

## Internal Control Recommendations

### Other deficiencies in internal control – Level 2

**Description of deficiency**

In line with our adjusted misstatements on page 22, a journal posting in relation to the Council's bank process was made incorrectly.

**Potential effects**

Year-end balances could be misstated due to incorrect postings.

**Recommendation**

Users need to be aware of the account/s they are posting to and timely reviews need to be undertaken to ensure any inconsistencies are picked up and amended.

### Other deficiencies in internal control – Level 2

**Description of deficiency**

In line with our adjusted misstatements on page 22, the Council have incorrectly accounted for a material balance in the prior period, resulting in an understatement of debtors and income.

**Potential effects**

Income could be recognised in the incorrect period leading to the financial statements being materially misstated

**Recommendation**

The Council need consider all future cashflows on large non-recurring transactions such as this in order to ensure they are applying the accruals basis of accounting within their financial statements.

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**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Approval of the Statement of Accounts 2021/22**

**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 2021/22 to be approved by the Governance Scrutiny Group.

1.2 The Council's external auditors have provided their audit completion report which is considered as a separate item on this agenda. The Annual Audit Letter and Value for Money Conclusion will be presented to this group in June 2023.

1.3 There was a delay in submitting the Statement of Accounts for approval pertaining to two issues both of which were completely outside the Council's and Mazars control. As with the last two years, the audit completion report was again delayed due to assurances surrounding the Pension Fund audit; and an issue identified nationally relating to the treatment of infrastructure assets which had resulted in the delay to signing off the accounts pending the outcome of a CIPFA consultation (which was determined in late December 2022).

1.4 It should also be noted a prior period adjustment was required to the 2020/21 audited accounts (see paragraph 4.8) although this had no implications for the 2021/22 Financial Statements.

1.5 During the audit, a national issue arose in relation to Infrastructure Assets (see paragraph 4.7). This has led to a delay in completing the audit. The financial statements attached include the adjustments which are subject to final audit agreement. If there are any further changes arising from the audit, we will endeavour to share these prior to the meeting.

## 2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

a) Approve the Statement of Accounts for 2021/22 **(Appendix A)** including the Annual Governance Statement at Section B page XXVIII.

b) If work is still outstanding on the accounts, authority is delegated to the Director of Finance and Corporate Services to make any changes

necessary resulting from the review of Infrastructure Assets and advise both the Chair of Corporate Governance Group and Finance Portfolio Holder accordingly and will be reported to the Members of Corporate Governance Group.

## 3 Reasons for Recommendation

3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ('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 2021/22 ('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 as a separate item on this agenda.

4.3 The Statement of Accounts 2021/22 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, 30 June 2022.

4.4 This is the final year that the deadline for certifying the accounts will be extended and no significant issues have arisen from the audit regarding the work undertaken by RBC officers. Whilst the audit has been undertaken remotely (again for the third year) the Finance team have worked hard to ensure the process has run smoothly and queries were responded to as quickly as possible. 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 the current economic uncertainty on asset values.

4.6 The Audit Completion Report identifies an unadjusted misstatement as identified by Mazars during the audit. This relates to a cumulative £46m difference across the pension fund in the estimate asset values used by the Actuary to prepare the Council's IAS19 pension report. A new report has been

obtained from the actuary and the variance for Rushcliffe is £0.471m or £0.8% of the net pension liability. Management have chosen not to amend the accounts on the grounds of this not being material (as defined by Mazars in the Audit Plan agreed by GSG in June 2022) and Mazars have agreed to this approach.

4.7 An issue was raised nationally regarding the treatment of infrastructure assets and specifically how some authorities had accounted for replacement and alienation of these assets. Mazars could not conclude their opinion on the accounts until a decision had been made by CIPFA on how to gain the required assurance (a statutory override has subsequently been issued). This issue mainly affects highways and therefore highways authorities however, the Council does hold some infrastructure assets. As a result of the work on Infrastructure Assets it was determined that the Council should re-classify some of its Infrastructure Assets to be Operational Land and Buildings (namely car park surfacing). The accounts attached show a change in the 2020/21 balance sheet to reflect this and as result this impacts on the 2021/22 accounts.

4.8 During the audit of the 2021/22 accounts it was concluded by Mazars that a prior period adjustment would be required to the 2020/21 audited accounts. This opinion arose from identification of a deferred capital receipt (£4.068m) in relation to the sale of land at Sharphill that was recognised in the 2021/22 CIES that should have been recognised in 2020/21 and held on the balance sheet as a deferred capital receipt (unusable reserve). The Section 151 Officer's opinion is that it is arguable whether the misstatement is material and whether a prior period adjustment is therefore necessary as, in accordance with the CIPFA code of practice, the transaction is only material if the omission or misstatement influences the decisions of the readers of the accounts. The Council had healthy reserves at 31 March 2021 and no external borrowing. The £4m would have been held in an unusable reserve and unavailable for capital financing and would therefore not have affected any financing decision or financing calculations in either year. Note 34 Contingent Assets also states the position on the deferred receipt and makes clear to the reader that the receipt was expected. The balance sheet at 31 March 2022 is correct and not affected by the omission in the 2020/21 accounts. Furthermore, it has been regularly reported in the Council's Medium Term Financial Strategy to fund future capital expenditure. Despite our reservations, given this is a subjective judgement we have agreed with Mazars to amend the 2020/21 figures and avoid the risk of the accounts being qualified.

4.9 A summary of salient points from the Statement of Accounts 2021/22 is provided below:

- Net Revenue surplus of £1.662m with the impact of Covid not as significant as expected on income generation from Car Parking and planning

- Net Transfer to reserves £1.142m (£6.219m surplus) net of capital transfer the overall transfer is £1.210m. Most significantly relating to revenue surplus and Business Rates grants.
- Transfer to Collection Fund Reserve of £3.179m to allow for timing differences in the collection fund deficit resulting from additional Covid reliefs.
- Creation of vehicle replacement reserve of £1m, planning £0.169m, other reserve commitments of £0.815m and carry forwards of £0.845m
- Overall Net Budget Variance of £0.211m surplus
- Council overall Net Worth has increased by £14.292m (to £46.848m) mostly from the movement in the value of the pension fund.
- Investments held at 31 March 2022 totalled £67.785m (up from £47.45m)
- Overall Earmarked Reserves balance at 31 March 2022 of £23.575m (up from £22.365m)
- General Fund balance remains at £2.604m
- Main areas of Capital Expenditure were assets under construction; Bingham Hub £10.6m, Crematorium £1.04m and other grants and contributions (Disabled Facilities Grants, Better Care Fund, Registered Housing Providers and Green Energy Grants) £1.541m. Capital Expenditure in the year was mostly funded by capital receipts and grants (no external borrowing)
- Business Rates position for the entire fund as at 31 March 2021 is £12.4m deficit and for Council Tax £1.6m deficit. The Council's liability is £4.98m and £0.16m respectively.
- Rushcliffe Enterprises Ltd (REL) which is the parent company for Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd recorded a net surplus of £0.281m after pension adjustments (£44k net deficit before pensions adjustment)
- Major Service Developments include the Freeport and Development Corporation, Bingham Hub, Crematorium, Digital by Design and Carbon Reduction measures
- 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 both respond to unexpected financial shocks and invest in service delivery.

## 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

The annual fee scale for cost of audit in 2021/22 has increased from £31,792 to £40,626. Such fee changes can be met from existing resources.

### 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 Crime and Disorder 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 2021/22 **(Appendix A)** including the Annual Governance Statement at Section B page XXVIII.

b) If work is still outstanding on the accounts, authority is delegated to the Director of Finance and Corporate Services to make any changes necessary resulting from the review of Infrastructure Assets and advise both the Chair of Corporate Governance Group and Finance Portfolio Holder accordingly and will be reported to the Members of Corporate Governance Group.

| | |
|---|---|
| **For more information contact:** | Name: Peter Linfield<br>Director - Finance and Corporate Services<br>0115 914 8439<br>Email: plinfield@rushcliffe.gov.uk |

| | |
|---|---|
| **Background papers Available for Inspection:** | |
| **List of appendices (if any):** | Appendix A – Statement of Accounts 2021/22 |

Rushcliffe Borough Council

# STATEMENT OF ACCOUNTS

# 2021-2022

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# A. NARRATIVE STATEMENT

## Welcome to the Statement of Accounts

## Introduction

As the Council's Chief Finance Officer, I have pleasure in presenting the Narrative Statement to Rushcliffe's 2021/22 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 2021/22.

The financial environment remains challenging with new and emerging pressures that continue to affect the Council's income streams. The Council's officers have continued to provide additional financial support to the residents and businesses in the form of grants, reliefs and energy rebates. Whilst the impact of Covid on everyday life appears to now be subsiding, the focus has shifted to the significant increase in inflation and fuel costs which affects both the residents and impacts on Council resources. Despite the volatile economic environment, the Council has continued to deliver the Medium-Term Financial Strategy focussing on maintaining quality services for it's residents. The Council strives to grow the Borough and over the last year has made significant progress on large development projects. The Council Corporate Priorities below remain a focus for the Council:

- 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.

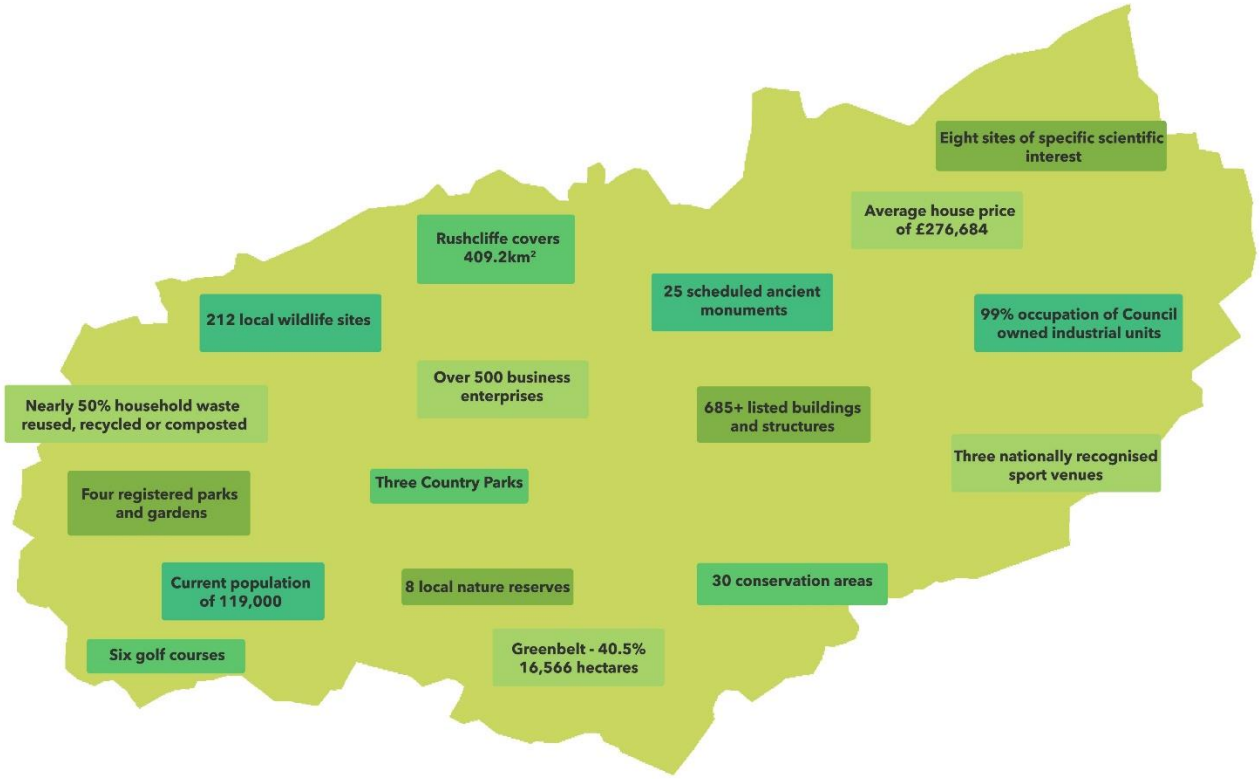
**Peter Linfield**
**Director - Finance and Corporate Services**

## 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 2021/22 (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 66 to 83 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 is almost complete on the £18m project which includes a 5500sqm leisure centre development with adjacent offices. It will operate a 78% carbon emission reduction compared to similar centres.

Work has started on our new crematorium facility and community space Rushcliffe Oaks and will open towards the end of 2022.

Distributed over 8,500 trees to residents, towns and parishes since our Free Tree Scheme began.

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

We have allocated funding to over 20 Rushcliffe community groups to reduce social isolation and loneliness.

An expected global hub for innovation for green technology potentially creating 60,000 jobs and generating investment in the local economy.

The £210,000 skate park is open at at Rushcliffe Country Park and work has commenced on refurbishment of the cafe, toilet and education centre.

Our Finance and Revenues teams maintained high collection rates of 99.1% and 99.3% for Council Tax and Business Rates.

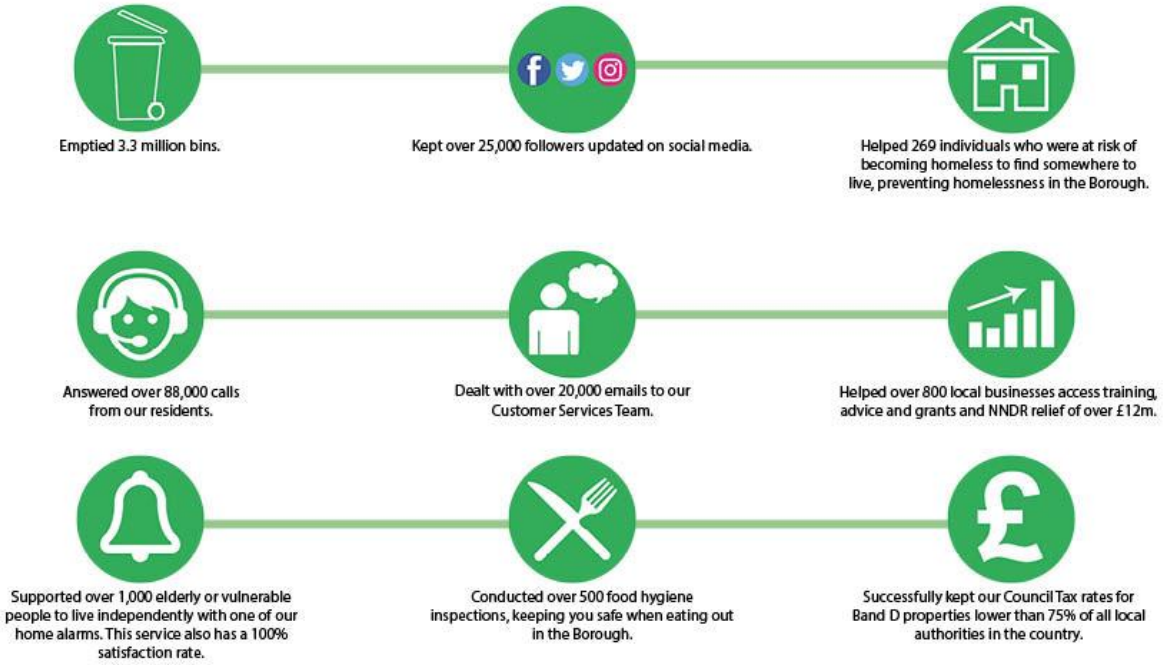
Launched the GovDelivery email subscription service, giving over 3,000 residents weekly updates on our services.

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

Our Home Alarms service has earned a 100% satisfaction rating by users for a remarkbale sixth year running.

We completed the sale of our former depot site that will bring over 70 exemplar low carbon new homes to West Bridgford.

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. The strategy is reviewed every three years by the Risk Management Group and Governance Scrutiny Group provides scrutiny of risk registers.

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 to the impact of the 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. Many of these risks have reduced over time and will be removed in due course. There are currently 44 corporate risks, 33 operational risks and 2 opportunity risks. Risks are reviewed each year as part of the Service Planning process and changes to risks are referred to RMG for approval.

Examples of risks that have been added or removed in 2021-22 are:

**Risks removed:**

- CRR_DEG03 Inability to draw down Growth Deal 2 funding within specified timescales
- CRR_FCS30 Ability to respond to government policy on Local Government reorganisation
- OR_DEG04 Failure to successfully review the day-to-day operation of Rushcliffe Arena

**Risks added or proposed by Risk Management Group:**

- CRR_ DEG04 Ability to deliver Rushcliffe Oaks project on time and within budget
- CRR_ DEG05 Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget
- CRR_ NS21 Ensuring the Afghan relocation scheme is supported in accordance with national guidance (potential funding and community cohesion issues)
- OPP_DEG County Deals – failure to secure opportunities for greater collaboration and Government funding.

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

| Risk | Likelihood | Impact | Action |
|---|---|---|---|
| The Council is unable to balance its budget and the budget is not sustainable in the longer term as a result of Covid. | Low | High | Going concern report presented to Governance Group to confirm that the Council has sufficient reserves to withstand the short-term financial shock as a result of Covid and ongoinf financial challenges of inflation. The MTFS will be updated to reflect such risks. |

| 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 (to be topped up by £0.2m in 22/23) reserve created and the potential for a Freeport. Growth Boards will also help support the business community.<br><br>Budget at safety net position and we achieve our central case predictions this will reduce the need to utilise reserves.<br><br>Further power station appeal in 2021/22 means the level of business rates has significantly reduced and similarly any Council dependency. |
| 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.<br><br>Budget at safety net position. |

| Risk | Likelihood | Impact | Action |
|---|---|---|---|
| The Council does not achieve Council Tax income levels as projected in the MTFS and linked to Government referendum limits. Covid impacts upon levels of Council tax collected<br><br>Impact of demand as a result of the cost of living crisis | Medium | High | Continue to monitor government policy and lobbying. Budget workshops for members so they are clearly informed regarding the impact of alternative decisions.<br><br>Spread Council Tax losses over 3 years as per statutory instrument.<br><br>Ongoing budgetary monitoring. |
| 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.<br><br>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 and current inflation issues 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 |

| Risk | Likelihood | Impact | Action |
|---|---|---|---|
| Failure to deliver the required Transformation Strategy and in particular projected savings/costs from larger projects such as the Crematorium and Bingham Leisure Hub. | Low | High | Effective programme and project management.<br><br>Project delays and financial impact on the 2022/23 budget reflected in the 2021/22 Financial Outturn report. |
| The impact of wider economic conditions (particularly Covid and inflationary impact as a result of the Russia-Ukraine conflict) on interest rates, the property market, impacting on investments and any future borrowing; pay and supplies and services inflation cost risks (particularly utilities). | High | Medium | Advice from the Council's treasury advisors, and more investment diversification with a wider range of institutions and property investment diversification. Monitoring borrowing rates. Prudent assumptions in the MTFS.<br><br>Additional contingency and budget provision a sper the 2021/22 financial outturn report. |
| 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 2024. Assess and monitor. |

| Risk | Likelihood | Impact | Action |
|---|---|---|---|
| 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) this will be topped back up to £1m in 22/23, ongoing review of significant projects and outcome of scrutiny review.<br><br>Further £1m vehicle replacement reserve to help mitigate against rising costs of environmentally friendly vehicles.<br><br>Optimising external funding where it is available. |
| Insufficient funds available to meet Disabled Facility Grants demand and DFGs provision either stalls or stops. | High | Medium | Report to July Cabinet 2022 highlights the position and the need to receive further Better Care Funding. |

## 4. Revenue Expenditure and Income

During 2021/22, the Council supported the local community with various Covid -19 government funded grant schemes. This included grants to support businesses such as Restart grants, Additional Restrictions Grants and more recently the Omicron Grants and Energy Rebates. 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 2022/23. Total grant expenditure in 2021/22 was £6.5m and £0.68m balance remaining.

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.

Following significant reductions in income in 2020/21 as a result of Covid, the 2021/22 budgets were reduced to reflect expectations of a legacy impact on key areas namely planning, car parking and facility income and an increase in general contingency. The anticipated reductions did not materialise, in addition investment income is higher than budget and officers have also made a conscious effort to constrain expenditure, increase income and continue to deliver effective services and consequently the overall position on the net cost of services excluding recharges is £1.662m surplus.
During the year the Council received government support of £0.118m (net of payments out to businesses) and surplus £4.4m relating to S31 grant for Business Rate Relief reimbursement and a share of the Nottinghamshire NDR pool surplus. Consequently there is an overall net transfer to reserves of £1.452m (overall net transfer £1.21m after £0.242m use of reserves for Capital) against a revised budgeted transfer from reserves of £4.767m; an increase in the planned transfer of £6.2m.

Of the £8.361m transferred to reserves, £1.633m was New Homes Bonus (NHB) and £1m to the newly created Vehicle Replacement Reserve and the surplus on collection fund as a result of S31 reimbursement for additional reliefs (£3.179m). The remainder was largely due to the revenue efficiency (net of reserve commitments) (£1.871m) and the year-end net efficiencies and Covid related grants (£0.118m). Much of the £7.151m use of Reserves was to release to the collection fund for the deficit arising from 2020/21 (£4.024m), 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 vehicle replacement;
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services including website upgrade;
- Ensuring the Council is equipped to deal with unforeseen reductions in income or increased spending pressures such as those caused by COVID 19 and more recently the inflation pressures linked to the war in Ukraine; and
- 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, 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) and collection fund deficit (£4m). The General Fund Reserve Balance therefore remains unchanged from 2020/21 at £2.604m. Earmarked reserves have increased by £1.21m (£1.452m Revenue less Capital £0.242m), from £22.365 to £23.575m, (see Note 4). As already stated much of this is due to the

timing impact of the adverse impact on the Collection Fund from reliefs administered in the year. A healthy level of reserves is essential for the Council to withstand any future financial pressures whilst enabling the Council to develop and grow the borough and deliver the Council's corporate priorities.

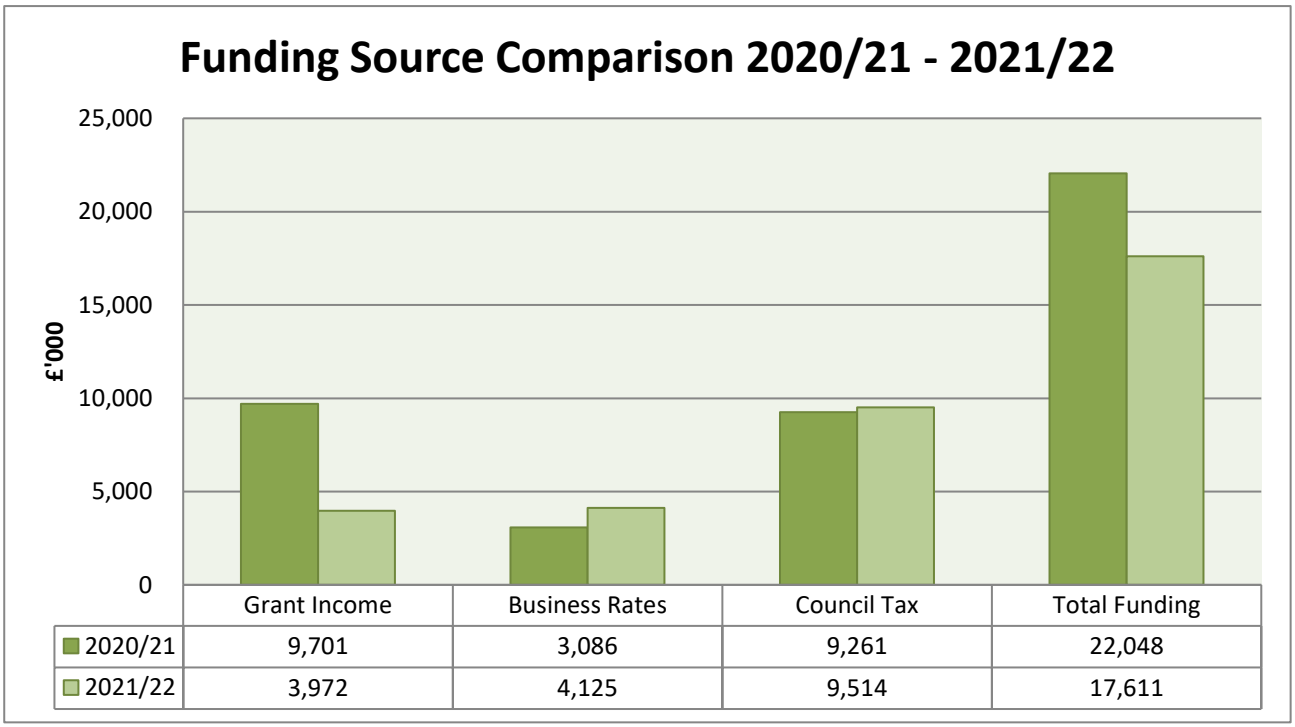
The following table demonstrates where money was spent in 2021/22, showing a net underspend on direct costs of £1.662m against budget (reported to Cabinet on 12 July 2022):

| | Original Budget excluding Recharges £'000 | Revised Budget £'000 | Outturn | Variance |
|---|---|---|---|---|
| **Chief Execs** | 2,055 | 1,956 | 1,808 | (148) |
| **Development and Economic Growth** | 6 | 197 | (36) | (233) |
| **Finance & Corporate** | 4,292 | 4,563 | 3,753 | (810) |
| **Neighbourhoods** | 6,920 | 7,374 | 6,903 | (471) |
| **Sub Total** | **13,273** | **14,090** | **12,428** | **(1,662)** |

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

The Council also received a number of Covid related support grants and S31 grants relating to Business rates relief which (net of grant payments out) brings the overall net variance to surplus of £6.2m to transfer to reserves. The majority of this surplus results from the reimbursement of additional business rates relief and Covid Additional Relief Funding (CARF) that were issued during 2021/22 in response to the continuing effects of the pandemic. The deficit of £5m in the collection fund at 31st March 2022 created as a result of the additional reliefs will, due to statutory accounting arrangements, will not affect the accounts until 2023/24 and 2024/25. In order to smooth the impact of the deficit £3.2m 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 create a Vehicle Replacement Reserve (£1m) and resource schemes that are to be carried forward into 2022/23, for example to bring the Street Cleansing and Grounds Maintenance functions back in house and to meet expected pay and other inflationary pressures.

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 the CIPFA code of practice bringing the total funding net of these grants to £13.6m. Even taking into account the grants relating to Covid, the table demonstrates the Council's reliance on local taxation to fund net council expenditure; 54% from Council Tax (42% 2020/21), 23% from Business Rates (14% 2020/21) and 23% (44% 2020/21) from grants. This has reduced from 2020/21 due to the number of grants relating to Covid now starting to subside. Of the grants funding £1.633m is New Homes Bonus largely used to finance capital expenditure. New Homes Bonus is expected to cease after 2022/23 although a consultation was held in 2021 the results have not yet been released. Reviews of the funding system are not likely to take place now until 2024/25 and so it is possible that NHB may be extended for a further year.

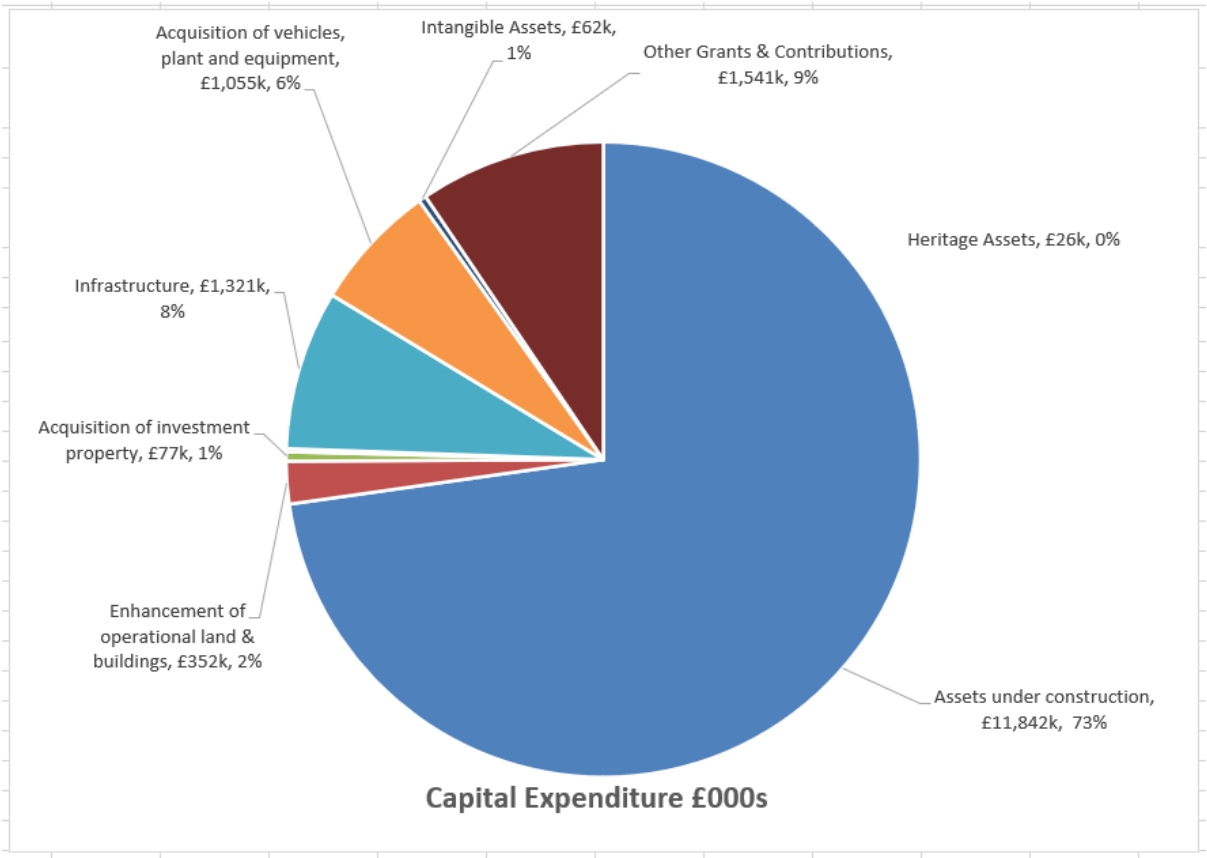



| | Grant Income | Business Rates | Council Tax | Total Funding |
|---|---|---|---|---|
| 2020/21 | 9,701 | 3,086 | 9,261 | 22,048 |
| 2021/22 | 3,972 | 4,125 | 9,514 | 17,611 |

Source: Taxation and Non Specific Grant Income - Note 7

## 5. Capital Expenditure and Income

The following chart shows the breakdown of Capital Expenditure in 2021/22:




The chart above shows the main area of capital expenditure relates to Assets Under Construction £11.842m, 73%, with the release of Capital Grants and Contributions as the next highest £1.541m, 9%.

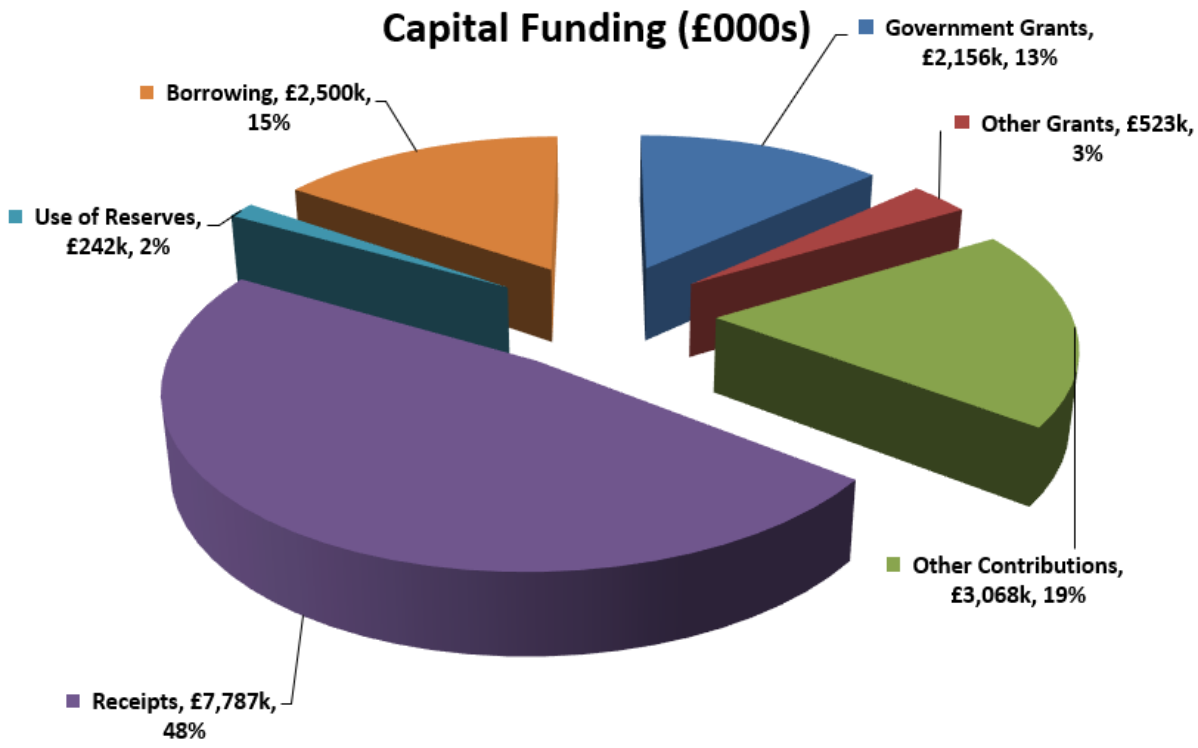
As well as delivering day to day services, the Council also spends money on capital works, creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. Key areas of capital expenditure in 2021/22 comprise:

- Assets Under Construction - £11.842m. Of which, £10.587m was spent on Bingham Leisure Hub and Offices and £1.039m for The Crematorium as these new builds progress.
- Other Grants and Contributions - £1.541m. Monies released to finance capital assets owned by third parties. Primarily this expenditure was on Disabled Facilities and Better Care Funding Grants £899k; Support for Registered Housing Providers £301k; and the new initiative: LAD2 Green Energy Grants £228k.
- Vehicle, Plant and Equipment - £1.055m. Of note are: acquisition of 3 Refuse Freighters £563k; Gresham Pitches lighting additions and upgrades together with maintenance and site equipment £159k; and replacement ICT Equipment and Technical Infrastructure £165k.

Gresham Sports Park opening

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2021/22 the Council spent £16.3m compared to an overall Capital Programme of £27.2m giving rise to a variance of £10.9m. This is due to programme rephasing and the carry forward commitments total a net of £10.646m. The most significant of which are £5.673m for the Bingham Hub Leisure and Office scheme; £2.973m for The Crematorium; and £0.407m to finish the new initiative: LAD2 Green Energy Grants.

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




Source: Capital Expenditure and Capital Financing- Note 29

Capital resources available in 2021/22 allowed for all capital expenditure to be met without recourse to borrowing. The key elements of funding comprise:

- Capital Receipts - £7.787m 48% of capital expenditure was covered by capital receipts. Significant sums are still being received from the overage agreement in place at Sharphill Wood. These sums, together with historical capital receipts, were used to fund: £5.2m of Bingham Leisure Hub; £1.1m Crematorium Costs; and £0.563m for vehicle acquisitions.

- Government Grants - £2.1m. Of this, £0.9m came from the European Regional Development Fund to support the Office element of Bingham Hub; £0.9m 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'; £0.228m was applied to meet costs of the new LAD2 Green Energy Grants scheme.

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. There was a need to use a further £2.5m to meet part of the capital expenditure on Bingham Leisure Hub in 21/22. 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 around £1m a year, until the balance of internal borrowing is recovered. (See the Capital Financing Requirement note 29). The charge (MRP) to the revenue budget has been covered by the release of New Homes Bonus reserves to wholly mitigate any impact for Tax Payers and exceeds the amount we would have to pay if it was based upon the asset lives.

At 31 March 2022, the balance in the Usable Capital Receipts Reserve stood at £0.8m (2020/21 £0.5m). 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 2021/22 £5.2m of capital receipts were received, primarily from: Disposal of the Depot Land (4.8m of which £1.2m is a deferred capital receipt); 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 2022/23 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 2022, 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 continue to be reassessed as part of the MTFS. 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 versus future capital demand.

Rushcliffe Oaks Artist's Impression

## 6. Major Service Developments, Future Challenges including COVID 19

The Council had anticipated that the negative impact of Covid would continue in 2021/22 and had subsequently budgeted for a loss in income on key services such as Car Parking and Planning income. Pleasingly the recovery was quicker than anticipated with reductions not as significant as expected. As a result of prudent budgeting Council reserves have been maintained during the pandemic and in-year government grants and efficiencies identified by officers has resulted in a net efficiency position in 2021/22 allowing for replenishment of reserves to insulate against future pressures (such as the Power Station appeal - discussed below). The Council has successfully responded to the additional pressures ranging from processing grants and reliefs, signposting residents to food vouchers and submitting additional government returns and reconciliations. Teams within the Council collaborated to ensure the services to residents were maintained which demonstrates the resilience and commitment of Council staff to the welfare of residents.

The Council have actively supported the reopening of the highstreets by using funding to promote businesses and by applying the 'free after 3' initiative in its car parks for the first six months of the year. Once restrictions were lifted the Council resumed activities in the borough delivering enhanced summer events to encourage people back into the high streets. A high street ambassador and town centre manager were appointed to support reopening of businesses and deliver events to boost economic activity. A business support web page is available to support businesses with regular posts via social media.

Government funding was used to support those residents most in need supporting the Holiday Activities Food Programme delivering Summer Holiday and Christmas programmes for children. The Social Recovery Funding and Community Food funding allocated by central government saw a total of £220,732 awarded to support social recovery projects and £103,662 for Community Food based projects across Rushcliffe. Councillors supported voluntary and community groups as well as parish councils by allocating Council funding which was used to support delivery of vital services within their local communities.

Despite all of the additional pressures on funding and staff resources the Council continued to focus on growth in the borough further progressing major projects such as Bingham Hub and the Crematorium, both of which have made significant progress and are due to open late summer 2022. Further development works have been commissioned to develop the visitors centre and improve facilities at Rushcliffe Country Park (RCP) for its visitors. Work is also ongoing to support 'green homes' improvements to 57 houses in the Borough after successful application for Local Authority Delivery (LAD) as well as the new Home Upgrade Grant (HUG) funding. This is expected to be completed by June 2022

In March 2022 the Freeport Proposals for the East Midlands were approved. The scheme is the only inland freeport to be approved in the UK and will see the development of three sites; East Midlands Airport, East Midlands Intermodal Park and Ratcliffe-on-Soar Power Station into a global hub for innovation for green technology potentially creating 60,000 jobs and generating investment in the local economy. Further work will continue in the coming year to finalise policies and commence development.

During 2021/22 the Ratcliffe on Soar Power Station was successful in a business rates appeal. As a major contributor to business rates in the borough and to Council funding, this has a significant impact. Prudent budgeting by the Council has meant that provisions have been set aside that absorb the majority of the impact in relation to prior years. Moving forward the impact on funding will be offset by minimal temporary use of reserves.

There is still much uncertainty surrounding Government funding reviews which have been delayed for another year and subsequently means the Council only has financial stability for one further year making financial planning challenging. It is unlikely now that any funding reforms will take place in 2023/24 and are likely now to be 2024/25 at the earliest. Further announcements are awaited in the SR2022 on potential reforms although it is possible a further year of funding at current levels may therefore be announced in the interim.

The legacy of Covid continues to present in the form or staff shortages and reduced consumer activity but in addition there is also the inflation pressures with inflation predicted to peak at around 10% and the war in the Ukraine affecting fuel and commodity prices. The Council's budget will, unsurprisingly, be negatively affected not only on the costs of delivering Council services (such as fuel on refuse collection) but also there is a risk of a reduction in fees and charges income as consumer confidence drops. In 2021/22 the pressure has been absorbed by efficiencies elsewhere in the budget and from initiatives to generate income but moving forward this represents a significant risk. In order to mitigate against this the Council has increased the contingency budget in 2022/23, from in-year budget efficiencies, which should provide a cushion against potential losses. Furthermore the use of 2021/22 budget efficiencies will help insulate budgets against inflation risk.

The Audit and Finance environment is facing unprecedented pressure with the sector having the worst performance on audits signed off last year (only 9% by the deadline) and generally recruitment is difficult across the local government sector. As well as extending the accounts and audit deadlines to alleviate some of the pressure, in early 2022 there was an emergency consultation proposing delays to some of the reporting requirements. It is now confirmed by Financial Reporting Advisory Board that the IFRS16 leasing standard will be delayed which will reduce some of the burden on Councils to implement the additional requirements (at least for one further year) with implementation 1 April 2024 (or earlier).

Following the large-scale overnight transfer to remote working during lockdown the Council have now started to return to a hybrid way of working between the office and at home supporting employees work life balance. The Council's Customer Service Centre and contact points were closed in line with government restrictions and reopened to the public in June 2021 providing face to face customer support four days a week across four locations. New Customer Service Standards have been introduced across the organisation to meet customer expectations in line with a significant rise in email and web enquiries. Services have seen a channel shift with an increase in engaging digitally with residents.

The Audit Report and VFM statement for 2020/21 recognised the Council's response to the pandemic in the early stages commenting upon early reporting of the in-year review to reflect the impact of Covid-19 on budgets and financial performance. It was also recognised that the level of Council reserves provided some mitigation against future financial challenges and similarly for 2021/22 the position reflects the Council's prudent approach to ensuring the reserves are available to support future budget volatility.

One of the Council's priorities is residents' **Quality of Life** and, as mentioned above, projects such as Bingham Hub, the Crematorium and RCP developments continue to remain key priorities. The Freeport brings economic and employment opportunities to the borough and the Council supports local Growth Boards in developing the borough. The Council set up Reach Rushcliffe, an initiative designed to help support local initiatives that aim to tackle loneliness and social isolation. Loneliness is fast becoming one of the greatest social challenges nationally and whilst often associated with older people who live on their own, it can affect anyone of any age and linked to issues such as obesity, smoking and can increase risk of dementia. The Council has also administered government business grants, test and trace payments to support low income residents affected by Covid and have managed the allocation of the energy rebates to households from April 2022.

The Council always strives to deliver **Efficient services** and, during the pandemic, has been at the forefront of issuing business grants ensuring payments were made soon after funds were received. Test and trace payments were processed quickly and efficiently to those in need and, despite funds for CARF only arriving in March 2022, the relief was applied to eligible businesses by the 31st March 2022. The Council has a digital by design project board which focusses on improving the interaction between residents and the Council. Digital projects include the new facility booking system (Stripe) and the My Account facility with the Meritec system and will be focusing on replacing the Council's website over the next 12 months. Business Rates and Council Tax collection rates have been maintained at pre-pandemic levels supported by the efficient processing of discounts and reliefs and pro-active identification of residents that may be eligible but had not originally claimed such reliefs. Housing benefit processing time has remained above national average despite claim numbers rising during the pandemic period. In early 2022 the Council made a decision to bring back in house its wholly owned company Streetwise. It is anticipated that this will improve service performance and result in efficiencies. Further work is planned on integrating the financial impact via the Council's Transformation Programme going forward.

Rushcliffe continue to focus on delivering **Sustainable Growth**. This has included projects to support reopening highstreets as mentioned above, the Freeport development, and delivery of 1,188 new homes in 2022/23. In addition to this figure, 71 energy efficiency houses will be built on the land released at the Abbey Road Depot Site due for completion 23/24. The Council's Community Infrastructure Levy which was introduced in 2019 has collected £ £2m with a further report to Cabinet this summer due on its proposed use. The Development Corporation (DevCo) reserve created in 2020 is now supporting the development of both the Freeport and DevCo areas, in the interim period. The Reserve balance currently stands at £0.33m (having released £0.170m in 21/22) and this has been committed to the

development of the Ratcliffe-on-Soar site. Whilst the Council no longer has an Asset Investment Reserve (with the balance retuned to the capital funds this year) it continues to review its existing assets and reported to both Cabinet and the Governance Group (respectively December and November 2021).

One of the Council's key priorities is **The Environment**. The Council created a Climate Change reserve in 2020 which will be replenished in 2022/23 bringing the balance to £1m. Opportunities are actively being sought and projects to date, as already stated, include LAD and HUG (improving low energy efficiency housing – fully funded by government grants), electric car charging points at Gamston and LED lighting at some of our operational land and buildings. There is a proactive move to install carbon offsetting measures on Council projects: photovoltaic panels, air source heat pumps, low flush sanitary wear, LED lights, and highly efficient building fabric at Bingham Hub. The Council continues to roll out EV charging points, secondary heat exchanger installation (heat from the cremator will then be distributed to heat the building), acquisition of electric cremators together with LED lighting throughout the building and grounds at the Crematorium. Energy efficiency policies in relation to Planning continue to be developed in line with national guidance.

Bingham Arena Development

## 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 by £0.855m mainly due to Disabled Facilities Grants (offset through reserves from Better Care Funding) Covid related grant payments and the increase in salaries and agency costs on planning and refuse collection. The movement in Other Operating Expenditure (restated balance) (£4.851m) arises mainly from £8m recognised in 2020/21 for receipts from Sharphill overage and a significant drop in Covid business grants (£3.4m) passported via government funding compared to the previous year when the support was at its peak. The Covid related business grants that have been paid in the year 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 (£0.117m) is technical in nature and primarily relates to the movement in Fair Value of Investment Properties. The revaluation exercise in 2021/22 gave rise to a deficit of £0.307m which primarily relates to the downward valuation of Cotgrave Phase II Redevelopment upon completion. Costs accrued to the project for demolition, surveys, legal and professional costs which do not ultimately form part of the value of the completed assets. This is offset by an increase in value (£0.173m) of the Council's investment in pooled funds. Whilst the movement in the value of the Treasury investments is positive, the value of these funds can fluctuate (although the investments are expected to appreciate over time). As part of this report it is proposed to appropriate funds into a reserve to cushion any adverse fluctuations.

  There is a movement in Taxation and Non-Specific Grants of £1.094m in 2021/22 owing mainly to a significant reduction in Covid grants received by the Council (£5.332m) and S31 grants in reimbursement for reliefs given for NNDR of £1.961m. Both these reductions are offset by similar reductions in other operating expenditure (see note 5) and a reduction in the in-year deficit on the NDR element of the Collection Fund (£2.586m) and this reflects the reduced level of reliefs given and therefore grants received.

  The Council has also released Capital grant funding of £4.305m in the year in relation to projects including Bingham Hub and Gresham (see note 27).

  The variances above have resulted in an overall surplus on the Provision of Services of £2.942m compared to a surplus of £9.859m in 2020/21.

Revaluations on non-current assets has resulted in a surplus of £1.696m (net increases in operational car parks £579k, leisure centres £479k and the pavilion at Alford Road £285k).

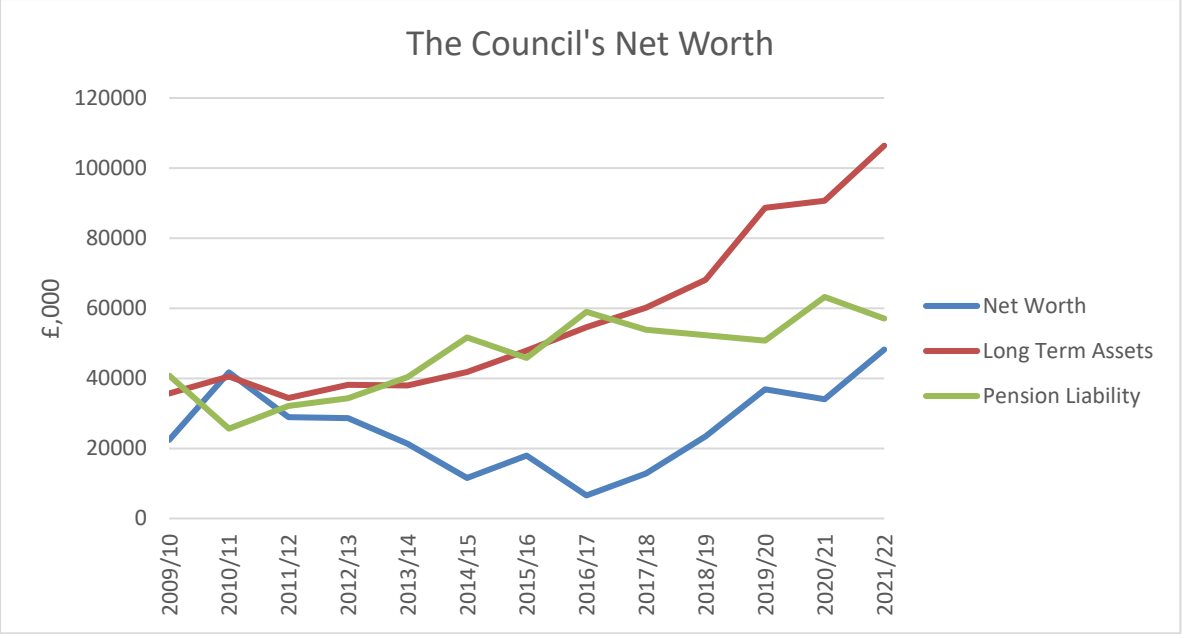
There have also been pension adjustments changes in actuarial assumptions (Surplus of £9.567m compared to a deficit in the previous year of 13.064m). This movement represents a decrease in liabilities due to changes in financial assumptions made (discount rates and future salary and pension increases) £5.712m, a reduction in liabilities due to positive return on assets £4.176m offset by an increase in liabilities due to other experience assumptions £0.321m.

- **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 8) –** 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 increased by £14.3m. In the year, the cash and cash equivalents have increased by £20.5m mostly in relation to the additional grant payments received from government for business support and in relation to reliefs applied to NNDR and from the disposal of an asset held for sale (AHFS). This is partially offset by an increase in short term creditors pending repayment of balances (£6.4m) and capital grants receipts in advance (£13m) mostly relating to S106 and CIL planning agreements. Long term provisions have decreased by £1.6m and relates to the Business Rates appeals provision as there has been a settlement of an appeal on Ratcliffe on Soar power station. The Pensions Fund actuarial calculations have been reassessed as at 31st March 2022 to capture any movement in relation to the economic environment on the asset values. The accounts reflect the valuations with a net decrease of £5.3m in liabilities. Long term investments have increased by £2m reflecting an increase in the investments in the diversified funds during the year.

  PPE has increased by £12m primarily due to expenduiture on Bingham Hub and the Crematorium (Assets Under Construction). The Depot land asset held for sale of £4.6m in 2020/21 has now been disposed (resulting in an increase in cash as referred to above).

The following graph shows the change in the Council's net worth over the past ten years. Over the last ten years there has been a positive trend of an increase in net worth (with a downward turn in 2020/21 due to the impact of the Covid-19 pandemic on pension values) the net worth has increased in 2021/22 to £47m.




Source: Balance Sheet

- **Cash-flow Statement (Page 9)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes**.**

- **Notes (pages 11-87) –** these provide supporting context to the above Statements.

- **Accounting Policies (Pages 66-83) –** these explain the bases of the figures presented in the accounts.

## 8. Supplementary Financial Statements

- **Collection Fund (pages 88-91) –** 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 £12.4m on the Business Rates section of the Collection Fund, as a result of additional reliefs issued in response to the continued effect of Covid during 2021/22 and an increase in appeals provision. The deficit on the Council Tax section has increased to £1.6m (from £1.4m) mostly as a result of the spreading of the deficit from 2020/21 which saw reduced income relative to the precept requests by various authorities mostly as a result of Covid.
- **Group Accounts (pages 92-100) –** 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 (SEL) and Streetwise Environmental Trading Ltd (SETL). Although this company is currently dormant, the accounts of the subsidiaries have been consolidated. The Council has made a decision to bring back in house the Streetwise function during 2022/23.

SEL & SELT made a combined loss of £44k. After taking into account pension gains this resulted in a profit of £0.281m and is reflected in the Group Movement in Reserves Statement (Section G Note1)

## 9. Summary

The Council has, and continues to face, many significant financial challenges. Delayed funding settlements and unexpected financial pressures (such as Covid, the war in Ukraine and more recently rises in inflation) make financial planning challenging. In this volatile environment, a culture of prudence is essential, however, the Council also has ambitions to deliver initiatives focusing on investment and growth in the community (including the opportunity of the Freeport) and this will stand the Council in good stead to meet both the operational and financial challenges it now faces. The Council must ensure it is prepared to face future financial pressures 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 has committed to meeting a net zero carbon emissions target and in support of that holds a Climate Change Reserve and has created a Vehicle Replacement Reserve.

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 (under much tighter constraints) 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 in these most challenging of times. At the fore-front 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 2022

# 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 2022 and up to the date of approval of the statement of accounts.

## 2 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 2026/27 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 2026/27. 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. The 2022/23 Medium Term Financial Strategy (MTFS) predicts a deficit of £1.3m to 2024/25 (returning to a surplus thereafter). Last year we projected a budget deficit of £1.5m until 2023/24 in the MTFS. The impact of both Covid and now the Ukraine conflict continues to be felt with the impact of rising inflation. This undoubtedly presents risk to the Council's budget position. That said the Council has increased Contingency budget to £0.3m and a recommendation to July 2022 Cabinet (as a result of 2021/22 budget efficiencies) a further £0.25m pay contingency given the uncertainty of future pay awards. Other pay and service pressures arise from the ability to attract and retain staff and the impact on Council pay scales of the increasing national minimum living wage. This is likely to lead to significant additional financial pressures as staff salaries are affected and pay differentials are eroded. This

may also have an impact with our external partners (eg Leisure contracts) who will look to address the potential of a rising cost base.

A combination of cost control and income generation and better than expected local economic performance linked to prudent Covid assumptions, has resulted in a budget efficiency position in 2021/22 of £0.211m (taking into account government grants to mitigate the impact of Covid, carry forward requests to meet service challenges and new reserves such as for vehicle replacement to maintain effective service delivery and meet the additional investment as a result of carbon neutral initiatives). Going forward there remain significant financial risks, and these are commented on below. Over the next 5 years a net budget deficit position is anticipated of £0.624m. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of Covid and the ongoing economic impact (particularly the impact of high inflation) as a result of the Ukraine crisis means the trajectory of economic recovery remains uncertain and will continue to be closely monitored and the associated changes to the Council's projected financial position.

Going forward the Council will review the Transformation Programme including the impact of delays to both the development of the Crematorium and Bingham Leisure Hub on income streams and leisure contract savings. Streetwise is being brought back in-house and its performance, both operational and financial, will continue to be evaluated. The Business Rates, Fair Funding and New Homes Bonus reviews continue to be delayed and it is anticipated now that these will not come to fruition until 2024/25, at the earliest. Revised assumptions will be reflected in the 2023/24 MTFS.

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 bringing Streetwise back in-house; and

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

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 its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub and the 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 £1.6m (2021/22) to £2.4m (2026/27) and performance is reported to Corporate Governance Group throughout the year. The Council no longer invest in assets specifically for a commercial return.

## 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 2021 and a further review is planned for July 2022.

## 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 2021/22, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2021/22, 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.
- The Chief Executive and three 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, the Governance Scrutiny Group reviewed the Risk Register in September, considering Risk corporate, operational and Covid-19 related risks. Six new risks were reported and five were removed. Additionally, there were five increases and ten reductions to risk ratings.

The Council also reports on risk as part of its reporting framework to Full Council, Cabinet and Scrutiny.

The 2021/22 Annual Report by Internal Audit pleasingly states '*Overall, we are able to provide* ***Substantial Assurance*** *that the risk and control arrangements at the Council should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. This is our highest level of assurance*'.

This reflects well on the Council particularly against the current background of the Covid-19 pandemic and now the 'cost of living crisis' and ongoing impact of the Russia-Ukraine conflict.

## 2.6 Development and training needs

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| **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 the development and delivery of Councillor learning and training. This Group meets to review the delivery of the annual training programme and looks at the Councillors' Community Grant Scheme before each election.

Following the suspension during 2020/21 to enable Councillors to spend additional time supporting their communities, the Council adopted a Councillors' Learning and Development Policy in July 2021. Training required for membership of regulatory committees was brought up to date and additional training for councillors was delivered in-person, virtually and via the Council's e-learning platform. Topics during 2021/22 included Defib and CPR, Enforcement, Planning, Motions, Scrutiny, Treasury Management and Media Training. Councillors now have an Individual Training Record which lists the training they have done during this term of office.

During 2022/23 the Council's Member Development Group will meet four times to develop the Council's Become a Councillor Campaign, the induction programme which officers deliver following the Borough Council election in May 2023, and the training plan for 2023/24 following the induction.

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. A skills audit for Corporate Governance Group Members is due to take place in the coming months.

## 2.7 **Communication**

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| **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 request customer feedback.

A three yearly resident's survey was publicised in the magazine in its summer edition and across the Council's digital channels that saw 84% of respondents satisfied, or very satisfied, with their local area as a place to live, 2% higher than the Local Government Association national survey.

Despite further COVID-19 challenges, 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 saw it attract hundreds more subscribers across its various channels as they in total approach 20,000 followers.

During 2021/22, the Council continued developing its electronic free subscription newsletter to stakeholders, another communication method that now sees thousands receive a weekly digest on council news and updates direct to their inbox.

Customer satisfaction surveys also resumed with key customer facing services such as environmental health, revenues and benefits and the Home Alarms service. The latter received a 100% satisfaction rating from users for the sixth consecutive year. The feedback received from these exercises will continue to be used to improve services to all customers.

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## 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. In 2021/22 there were 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. Its level of profits have been minimal and a decision was taken by Cabinet in February 2022 to bring the Company back in-house from 1 September 2022. This was precipitated by the loss of the Metropolitan Housing Contract; and when balancing risk with reward there was little justification to retain a separate Company.

Since 1 June 2022 the Chief Executive is the Chair of the Company until it winds down, with the Council's s151 Officer also representing RBC as a Corporate Director.

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. Currently this is dormant.

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) and annual reports to both Governance Scrutiny Group and Cabinet. From 1st September 2022 such arrangements will no longer be required.

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 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. The Leader sits on the Oversight Authority.

Furthermore the power station site is part of the proposal for the East Midlands Freeport one of 8 successful bids announced by the Chancellor. The Council currently awaits the outcome from the Department for Levelling Up, Housing and Communities (DLUHC), with the Final business Case now being submitted. From 1 June 2022 the Freeport was incorporated as a Company – East Midlands Freeport (EMF). The Leader of the Council sits on the Board as a Director. Both the DevCo and Freeport present great opportunities for a world-class green and blue environmental investment programme with research and development in climate change and zero carbon technology and will enable employment opportunities and infrastructure investment.

The Council is engaged in the current County Deal proposals with other Derbyshire and Nottinghamshire authorities. There is the real likelihood of an East Midlands Mayor being in situ from May 2024. Current proposals would still mean Rushcliffe as a Borough will retain its sovereignty, although there is a clear direction of travel for Councils to work more collaboratively for the benefit of their local communities.

## 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 diversity annual report, annual customer survey and the health and safety reports. 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 the WISE environmental crime enforcement update. 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 the River Trent footbridge and cycling networks in the borough.

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. In 2021/22 the number of Directors was reduced from four to three and the Chief Executive having a department with responsibility for Legal Services, Human Resources and the Business Support Unit.

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 2023/24. 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 positively '*Overall, we are able to provide* ***Substantial Assurance*** *that the risk and control arrangements at the Council should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. This is our highest level of assurance*'. Last year the rating was 'moderate assurance' so this represents an improvement in the rating. To this end the Council maintains an adequate and effective framework for risk management, governance and internal control, 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 2020/21 financial year, 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 'we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability'.

## 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. Two reports have been presented to the Corporate Overview Group looking at both the internal and external impact of Covid on both the Council and Borough (both community and businesses) and importantly how the both the Council and the community rose to address the challenges presented by Covid.

Commendably the Council has continued to deliver its core services and many areas of income have recovered to pre-Covid levels, including car parking and planning and we have continued with services such as green waste. Some areas have still not fully recovered such as the Council's leisure centres but are approaching pre-Covid levels. There have been a number of high street incentives such as the 'free after 3' initiative for car parking, with summer events planned for 2022 to further encourage increased footfall.

Government funding was used to support those most in need with some £103k of community food based projects supporting residents over both summer and Christmas periods. Covid and Business Rates relief grants amounted to in excess of £5.6m. This continues to present work pressures on both the revenues, finance and customer service teams, which continues into 2022/23 with the new £150 energy rebate grants to assist residents with 'cost of living pressures' (£4.8m or 87% of grant, paid to residents by the start of June 2022).

Excellent IT has enabled staff and councillors to continue to work remotely. Increased enforcement has been necessary at various stages of lockdowns.

There have been numerous Covid reports to Cabinet (and many returns to central government) during the year and a 'Going Concern' Report regarding the Council's immediate financial viability was presented to the Governance Scrutiny Group in November 2021. 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 | Services have largely continued as normal. During periods of lockdown front line services such as leisure centres and customer contact centres have been more effected. Car Park charges were temporarily suspended to assist business recovery, in 2021/22 for 6 months. 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 and the impact on services as a result of Covid (on employee sickness) has been minimal. The Annual Health and Safety Report will be reported to September's Corporate Overview Group. |
| 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. Some payment holidays (or deferrals) have been granted to commercial tenants on a case-by-case basis. Council Tax and Business Rates collection rates remained high at the end of 2021/22, |
| Reserves, financial performance and financial position | The March 2021 budget projected a transfer from reserves of £3.7m largely to fund Covid grants. At the end of the financial year there was a transfer to Reserves of £1.4m due partly to budget efficiencies but in the main due to Covid grants. Overall earmarked reserves stand at £23.6m at 31 March 2022.<br>Retaining sufficient reserves is essential given the volatile financial environment we currently operate in. The Council's earmarked reserves at 31 March 2022 stand at £9.5m (excluding New homes Bonus and Collection Fund Surplus).<br>The delay in Business Rates reform and Fair Funding creates further uncertainty going forward.<br>The capital programme has been updated with a particular focus on the Crematorium and Bingham Leisure Hub. Property, plant and equipment assets have increased in value as at 31 March 2022 by £12.2m reflecting investment in the asset base (particularly 'assets under construction').<br>The Council continues to monitor financial impairment regarding potential 'bad debts' and these amount to £0.14m a decrease of £0.03m from 20/21 due to a reduction in debts over 365 days. |

| | |
|---|---|
| Cash Flow Management | The Council during the year has again 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. To date the local economy and community has been resilient to the impact of Covid. Vigilance will be maintained particularly regarding the ongoing impact of the 'cost of living crisis'. |

*The CIPFA Financial Management Code*

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

Last year we detailed the Council's self-assessment and nothing has changed regarding this. 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. We will be asking a neighbouring authority to review the assessment with the results being reported to GSG in the AGS next year.

*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 DevCo and Freeport Boards. Going forward the principle of 'no detriment' for business rates future gains, on the power station site, is being pursued so that the Council still retains a share of business rates it otherwise would have received without the Freeport.

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's budget deficit position over the next 5 years is estimated to be £0.624m. Immediate risks are in relation to utility and pay inflation (which are key drivers for general inflation). To help mitigate these in the short term £0.43m of 2021/22 budget efficiencies are proposed leverage to support the budget in 2022/23.

Going forward there will also be service based pressures linked to statutory changes in relation to climate change, planning and waste services. The Council will seek to maximise opportunities with regards to both the Levelling-up and the UK Shared Prosperity funds and any other external funding streams.

Section 2.8 does mention Streetwise coming back in-house. Both the current operation of SEL and ultimately its winding down as a company are currently being project managed and will progress reported to the Oversight Board. The monitoring of Streetwise performance both prior to and after September will be undertaken via the Council's normal due diligence processes (ie reports to both CGG, COG and Cabinet) including an Annual Report on Streetwise performance for 2021/22.

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. Both are due to open in the Autumn of 2022 – there have been some delays, linked to issues in obtaining construction materials (not uncommon in the current economic climate). The financial impact in terms of lost income is reflected in the 2021/22 year end outturn report to Cabinet (July 2022) where mitigation has been included in terms of the use of 2021/22 revenue budget efficiencies to offset the loss in income (estimated at £0.167m).

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.

The continuing 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. Positively the collection rates have shown an improvement from the previous year. At the 31 March 2022, collection rates for Council Tax have increased by 0.1% compared to 2020/21, equating to approximately £60k increase over the previous year's performance. The collection rate for Business Rates has also shown an increase relative to the previous year (an increase of 0.2%). 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 continue to be delayed. The current expectation is that they will be delayed until at least 2023/24. Hew homes Bonus has already been subject to consultation in 2021, as yet there has been no feedback from Government as to its future (it is expected this will be resolved in synergy with the aforementioned finance reviews). Unfortunately the Comprehensive Spending Review in 2021 shed little light on these issues. This complex economic environment is further compounded by the uncertainty that BREXIT has created
.

In the past we have referenced the risk of Power station appeals given the reduction in business rates for the power station, over time, which therefore erodes this particular income stream to the Council. The Q3 Finance report to Cabinet detailed the impact of the most recent appeal with business rates reducing from £2.9m to £1.6m per annum (backdated to April 2017). Prudently retaining a sufficient business rates appeals provision on the Balance Sheet ensured the impact of this was largely nullified. The upside risk is that the Council's future exposure to a power station appeal will have a smaller impact and similarly when the power station is ultimately de-commissioned its financial impact will not be as greatly felt.

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 its key income streams, significant levels of inflation and the ongoing ramifications of the Russian-Ukraine conflict on the global economy, staff recruitment and retention, the challenges and opportunities of both the Freeport and Development Corporation, 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 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. More strategically the County Deal as referenced above will also lend itself to future opportunities of collaboration.

The external auditors have noted a number of risks in their Audit Strategy Memorandum 2022, namely:

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment; and
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts.

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 'substantial assurance'.

Despite the challenging economic environment the Council remains committed to reducing its carbon footprint and continue to deliver excellent services. The Climate Change Reserve of £1m has not been diverted to resource Covid financial pressures and pertinently a new reserve to enable vehicle replacement of £1m has been established. Plans with regards to the climate challenge and the use of resources continue to be reported to the Communities Scrutiny Group (April 2022, Carbon Management Plan). Although a number of carbon reduction initiatives have been completed these have been fully funded by grants, or via existing budgets, with no call on the Climate Change reserve.

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 revenue account and balance sheet risks that will be reported in the Medium Term financial Strategy 2023/24 (for any employer contribution rate changes) and the annual accounts closedown process in 2023/24.

Based on our review of the governance framework, the following significant issues will be addressed in 2022/23:

| Issue | Reporting to | Methodology | Timescale |
|---|---|---|---|
| Compliance with the Financial Management Code | Governance Group | Local Authority peer review | By March 2023 |
| Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 and inflation risks | Reports to EMT, Scrutiny and Cabinet | On-going financial reports | At least quarterly reporting |

| | | | |
|---|---|---|---|
| and Streetwise insourcing | | | |
| Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub and Crematorium | Report to Corporate Overview 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; update to CGG as part of the AGS | By March 2023 |

## 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 23 February 2023 Date 23 February 2023

## C. INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF RUSHCLIFFE BOROUGH COUNCIL

TO BE ADDED

# STATEMENT OF ACCOUNTS

# 2021/22

# 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 2022.

## 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 2022 and its income and expenditure for the financial year ended 31 March 2022.

Peter Linfield
Director - Finance and Corporate Services

## FORMAL APPROVAL

The Governance Scrutiny Group will consider the Final (Audited) Statement of Accounts in February 2023 for approval.

# E. THE FINANCIAL STATEMENTS

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 1 APRIL 2021 TO 31 MARCH 2022

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.

| 2020/21 restated | | | 20/21 restated PPA | | Note | 2021/22 | | |
|---|---|---|---|---|---|---|---|---|
| Gross Exp | Income | Net Exp | Net Exp | | | Gross Exp | Income | Net Exp |
| £'000 | £'000 | £'000 | £'000 | | | £'000 | £'000 | £'000 |
| 1,934 | (60) | 1,874 | 1,874 | Chief Executiive | | 2,033 | (56) | 1,977 |
| 3,146 | (1,699) | 1,447 | 1,447 | Development & Economic Growth | | 3,489 | (1,788) | 1,701 |
| 18,661 | (14,714) | 3,947 | 3,947 | Finance and Corporate | | 17,748 | (13,301) | 4,447 |
| 12,530 | (4,871) | 7,659 | 7,659 | Neighbourhoods | | 14,034 | (6,377) | 7,657 |
| **36,271** | **(21,344)** | **14,927** | **14,927** | **Cost of Services** | | **37,304** | **(21,522)** | **15,782** |
| | | 3,212 | (856) | Other Operating Expenditure | 5 | | | 3,995 |
| | | (920) | (920) | Financing and Investment Income and Expenditure | 6 | | | (803) |
| | | (23,010) | (23,010) | Taxation and Non-Specific Grant Income | 7 | | | (21,916) |
| | | **(5,791)** | **(9,859)** | **(Surplus)/Deficit on Provision of Services** | | | | **(2,942)** |
| | | (721) | (721) | (Surplus)/Deficit on Revaluation of Non-Current Assets | | | | (1,696) |
| | | 13,064 | 13,064 | Actuarial (Gains)/Losses on Pension Assets / Liabilities | 32 | | | (9,567) |
| | | 372 | 372 | Other Recognisable (Gains)/ Losses | | | | 0 |
| | | **12,715** | **12,715** | **Other Comprehensive Income and Expenditure** | | | | **(11,263)** |
| | | **6,924** | **2,856** | **Total Comprehensive Income and Expenditure** | | | | **(14,205)** |

## E. THE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT (MIRS)

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.

## E. THE FINANCIAL STATEMENTS

## MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

| | | Total Usable Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | General Fund Balance | Earmarked GF Reserves (Note 4) | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves (Note 19) | Total Reserves |
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance as at 1 April 2021** | | **2,604** | **22,365** | **494** | **364** | **25,827** | **4,114** | **29,941** |
| **balance as at 1 April 2021 (restated PPA)** | | **2,604** | **22,365** | **494** | **364** | **25,827** | **6,729** | **32,556** |
| Movement in Reserves during 2021/22 | | | | | | | | |
| Surplus/(Deficit) on the provision of services | | 2,942 | | | | 2,942 | | 2,942 |
| Other Comprehensive Income and Expenditure | | | | | | | 11,263 | 11,263 |
| Other Recognisable Gains/(Losses) | | | | | | | | 0 |
| **Total Comprehensive Income and Expenditure** | | **2,942** | **0** | **0** | **0** | **2,942** | **11,263** | **14,205** |
| Adjustments between accounting basis & funding basis under regulations | (3) | (1,819) | | 331 | (204) | (1,692) | 1,692 | 0 |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | | **1,123** | **0** | **331** | **(204)** | **1,250** | **12,955** | **14,205** |
| Transfers to/from Earmarked Reserves | (4) | (1,210) | 1,210 | 0 | 0 | 0 | 0 | 0 |
| **Increase (Decrease) in year** | | **(87)** | **1,210** | **331** | **(204)** | **1,250** | **12,955** | **14,205** |
| **PPA reconcilling item - in year depreciation** | | **87** | | | | **87** | | **87** |
| **Balance as at 31 March 2022 c/f** | | **2,604** | **23,575** | **825** | **160** | **27,164** | **19,684** | **46,848** |

## E. THE FINANCIAL STATEMENTS

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

| | | Total Usable Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | General Fund Balance | Earmarked GF Reserves (Note 4) | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves (Note 19) | 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 | | 9,859 | | | | 9,859 | | 9,859 |
| Other Comprehensive Income and Expenditure | | | | | | | (12,343) | (12,343) |
| Other Recognisable Gains/(Losses) | | | | | | | (372) | (372) |
| **Total Comprehensive Income and Expenditure** | | **9,859** | **0** | **0** | **0** | **9,859** | **(12,715)** | **(2,856)** |
| Adjustments between accounting basis & funding basis under regulations | (3) | (2) | | (3,044) | 144 | (2,902) | 2,902 | 0 |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | | **9,857** | **0** | **(3,044)** | **144** | **6,957** | **(9,813)** | **(2,856)** |
| Transfers to/from Earmarked Reserves | (4) | (8,892) | 8,892 | 0 | 0 | 0 | 0 | 0 |
| **Increase (Decrease) in year** | | **965** | **8,892** | **(3,044)** | **144** | **6,957** | **(9,813)** | **(2,856)** |
| **Reconciling line for CIES** | | **(965)** | | | | **(965)** | **(488)** | **(1,453)** |
| **Balance as at 31 March 2021 c/f** | | **2,604** | **22,365** | **494** | **364** | **25,827** | **6,729** | **32,556** |

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

| | | Total Usable Reserves | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | General Fund Balance | Earmarked GF Reserves (Note 4) | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves (Note 19) | 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 | (3) | 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 | (4) | (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** |

## E. THE FINANCIAL STATEMENTS

### BALANCE SHEET AS AT 31 MARCH 2022

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 2021 £'000 | 31/03/2021 (restated PPA) £'000 | | Note | 31 Mar 2022 £'000 |
|---|---|---|---|---|
| 45,725 | 44,272 | Property, Plant and Equipment | 8 | 56,584 |
| 88 | 88 | Heritage Assets | | 114 |
| 29,127 | 29,127 | Investment Property | 9 | 30,753 |
| 126 | 126 | Intangible Assets | 10 | 127 |
| 13,050 | 13,050 | Long Term Investments | 12 | 15,222 |
| 2,570 | 2,570 | Long Term Debtors | 12,13 | 2,240 |
| **90,686** | **89,233** | **Long Term Assets** | | **105,040** |
| 15,000 | 15,000 | Short Term Investments | | 13,000 |
| 4,586 | 4,586 | Assets Held for Sale | 11 | 0 |
| 0 | 0 | Inventories | | 0 |
| 7,789 | 11,857 | Short Term Debtors | 13 | 8,144 |
| 19,401 | 19,401 | Cash and Cash Equivalents | 15 | 39,872 |
| **46,776** | **50,844** | **Current Assets** | | **61,016** |
| 0 | 0 | Short Term Borrowing | 12 | 0 |
| (17,402) | (17,402) | Short Term Creditors | 16 | (23,829) |
| 0 | 0 | Short Term Provisions | 17 | 0 |
| **(17,402)** | **(17,402)** | **Current Liabilities** | | **(23,829)** |
| (4,555) | (4,555) | Long Term Provisions | 17 | (2,927) |
| (22,340) | (22,340) | Capital Grant Receipts in Advance | 12,27 | (35,395) |
| (63,224) | (63,224) | Pension Liabilities | 32 | (57,057) |
| **(90,119)** | **(90,119)** | **Long Term Liabilities** | | **(95,379)** |
| **29,941** | **32,556** | **Net Assets** | | **46,848** |
| 494 | 494 | Usable Capital Receipts Reserve | MIRS | 825 |
| 2,604 | 2,604 | General Fund Balance | MIRS | 2,604 |
| 22,365 | 22,365 | Earmarked Reserves | 4 | 23,575 |
| 364 | 364 | Capital Grants Unapplied | MIRS | 160 |
| **25,827** | **25,827** | **Usable Reserves** | MIRS | **27,164** |
| **4,114** | **6,729** | **Unusable Reserves** | 19 | **19,684** |
| **29,941** | **32,556** | **Total Reserves** | | **46,848** |

## E. THE FINANCIAL STATEMENTS

## CASH FLOW STATEMENT AS AT 31 MARCH 2022 (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 2021 £'000 | 31/03/2021 (restated PPA) £'000 | | Note | 31 Mar 2022 £'000 |
|---|---|---|---|---|
| (5,791) | (9,859) | Net (surplus) or deficit on the provision of services | | (2,942) |
| (15,244) | (15,244) | Adjustments to net surplus or deficit on the provision of services for non - cash movements | | (15,113) |
| 4,545 | 8,613 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 5,013 |
| **(16,490)** | **(16,490)** | **Net cash flow from Operating Activities** | 20 | **(13,042)** |
| (3,383) | (3,383) | Investing Activities | 21 | (7,012) |
| 5,634 | 5,634 | Financing Activities | 22 | (417) |
| **(14,239)** | **(14,239)** | **Net (increase) or decrease in cash and cash equivalents** | | **(20,471)** |
| (5,162) | (5,162) | Cash and cash equivalents as at 1 April | 15 | (19,401) |
| **(19,401)** | **(19,401)** | **Cash and cash equivalents as at 31 March** | 15 | **(39,872)** |

## E. THE FINANCIAL STATEMENTS

## EXPENDITURE AND FUNDING ANALYSIS AND NOTES FOR THE YEAR 1 APRIL 2021 TO 31 MARCH 2022

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.

| 2020/21 | | | 2020/21 (restated PPA) | | | | 2021/22 | | |
|---|---|---|---|---|---|---|---|---|---|
| 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 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 3) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 1,857 | 17 | 1,874 | 1,857 | 17 | 1,874 | Chief Executive | 1,808 | 169 | 1,977 |
| 3,709 | 238 | 3,947 | 3,709 | 238 | 3,947 | Finance and Corporate | 3,852 | 595 | 4,447 |
| 6,333 | 1,326 | 7,659 | 6,333 | 1,326 | 7,659 | Neighbourhoods | 5,587 | 2,070 | 7,657 |
| 1,090 | 357 | 1,447 | 1,090 | 357 | 1,447 | Development & Economic Growth | 1,371 | 330 | 1,701 |
| **12,989** | **1,938** | **14,927** | **12,989** | **1,938** | **14,927** | **Net Cost of Services** | **12,618** | **3,164** | **15,782** |
| (21,881) | 1,163 | (20,718) | (21,881) | (2,905) | (24,786) | Other Income and Expenditure | (13,828) | (4,896) | (18,724) |
| **(8,892)** | **3,101** | **(5,791)** | **(8,892)** | **(967)** | **(9,859)** | **(Surplus) or Deficit** | **(1,210)** | **(1,732)** | **(2,942)** |
| 2,604 | | | 2,604 | | | Opening General Fund Balance | 2,604 | | |
| 8,892 | | | 8,892 | | | Surplus/(Deficit) on General Fund in Year | 1,210 | | |
| **(8,892)** | | | **(8,892)** | | | Transfer (to)/from Earmarked Reserves | **(1,210)** | | |
| **2,604** | | | **2,604** | | | **Closing General Fund Balance at 31 March** | **2,604** | | |

# F. NOTES TO THE ACCOUNTS – PPA

## Prior Period Adjustment 1

Following identification of a deferred capital receipt during the audit of the 2021/22 accounts the Council has restated the financial statements for 2020/21. The deferred capital receipt relates to land that was disposed of during 2020/21 with 50% of the receipt received and recognised in 2020/21 and a further 50% due in 2021/22. The correct treatment would have been to recognise 100% of the receipt in 2020/21 and transfer 50% to an unusable reserve (deferred capital receipts) to be transferred to usable capital receipts upon receipt of the funds in 2021/22.

Shown below is a summary of the restatements made across the various statements for 2020/21.

Corresponding financial statements and notes for Group Accounts have also been restated to incorporate these changes.

### Comprehensive Income and Expenditure Statement

| CIES | 20/21 | Adjustment | 20/21 Restated | |
|---|---|---|---|---|
| **Other Operating Expenditure** | 3,212 | (4,068) | (856) | |
| **(Surplus)/Deficit on Provision of Services** | (5,791) | (4,068) | (9,859) | |
| **Total Comprehensive Income and Expenditure** | 6,924 | (4,068) | 2,856 | |

### Balance Sheet

| BALANCE SHEET | 20/21 | Adjustment | 20/21 Restated | |
|---|---|---|---|---|
| **Short Term Debtors** | 7,789 | 4,068 | 11,857 | |
| **Unusable Reserves** | 4,114 | 4,068 | 8,182 | |
| **Total Reserves** | 29,941 | 4,068 | 34,009 | |

**MIRS**

| MIRS - Total Reserves | 20/21 | Adjustment | Adjustment | 20/21 Restated |
|---|---|---|---|---|
| Balance as at 1 April | 36,865 | 0 | 0 | 36,865 |
| Net surplus/def on provision of services | 5,791 | 4,068 | | 9,859 |
| Other Comprehensive Income and Expenditure | (12,343) | 0 | | (12,343) |
| Total Comprehensive Income and Expenditure | (6,924) | 4,068 | | (2,856) |
| Adjustments between accounting basis & funding basis under regulations * | 0 | 4,068 | (4,068) | 0 |
| Net Increase/(Decrease) before Transfers to Earmarked Reserves | (6,924) | 4,068 | | (2,856) |
| Increase (Decrease) in year | (6,924) | 4,068 | | (2,856) |
| Balance as at 31 March c/f | 29,941 | 4,068 | | 34,009 |
| * movement between usable and unusable reserves | | | | |

**Cash flow**

| Cash Flow | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Net (surplus) or deficit on the provision of services | (5,791) | (4068) | (9,859) |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 4,545 | 4,068 | 8,613 |

**EFA**

| EFA | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Other Income and Expenditure | (20,718) | (4,068) | (24,786) |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (5,791) | (4,068) | (9,859) |

**Note 2 Income and Expenditure analysed by nature**

| | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Gain/Loss on disposal of asset | (3,988) | (4,068) | (8,056) |
| (Surplus)/Deficit on Provision of Services | (5,791) | (4,068) | (9,859) |

**Note 3 Adjustments between the accounting basis and the funding basis**

| Adjustments Primarily involving the Capital Receipts Reserve | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Transfer of cash sale proceeds credited as part of gains/loss on disposal to the CIES (General Fund Balance) | 4,285 | 4,068 | 8,353 |
| Transfer of cash sale proceeds credited as part of gains/loss on disposal to the CIES (Capital Receipts reserve) | (4,551) | (4,068) | (8,619) |
| Transfer of Deferred sale proceeds credited as part of the gain/loss on disposal to the CIES (Capital Receipts Reserve) | 0 | 4,068 | 4,068 |
| Total Adjustments (General Fund Balance) | (3,101) | 4,068 | 967 |

**Note 5 Other operating expenditure (gain/loss on disposal NCA)**

| | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **(Gain) or Loss on the disposal of non-current assets** | (3,988) | (4,068) | (8,056) |
| **Total** | 3,212 | (4,068) | (856) |

**Note 12 – Financial Instruments**

| Debtors | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **Loans and Receivables** | 3,769 | 4,068 | 7,837 |
| **Total Debtors** | 3,769 | 4,068 | 7,837 |

**Note 13 Debtors**

| | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **Other** | 6,571 | 4,068 | 10,639 |
| **Total Debtors** | 7,789 | 4,068 | 11,857 |

**Note 19 Unusable Reserves – deferred capital receipts**

| Unusable Reserves | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **Deferred Capital Receipts** | 15 | 4,068 | 4,083 |
| **Total** | 4,114 | 4,068 | 8,182 |
| | | | |
| | **20/21** | **Adjustment** | **20/21 Restated** |
| **Transfer to the CIES deferred sale proceeds** | 0 | 4,068 | 4,068 |
| **Balance at 31 March** | 15 | 4,068 | 4,083 |

**Note 20 Cashflow Statement**

| | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **Net (Surplus) or Deficit on the Provision of Services** | (5,791) | (4,068) | (9,859) |
| **Proceeds from sale of property, plant and equipment, investment property and intangible assets** | 4,285 | 4,068 | 8,353 |
| **Net surplus/(deficit) on provision of services for Investing & Financing activities** | 4,545 | 4,068 | 8,613 |

**Prior Period Adjustment 2**

Following an urgent consultation held by CIPFA in response to a national issue with infrastructure assets reporting it was recommended by the Council's auditors, Mazars, that car park resurfacing costs should be recategorised from infrastructure assets to operational land and buildings (where the car park land is held) and as such the existing undepreciated cost of the surfaces should be alienated from the balance sheet. The Council have restated the closing balances of the 2020/21 accounts to reflect this.

Shown below is a summary of the restatements made across the various statements for 2020/21.

Corresponding financial statements and notes for Group Accounts have also been restated where necessary to incorporate these changes.

**MIRS**

| MIRS Unusable reserves | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **General Fund Balance - Adjustments between accounting basis & funding basis under regulations** | **(967)** | **965** | **(2)** |
| **Total Usable Reserves - adjustments between accounting basis & funding basis under regulations** | **3,867** | **(965)** | **2,902** |
| **General Fund/Total Usable Reserves - PPA reconciling Item - Revaluation charged to CIES** | 0 | (965) | (965) |
| **Unusable Reserves - PPA reconciling item - charged to Revaluation Reserve** | **0** | **(488)** | **(488)** |
| **Total Reserves - PPA reconciling Item** | 0 | (1,453) | (1,453) |
| **Balance as at March 2021 - Unusable Reserves** | 8,182 | (1,453) | 6,729 |
| **Balance as at March 2021 - Total Reserves** | 34,009 | (1,453) | 32,556 |

**Balance Sheet**

| Balance Sheet | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| PPE | 45,725 | (1,453) | 44,272 |
| Long Term Assets | 90,686 | (1,453) | 89,233 |
| Total Net Assets | 34,009 | (1,453) | 32,556 |
| Unusable Reserves | 8,182 | (1,453) | 6,729 |
| Total Reserves | 34,009 | (1,453) | 32,556 |

**Note 3 Adjustments between the accounting basis and the funding basis**

| Note 3 - adjustments between accounting basis and funding basis | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Revaluation loss on property plant and equipment | (271) | (965) | (1,236) |
| Total adjustment | (3,867) | 965 | (2,902) |

**Note 8 Property, Plant and Equipment**

| Note 8 Infrastructure - movements on balances 2020/21 | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Revaluation (+/-) recognised in Revaluation Reserve | 0 | (1,353) | (1,353) |
| Revaluation (+/-) recognised in the Surplus/deficit on provision of services | 0 | (965) | (965) |
| As at 31.3.21 | 5,890 | (2,318) | 3,572 |
| Depreciation written out to the revaluation reserve | 0 | 865 | 865 |
| As at 31 March 2021 | (1,651) | 865 | (786) |
| NBV 31.3.21 | 4,239 | (1,453) | 2,786 |

**Note 8 Historical Cost**

| Note 8 Historical (Infrastructure) | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Total | 7,168 | (2,318) | 4,850 |

**Note 19 Unusable Reserves**

| Note 19 | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| Revaluation Reserve | 17,755 | (488) | 17,267 |
| Capital Adjustment Account | 58,294 | (965) | 57,329 |
| Unusable Reserves | 8,182 | (1,453) | 6,729 |

**Note 19 Unusable Reserves**

| Note 19 Revaluation Reserve | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of services** | (1,490) | (488) | (1,978) |
| **Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of services** | 17,941 | (488) | 17,453 |
| **Balance at 31 March 2021** | 17,755 | (488) | 17,267 |

| Note 19 Capital Adjustment Account | 20/21 | Adjustment | 20/21 Restated |
|---|---|---|---|
| **Revaluation losses on property plant and equipment** | (271) | (965) | (1,236) |
| **Net written out amount of the cost of non-current assets consumed in the year** | (2,927) | (965) | (3,892) |
| **Balance at 31 March 2021** | 58,294 | (965) | 57,329 |

# G. NOTES TO THE ACCOUNTS

## 1. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

| 2021/22 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** |
| Chief Executive | 0 | 169 | 0 | 169 |
| Finance & Corporate Services | 217 | 378 | 0 | 595 |
| Neighbourhoods | 1,599 | 471 | 0 | 2,070 |
| Development & Economic Growth | 119 | 211 | 0 | 330 |
| **Net Cost of Service** | **1,935** | **1,229** | **0** | **3,164** |
| Other income & expenditure from the Expenditure & Funding Analysis | (5,299) | 1,253 | (850) | (4,896) |
| **General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services** | **(3,364)** | **2,482** | **(850)** | **(1,732)** |

### 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:

| 2020/21 £'000 | 2020/21 (restated PPA) £'000 | | 2021/22 £'000 |
|---|---|---|---|
| | | ***Expenditure*** | |
| 9,048 | 9,048 | Employee Benefit Expenses | 10,604 |
| 30,461 | 30,461 | Other Services Expenses | 26,946 |
| 1,899 | 1,899 | Depreciation, amortisation, impairment | 1,701 |
| 1,119 | 1,119 | Interest Payments (Pensions) | 1,253 |
| 2,270 | 2,270 | Precepts and Levies | 2,320 |
| 1,269 | 1,269 | Loss recognised from changes in the fair value of properties | 307 |
| **46,066** | **46,066** | **Total Expenditure** | **43,131** |
| | | ***Income*** | |
| (7,089) | (7,089) | Fees, Charges and Other Service Income | (6,736) |
| (32,320) | (32,320) | Government Grants and Contributions | (27,021) |
| (6,627) | (6,627) | Income from Council Tax, NDR | (9,881) |
| (3,988) | (8,056) | Gain on the Disposal of Assets | 103 |
| (1,833) | (1,833) | Interest and Investment Income | (2,538) |
| **(51,857)** | **(55,925)** | **Total Income** | **(46,073)** |
| **(5,791)** | **(9,859)** | **(Surplus)/Deficit on Provision of Services** | **(2,942)** |

## 3. 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 3. Adjustments between accounting basis and funding basis under regulations.**

| 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 | | 2021-22 Usable Reserves: General Fund Balance £'000 | 2021-22 Usable Reserves: Capital Receipts Reserve £'000 | 2021-22 Usable Reserves: Capital Grants Unapplied £'000 | 2021-22 Movements in Unusable Reserves £'000 |
|---|---|---|---|---|---|---|---|---|
| **Adjustments primarily involving the Capital Adjustment Account:** | | | | | | | | |
| | | | | **Reversal of items debited or credited to the CIES:** | | | | |
| (1,546) | 0 | 0 | 1,546 | Charges for depreciation and impairment of non-current assets | (1,557) | 0 | 0 | 1,557 |
| (1,236) | 0 | 0 | 1,236 | Revaluation losses on Property Plant and Equipment | 4 | 0 | 0 | (4) |
| (1,269) | 0 | 0 | 1,269 | Movements in the market value of Investment Properties | (307) | 0 | 0 | 307 |
| (83) | 0 | 0 | 83 | Amortisation of intangible assets | (61) | 0 | 0 | 61 |
| 1,441 | 0 | 0 | (1,441) | Capital grants and contributions applied | 5,543 | 0 | 0 | (5,543) |
| 0 | 0 | 0 | 0 | Income in relation of Donated Assets | 0 | 0 | 0 | 0 |
| (648) | 0 | 0 | 648 | Revenue expenditure funded from capital under statute (net of Grants and Contributions) | (1,541) | 0 | 0 | 1,541 |
| (299) | 0 | 0 | 299 | Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES | (5,133) | 0 | 0 | 5,133 |
| | | | | **Insertion of items not debited or credited to the CIES:** | | | | |
| 1,000 | 0 | 0 | (1,000) | Statutory provision for the financing of capital investment | 1,074 | 0 | 0 | (1,074) |
| 149 | 0 | 0 | (149) | Capital expenditure charged against the General Fund | 242 | 0 | 0 | (242) |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | | | | | |
| 260 | 0 | (260) | 0 | Capital grants and contributions unapplied credited to the CI&ES | 0 | 0 | 0 | 0 |
| 0 | 0 | 116 | (116) | Application of grants to capital financing transferred to the CAA | 0 | 0 | 204 | (204) |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | | | | | |
| 8,353 | (8,619) | 0 | 266 | Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES | 5,014 | (5,246) | 0 | 232 |
| 0 | 7,600 | 0 | (7,600) | Capital Receipts applied | 0 | 7,788 | 0 | (7,788) |
| | 4,068 | | (4,068) | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0 | 1,200 | 0 | (1,200) |
| 0 | (5) | 0 | 5 | Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash | 0 | (4,073) | 0 | 4,073 |
| **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:** | | | | | | | | |
| (3,430) | 0 | 0 | 3,430 | Reversal of items relating to retirement benefits debited or credited to the CI&ES | (4,772) | 0 | 0 | 4,772 |
| 2,182 | 0 | 0 | (2,182) | Employer's pensions contributions and direct payments to pensioners payable in the year | 2,290 | 0 | 0 | (2,290) |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | | | | | |
| (6,015) | 0 | 0 | 6,015 | Amount by which council tax & business rate income credited to the CI&ES is different from statutory requirements | 851 | 0 | 0 | (851) |
| **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 requirements | 0 | 0 | 0 | 0 |
| **Adjustments primarily involving the Pooled Fund Investment Account:** | | | | | | | | |
| 1,143 | 0 | 0 | (1,143) | Downward revaluation of value of investments not charged to the Surplus/Deficit on the Provision of Services | 173 | 0 | 0 | (173) |
| **2** | **3,044** | **(144)** | **(2,902)** | **Total Adjustments** | **1,819** | **(331)** | **204** | **(1,692)** |

**Note 3. Adjustments between accounting basis and funding basis under regulations.**

| 2020-21 | | | | | 2021-22 | | | |
|---|---|---|---|---|---|---|---|---|
| Usable Reserves | | | | | Usable Reserves | | | |
| General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movements in Unusable Reserves £'000 | | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | Movements in Unusable Reserves £'000 |
| **Adjustments primarily involving the Capital Adjustment Account:** | | | | | | | | |
| | | | | **Reversal of items debited or credited to the CIES:** | | | | |
| (1,546) | 0 | 0 | 1,546 | Charges for depreciation and impairment of non-current assets | (1,557) | 0 | 0 | 1,557 |
| (271) | 0 | 0 | 271 | Revaluation losses on Property Plant and Equipment | 4 | 0 | 0 | (4) |
| 0 | 0 | 0 | 0 | Revaluation losses on Heritage Assets | 0 | 0 | 0 | 0 |
| (1,269) | 0 | 0 | 1,269 | Movements in the market value of Investment Properties | (307) | 0 | 0 | 307 |
| (83) | 0 | 0 | 83 | Amortisation of intangible assets | (61) | 0 | 0 | 61 |
| 1,441 | 0 | 0 | (1,441) | Capital grants and contributions applied | 5,543 | 0 | 0 | (5,543) |
| 0 | 0 | 0 | 0 | Income in relation of Donated Assets | 0 | 0 | 0 | 0 |
| (648) | 0 | 0 | 648 | Revenue expenditure funded from capital under statute (net of Grants and | (1,541) | 0 | 0 | 1,541 |
| (299) | 0 | 0 | 299 | Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss | (5,133) | 0 | 0 | 5,133 |
| | | | | **Insertion of items not debited or credited to the CIES:** | | | | |
| 1,000 | 0 | 0 | (1,000) | Statutory provision for the financing of capital investment | 1,074 | 0 | 0 | (1,074) |
| 149 | 0 | 0 | (149) | Capital expenditure charged against the General Fund | 242 | 0 | 0 | (242) |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** | | | | | | | | |
| 260 | 0 | (260) | 0 | Capital grants and contributions unapplied credited to the CI&ES | 0 | 0 | 0 | 0 |
| 0 | 0 | 116 | (116) | Application of grants to capital financing transferred to the CAA | 0 | 0 | 204 | (204) |
| **Adjustments primarily involving the Capital Receipts Reserve:** | | | | | | | | |
| 4,285 | (4,551) | 0 | 266 | Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES | 5,014 | (5,246) | 0 | 232 |
| 0 | 7,600 | 0 | (7,600) | Capital Receipts applied | 0 | 7,788 | 0 | (7,788) |
| | | | | | | | | 0 |
| | | | | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and | 0 | 1,200 | 0 | (1,200) |
| 0 | (5) | 0 | 5 | Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash | 0 | (4,073) | 0 | 4,073 |
| **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 | 0 | 0 | 0 | 0 |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | | | |
| (3,430) | 0 | 0 | 3,430 | Reversal of items relating to retirement benefits debited or credited to the CI&ES | (4,772) | 0 | 0 | 4,772 |
| 2,182 | 0 | 0 | (2,182) | Employer's pensions contributions and direct payments to pensioners payable in | 2,290 | 0 | 0 | (2,290) |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** | | | | | | | | |
| (6,015) | 0 | 0 | 6,015 | Amount by which council tax & business rate income credited to the CI&ES is | 851 | 0 | 0 | (851) |
| **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 | 0 | 0 | 0 | 0 |
| **Adjustments primarily involving the Pooled Fund Investment Account:** | | | | | | | | |
| 1,143 | 0 | 0 | (1,143) | Downward revaluation of value of investments not charged to the | 173 | 0 | 0 | (173) |
| **(3,101)** | **3,044** | **(144)** | **201** | **Total Adjustments** | **1,819** | **(331)** | **204** | **(1,692)** |

## 4. 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 2021 £'000 | Additions in Year £'000 | Used in Year £'000 | Balance at 31 March 2022 £'000 |
|---|---|---|---|---|
| **Investment Reserves** | | | | |
| Regeneration and Community Projects | 1,887 | 188 | (178) | 1,897 |
| Investment Properties | 212 | 271 | (57) | 426 |
| New Homes Bonus | 8,420 | 1,633 | (1,074) | 8,979 |
| | | | | |
| **Corporate Reserves** | | | | |
| Organisation Stabilisation Reserve | 3,786 | 1,871 | (1,663) | 3,994 |
| Climate Change | 800 | 0 | 0 | 800 |
| Collection Fund Reserve | 5,990 | 3,179 | (4,024) | 5,145 |
| Development Corporation | 400 | 0 | (70) | 330 |
| Risk and Insurance | 100 | 0 | 0 | 100 |
| Planning Appeals | 349 | 0 | 0 | 349 |
| Elections | 101 | 50 | 0 | 151 |
| | | | | |
| **Operating Reserves** | | | | |
| Planning | 209 | 169 | (78) | 300 |
| Leisure Centre Maintenance | 111 | 0 | (7) | 104 |
| Vehicle Replacement Reserve | 0 | 1,000 | 0 | 1,000 |
| **Total** | **22,365** | **8,361** | **(7,151)** | **23,575** |

### INVESTMENT RESERVES

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

**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 and Freeport

**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

**Vehicle Replacement Reserve –** to support the replacement of the Council's vehicle fleet to ensure services remain efficient and to support costs of replacement with potential new technology.

## 5. OTHER OPERATING EXPENDITURE

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

| 2020/21 £'000 | 2020/21 (restated PPA) £'000 | | 2021/22 £'000 |
|---|---|---|---|
| 2,270 | 2,270 | Parish Council Precepts | 2,320 |
| 283 | 283 | Internal Drainage Board Levies | 302 |
| 4,647 | 4,647 | Expenditure on Covid Grants* | 1,270 |
| (3,988) | (8,056) | (Gain) or Loss on the disposal of non-current assets** | 103 |
| **3,212** | **(856)** | **TOTAL** | **3,995** |

*Expenditure on Covid grants relates to grants made in respect of Covid Delivery and Additional Restrictions Grants (ARG). These are funded by additional grant receipts included in Note 7 (Taxation and Non- Specific Grants) and in Note 27 (Grant Income).

** Receipts in 2020/21 relate to proceeds for an overage agreement for sale of land at Sharphill. £4m was received in 2020/21 and £4m was recognised as deferred capital receipt.

## 6. 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:

| 2020/21 £000 | | 2021/22 £000 |
|---|---|---|
| 9 | Interest payable and similar charges | 15 |
| 1,119 | Pensions interest cost and expected return on pension assets | 1,253 |
| (1,143) | Movement in the fair value of property/diversified incom | (173) |
| (690) | Interest receivable and similar income | (677) |
| (215) | Income and Expenditure in relation to Investment Properties and changes in their fair value | (1,221) |
| **(920)** | **Total** | **(803)** |

## 7. 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 2021/22 additional reliefs were awarded to retail, hospitality and nursery sector and more recently Covid Additional Relief Fund (CARF) due to Covid 19. This has resulted in a significant deficit in the collection fund however these additional reliefs were compensated for by way of S31 Grants paid by Government which will be appropriated to the Collection Fund Reserve to be released in later years (see note 4)

Non-Ringfenced grants line shows an additional £1.9m for Covid Grants. This is partially offset by expenditure on Covid Grants shown in Note 5 (£1.27m). The detailed breakdown of the Covid Grants are shown in Note 27.

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| (9,261) | Council Tax income | (9,514) |
| | Business Rates income | |
| (3,136) | - NDR Income | (3,550) |
| 5,769 | - Collection Fund Deficit | 3,183 |
| (5,719) | - S31 Grants for NDR | (3,758) |
| (962) | Capital grants and contributions (Note 27) | (4,305) |
| (2,311) | New Homes Bonus | (1,633) |
| | Non-ring-fenced government grants (Note 27) | |
| (7,206) | - Covid 19 Grants | (1,874) |
| (184) | - Other Non Specific Grant | (465) |
| **(23,010)** | **TOTAL** | **(21,916)** |

## 8. PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances 2021/22

| | Other Land & Buildings | Vehicles, Plant, Furniture & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Assets Under Construction | TOTAL |
|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | |
| **At 1 April 2021** | **33,731** | **7,220** | **3,572** | **329** | **30** | **5,115** | **49,997** |
| Additions/Asset Merge | 352 | 1,055 | 1,321 | | | 11,842 | 14,570 |
| Transfers | | | 117 | | | (1,972) | (1,855) |
| Revaluation (+/-) recognised in the Revaluation Reserve | 1,072 | | | | | | 1,072 |
| Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services | 3 | | | | | | 3 |
| Derecognition - Disposals | (372) | (654) | (160) | | (30) | | (1,216) |
| **At 31 March 2022** | **34,786** | **7,621** | **4,850** | **329** | **0** | **14,985** | **62,571** |
| **Accumulated Depreciation or Impairment** | | | | | | | |
| **At 1 April 2021** | (63) | (4,846) | (786) | | (30) | | **(5,725)** |
| Depreciation charge | (743) | (664) | (147) | | | | (1,554) |
| Depreciation transfer | | | | | | | 0 |
| Depreciation written out to the Revaluation Reserve | 624 | | | | | | 624 |
| Depreciation written out to the Surplus/Deficit on Provision of Services | | | | | | | 0 |
| Derecognition - Disposals | | 611 | 27 | | 30 | | 668 |
| **At 31 March 2022** | **(182)** | **(4,899)** | **(906)** | **0** | **0** | **0** | **(5,987)** |
| **Net Book Value at 31 March 2022** | **34,604** | **2,722** | **3,944** | **329** | **0** | **14,985** | **56,584** |
| **Net Book Value at 31 March 2021** | **33,668** | **2,374** | **2,786** | **329** | **0** | **5,115** | **44,272** |

**Movements on Balances 2020/21 PPA**

| | 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 | 389 | 457 | 179 | | | 2,801 | 3,826 |
| Transfers | | (166) | 2 | | (4,555) | (12) | (4,731) |
| Revaluation (+/-) recognised in the Revaluation Reserve | (67) | | (1,353) | | | | (1,420) |
| Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services | (271) | | (965) | | | | (1,236) |
| Derecognition - Disposals | (297) | (379) | | | | | (676) |
| **At 31 March 2021** | **33,731** | **7,220** | **3,572** | **329** | **30** | **5,115** | **49,997** |
| **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 | | 865 | | | | 1,652 |
| Depreciation written out to the Surplus/Deficit on Provision of Services | | | | | | | 0 |
| Derecognition - Disposals | | 377 | | | | | 377 |
| **At 31 March 2021** | **(63)** | **(4,846)** | **(786)** | **0** | **(30)** | **0** | **(5,725)** |
| **Net Book Value at 31 March 2021** | **33,668** | **2,374** | **2,786** | **329** | **0** | **5,115** | **44,272** |
| **Net Book Value at 31 March 2020** | **33,833** | **2,515** | **4,290** | **329** | **4,585** | **2,326** | **47,878** |

**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 | 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** |

## 8. 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 2022, the Council was committed to works totalling £13.9m for the acquisition, construction, and enhancement of Property and grants to third parties in 2022/23. Significant items of contract and other costs comprise: Bingham Leisure Hub £6.583m; The Crematorium £5.973m; Approved Disabled Facilities Grants £0.523m; and LAD2 Green Energy Grants £0.407m.

### 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 Ashmore 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 have 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 | Vehicles, Plant, Furniture and Equipment | Infrastructure Assets | Community Assets | Assets Under Construction | Total Property, Plant and Equipment |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Carried at Historical Cost** | 171 | 7,621 | 4,850 | 329 | 14,985 | 27,956 |
| Valued at fair value as at: | | | | | | |
| 31-Mar-20 | 1,561 | | | | | 1,561 |
| 31-Mar-21 | 3,148 | | | | | 3,148 |
| 31-Mar-22 | 29,906 | | | | | 29,906 |
| **Total Cost or Valuation** | **34,786** | **7,621** | **4,850** | **329** | **14,985** | **62,571** |

## 9. 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.

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 1,542 | Rental Income from Investment Property | 1,689 |
| (251) | Direct Operating Expenses arising from Investment Property | (292) |
| **1,291** | **Net Gain/(Loss)** | **1,397** |

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 2021/22 and 2020/21.

## 9. INVESTMENT PROPERTIES CONTINUED

| 2020/21 £000 | | 2021/22 £000 |
|---|---|---|
| 25,772 | **Balance at start of the year** | 29,127 |
| 0 | Additions | 0 |
| 4,624 | Enhancements | 78 |
| 0 | Disposals | 0 |
| (1,269) | Net gains/(losses) from fair value adjustments | (307) |
| 0 | Write back depreciation/impairment on revaluation | 0 |
| 0 | Transfers | 1,855 |
| **29,127** | **Total** | **30,753** |

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 (RICS) 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.

## 10. 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 £0.061m in 2021/22 (£0.083m 2020/21) was charged to the Information Technology cost centre within Finance and Corporate Service Area.

### Movements on Intangible Fixed Assets

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| | **Balance at start of year** | |
| 397 | Gross carrying amount | 350 |
| (246) | Accumulated amortisation | (224) |
| 151 | **Net carrying amount at start of year** | 126 |
| 58 | **Purchases** | 62 |
| (104) | **Disposals** | (8) |
| | **Amortisation** | |
| (83) | Amortisation for the period | (61) |
| 104 | Amortisation on disposals | 8 |
| 126 | **Net carrying amount at end of year** | 127 |
| | **Comprising:** | |
| 350 | Gross carrying amounts | 404 |
| (224) | Accumulated amortisation | (277) |
| 126 | **Balance Sheet amount at 31 March** | 127 |

## 11. 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.

| | 2020/21 £'000 | 2021/22 £'000 |
|---|---|---|
| **Balance at the start of the year** | **0** | **4,586** |
| Property, Plant and Equipment | 4,586 | 0 |
| Assets Sold | 0 | (4,586) |
| **Balance at the end of the year** | **4,586** | **0** |

Sale proceeds from the disposal in 21/22 are £4.8m of which, £1.2m has been deferred to 22/23.

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 2022/23.

## 12. FINANCIAL INSTRUMENTS

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

| Long-Term 31-Mar-21 | Current 31-Mar-21 | Current 31/03/2021 (restated PPA) | | Long-Term 31-Mar-22 | Current 31-Mar-22 |
|---|---|---|---|---|---|
| £000 | £000 | £000 | | £000 | £000 |
| | | | **Investments** | | |
| | 34,401 | 34,401 | Loans and Receivables | | 52,872 |
| 2,056 | | 0 | CCLA Property | 2,417 | |
| 1,929 | | 0 | CCLA Diversified | 2,018 | |
| 1,006 | | 0 | Enhanced Cash Plus | 991 | |
| 3,989 | | 0 | Aegon | 4,976 | |
| 4,070 | | 0 | Ninety-One | 4,820 | |
| **13,050** | **34,401** | **34,401** | **Total Investments** | **15,222** | **52,872** |
| | | | **Debtors** | | |
| 2,570 | 3,769 | 7,837 | Loans and Receivables | 2,240 | 4,150 |
| **2,570** | **3,769** | **7,837** | **Total Debtors** | **2,240** | **4,150** |
| | | | **Borrowings** | | |
| 0 | 0 | 0 | Financial Liabilities at Amortised Cost | 0 | 0 |
| **0** | **0** | **0** | **Total Borrowing** | **0** | **0** |
| | | | **Creditors** | | |
| 22,340 | 17,402 | 17,402 | Financial Liabilities at Amortised Cost | 35,395 | 23,829 |
| **22,340** | **17,402** | **17,402** | **Total Creditors** | **35,395** | **23,829** |

### Valuation Assumptions

Investments held at 31 March 2022 amounted to £67.785m, consisting of £13m of fixed term investments where the instrument carries the same interest rate for the whole term, £39.563m of deposits in the Money Market and Call Account funds where, in general, the rate only alters with movements in the Bank rate, and £15.222m 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.

## 13. DEBTORS

| 2020/21 | | 2020/21 (restated PPA) | | | 2021/22 | |
|---|---|---|---|---|---|---|
| Short Term £'000 | Long Term £'000 | Short Term £'000 | Long Term £'000 | | Short Term £'000 | Long Term £'000 |
| 965 | 0 | 965 | 0 | Trade | 2,549 | 0 |
| 253 | 0 | 253 | 0 | Prepayment | 512 | 0 |
| 6,571 | 2,570 | 10,639 | 2,570 | Other | 5,083 | 2,240 |
| **7,789** | **2,570** | **11,857** | **2,570** | **TOTAL DEBTORS** | **8,144** | **2,240** |

## 14. 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

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 419 | Council Tax | 504 |
| 279 | Non-Domestic Rates | 311 |
| **698** | **TOTAL DEBTORS FOR LOCAL TAXATION** | **815** |

## 15. CASH AND CASH EQUIVALENTS

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 1 | Cash Held by the Council | 1 |
| 322 | Bank Current Accounts | 308 |
| 19,078 | Short Term Deposits | 39,563 |
| **19,401** | **TOTAL CASH & CASH EQUIVALENTS** | **39,872** |

## 16. CREDITORS

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| (4,970) | Trade | (5,181) |
| (12,432) | Other | (18,648) |
| **(17,402)** | **Total** | **(23,829)** |

## 17. PROVISIONS

| | Long Term | | | |
|---|---|---|---|---|
| | Leaseholder Deposits | NDR Appeals | Streetwise pension | TOTAL |
| | £'000 | £'000 | £'000 | £'000 |
| **Balance at 1 April 2021** | **(92)** | **(3,508)** | **(955)** | **(4,555)** |
| Additional provisions made in year | (24) | (1,298) | 0 | **(1,322)** |
| Amount utilised/reduction in year | 7 | 2,164 | 0 | **2,171** |
| Amount transferred to major preceptors in year | | 779 | 0 | **779** |
| **Balance at 31 March 2022** | **(109)** | **(1,863)** | **(955)** | **(2,927)** |

**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 £4.66 million, but the difference is to be met by major preceptors - Central Government (50%), Notts County Council (9%) and Fire Authority (1%).

## 18. USABLE RESERVES

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

## 19. UNUSABLE RESERVES

| Balance at 1 April 2021 £'000 | Balance at 1 April 2021 (restated PPA) £'000 | | Balance at 31 March 2022 £'000 |
|---|---|---|---|
| 17,755 | 17,267 | Revaluation Reserve | 14,443 |
| 58,294 | 57,329 | Capital Adjustment Account | 67,872 |
| (66,014) | (66,014) | Pension Reserve | (58,930) |
| 15 | 4,083 | Deferred Capital Receipts | 1,210 |
| (5,931) | (5,931) | Collection Fund Adjustment Account | (5,080) |
| (54) | (54) | Accumulated Absences Account | (54) |
| 49 | 49 | Pooled Funds Adjustment Account | 223 |
| **4,114** | **6,729** | | **19,684** |

**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.

| Balance at 1 April 2021 £'000 | Balance at 1 April 2021 (restated PPA) £'000 | | Balance at 31 March 2022 £'000 |
|---|---|---|---|
| **17,220** | **17,220** | **Balance at 1 April** | **17,267** |
| 2,211 | 2,211 | Upward revaluation of assets | 1,811 |
| (1,490) | (1,978) | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | (115) |
| **17,941** | **17,453** | **Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services** | **18,963** |
| (186) | (186) | Difference between fair value depreciation and historical cost depreciation | (208) |
| 0 | 0 | Accumulated gains on assets sold or scrapped | (4,312) |
| **(186)** | **(186)** | **Amount written off to the Capital Adjustment Account** | **(4,520)** |
| **17,755** | **17,267** | **Balance at 31 March** | **14,443** |

**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.

| Balance at 1 April 2021 £'000 | Balance at 1 April 2021 (restated PPA) £'000 | | Balance at 31 March 2022 £'000 |
|---|---|---|---|
| **52,184** | **52,184** | **Balance at 1 April** | **57,329** |
| | 0 | **Reversal of items relating to capital expenditure debited or credited to the CIES:** | |
| (1,546) | (1,546) | Charges for depreciation and impairment of non-current assets | (1,557) |
| (271) | (1,236) | Revaluation losses on Property, Plant and Equipment | 4 |
| (83) | (83) | Amortisation of intangible assets | (61) |
| (648) | (648) | Revenue expenditure funded from capital under statute (net of Grants and Contributions) | (1,541) |
| (299) | (299) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (5,133) |
| 186 | 186 | Adjusting amounts written out of the Revaluation Reserve | 4,520 |
| (266) | (266) | Write down Long-term Debtors | (232) |
| **(2,927)** | **(3,892)** | Net written out amount of the cost of non-current assets consumed in the year | **(4,000)** |
| | 0 | **Capital financing applied in the year:** | |
| 7,600 | 7,600 | Use of Capital Receipts to finance new capital expenditure | 7,787 |
| 1,441 | 1,441 | Capital grants and contributions credited to the CIES that have been applied to capital financing | 5,543 |
| 116 | 116 | Application of grants to capital financing from the Capital Grants Unapplied Account | 204 |
| 1,000 | 1,000 | Statutory provision for the financing of capital investment charged against the General Fund | 1,074 |
| 149 | 149 | Capital expenditure charged against the General Fund | 242 |
| **10,306** | **10,306** | | **14,850** |
| (1,269) | (1,269) | Movements in the market value of Investment Properties debited or credited to the CIES | (307) |
| 0 | 0 | Movement in the Donated Assets Account credited to the CIES | 0 |
| **(1,269)** | **(1,269)** | | **(307)** |
| **58,294** | **57,329** | **Balance at 31 March** | **67,872** |

## 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 2021 £'000 | | Balance at 31 March 2022 £'000 |
|---|---|---|
| **(51,330)** | **Balance at 1 April** | **(66,014)** |
| (372) | Streetwise Environmental Prior Year TUPE Settlement | 0 |
| (13,064) | Remeasurement of the net defined benefit liability/(asset) | 9,567 |
| (3,430) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (4,772) |
| 2,182 | Employer's pensions contributions and direct payments to pensioners payable in the year | 2,289 |
| **(66,014)** | **Balance at 31 March** | **(58,930)** |

## 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 2021 £'000 | Balance at 1 April 2021 (restated PPA) £'000 | | Balance at 31 March 2022 £'000 |
|---|---|---|---|
| **19** | **19** | **Balance at 1 April** | **4,083** |
| 0 | 4,068 | Transfer to the CIES deferred sale proceeds | 1,200 |
| (4) | (4) | Transfer to the Capital Receipts Reserve on receipt of cash | (5) |
| | | Transfer to the CIES deferred sale proceeds | (4,068) |
| **15** | **4,083** | **Balance at 31 March** | **1,210** |

## 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. There was a significant increase in 2020/21 due to the increase in the deficit arising from additional reliefs awarded. As the position has not moved significantly between the position estimated in January 2021 and the position at 31st March 2022 the movement is relavtively small.

| Balance at 1 April 2021 £'000 | | Balance at 31 March 2022 £'000 |
|---|---|---|
| **84** | **Balance at 1 April** | **(5,931)** |
| (6,015) | 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 | 851 |
| **(5,931)** | | **(5,080)** |

## 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 2021/22.

| Balance at 1 April 2021 £'000 | | Balance at 31 March 2022 £'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 £15.222m of pooled investments. The Council is using the temporary statutory override agreed by DLUHC (5 years commencing from April 2018) to account for any changes in the fair value on its pooled investments. The statutory override is due to end 31 March 2023 and it is not known at this stage whether it will be made permanent.

| Balance at 1 April 2021 £'000 | | Balance at 1 April 2022 £'000 |
|---|---|---|
| **(1,093)** | **Balance at 1 April** | **50** |
| 1,158 | Upward Revaluation of Investments | 450 |
| (15) | Downward Revaluation of Investments | (277) |
| 0 | Change in Impairment Loss Allowances | 0 |
| **50** | | **223** |
| 0 | Accumulated gains or losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income | 0 |
| **50** | **Balance at 31 March** | **223** |

## 20. CASHFLOW STATEMENT – OPERATING ACTIVITIES

| 2020/21 £'000 | 2020/21 (restated PPA) £'000 | | 2021/22 £'000 |
|---|---|---|---|
| **(5,791)** | **(9,859)** | **Net (Surplus) or Deficit on the Provision of Services** | **(2,942)** |
| | | **Adjust for Non-Cash Movements** | |
| (1,546) | (1,546) | Depreciation | (1,644) |
| (271) | (271) | Impairment and downward valuations | 5 |
| (83) | (83) | Amortisation | (61) |
| (99) | (99) | (Increase)/decrease in impairment for bad debts | (3) |
| (10,763) | (10,763) | (Increase)/decrease in creditors | (5,024) |
| (410) | (410) | Increase/(decrease) in debtors | (1,347) |
| (1) | (1) | Increase/(decrease) in inventories | 0 |
| 587 | 587 | Movement in pension liability | (3,400) |
| (299) | (299) | Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised | (5,134) |
| (2,605) | (2,605) | Movement in Provisions | 1,628 |
| 246 | 246 | Other non-cash items charged to the net surplus or deficit on the provision of services | (133) |
| **(15,244)** | **(15,244)** | **Net surplus/(deficit) on provision of services for non cash movements** | **(15,113)** |
| | | **Adjust Net Surplus or Deficit for items that are Investing or Financing Activities** | |
| 0 | 0 | Proceeds from short term and long term investments | 0 |
| 260 | 260 | Capital Grants credited to the Surplus/Deficit on Provision of Services | 0 |
| 4,285 | 8,353 | Proceeds from sale of property, plant and equipment, investment property and intangible assets | 5,013 |
| **4,545** | **8,613** | **Net surplus/(deficit) on provision of services for Investing & Financing activities** | **5,013** |
| **(16,490)** | **(16,490)** | **Net Cashflows from Operating Activities** | **(13,042)** |

## 20. CASHFLOW STATEMENT – OPERATING ACTIVITIES CONTINUED

The cash flows for operating activities include the following items:

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| (132) | Interest received | (200) |
| (489) | Dividends received | (531) |
| **(621)** | **TOTAL** | **(731)** |

## 21. CASHFLOW STATEMENT – INVESTING ACTIVITIES

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 8,125 | Purchase of property, plant and equipment, investment property and intangible assets | 13,576 |
| 15,000 | Purchase of short-term and long- term investments | 20,000 |
| 721 | Other payments for investing activities | 4,404 |
| (4,196) | Proceeds from sale of property, plant equipment, investment property and intangible assets | (7,293) |
| (15,000) | Proceeds from short-term and long-term investments | (20,000) |
| (5,578) | Capital Grants Received (Government) | (17,454) |
| (2,455) | Other receipts from investing activities | (245) |
| **(3,383)** | **Net cash flow from investing activities** | **(7,012)** |

## 22. CASHFLOW STATEMENT – FINANCING ACTIVITIES

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 0 | Repayments of short and long-term borrowing | 0 |
| 5,634 | Other payments for financing activities | (417) |
| **5,634** | **Net cash flow from Financing activities** | **(417)** |

## 23. MEMBERS' ALLOWANCES

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

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 254 | Basic Allowances | 262 |
| 83 | Special Responsibility Allowances | 80 |
| 1 | Other Expenses | 2 |
| **338** | **TOTAL EXPENDITURE** | **344** |

## 24. 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 | 2021/22 | 115,122 | 0 | 20,243 | 135,365 |
| | 2020/21 | 113,316 | 0 | 19,944 | 133,260 |
| Deputy CEO and Director - Finance & Corporate Services | 2021/22 | 93,299 | 0 | 16,412 | 109,710 |
| | 2020/21 | 90,705 | 0 | 15,964 | 106,669 |
| Deputy CEO and Director - Neighbourhoods | 2021/22 | 90,468 | 0 | 15,912 | 106,379 |
| | 2020/21 | 87,906 | 0 | 15,471 | 103,377 |
| Director - Communities * | 2021/22 | 4,514 | 0 | 430 | 4,944 |
| | 2020/21 | 87,906 | 0 | 15,471 | 103,377 |
| Director - Growth & Economic Development | 2021/22 | 86,853 | 0 | 15,286 | 102,139 |
| | 2020/21 | 85,569 | 0 | 15,060 | 100,629 |
| Service Manager Executive Department (Role includes Borough Solicitor & Monitoring Officer duties) | 2021/22 | 64,824 | 0 | 11,409 | 76,233 |
| | 2020/21 | 65,887 | 0 | 11,584 | 77,471 |

*Please note, due to a restructuring of the executive management team this post was removed

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

| Number of Employees 2020/21 | Remuneration Band | Number of Employees 2021/22 |
|---|---|---|
| 3 | £50,000 - £54,999 | 3 |
| 1 | £55,000 - £59,999 | 0 |
| 3 | £60,000 - £84,999 | 7 |

The increase in the number of employees in the £60,000 to £84,999 bracket was due to a restructure where a Director post was removed and three posts regraded to Service Manager.

## 25. EXIT PACKAGES AND TERMINATION BENEFITS

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2021/22 are set out in the table below.

| 2021/22 | | | | |
|---|---|---|---|---|
| Exit Package Cost Band | Number of Compulsory Redundancies | Number of Other Departures Agreed | Total Exit Packages | |
| | | | Number | £'000 |
| £80,001 - £100,000 | 0 | 1 | 1 | 93 |
| **TOTAL** | **0** | **1** | **1** | **93** |

The Council terminated no contracts in 2020/21.

## 26. 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.

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 44 | Fees payable with regard to external audit services carried out by the appointed auditor (Mazars)* | 52 |
| 2 | Fees payable in respect of other services provided during the year (Cabinet Office) | 0 |
| 8 | Fees payable for the certification of grant claims and returns (KPMG) | 8 |
| **54** | **TOTAL** | **60** |

* Includes £20,440 in relation to additional fees for the 2020/21 audit.

## 27. GRANT INCOME

The Council credited the following grants, contributions and donations to the Taxation and Non-Specific Grant Income line (Note 7) in the Comprehensive Income and Expenditure Statement in 2021/22 and 2020/21.

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 0 | Section 106 contributions and Football Foundation Grant - Gresham Pitches | 1,218 |
| 0 | Salix Energy Grants | 101 |
| 38 | Skatepark Grants | 72 |
| 924 | LEP Grants - Bingham Hub & Leisure Centre | 0 |
| 0 | Section 106 contributions - Bingham Hub & Leisure Centre | 2,000 |
| 0 | ERDF Bingham Offices | 914 |
| 962 | Total Capital Grants | 4,305 |
| 2,311 | New Homes Bonus | 1,633 |
| 5,719 | NDR Section 31 Grant | 3,758 |
| 7,206 | COVID Grants | 1,874 |
| 184 | Other non-ringfenced grants (Note 7) | 465 |
| **16,382** | **TOTAL** | **12,035** |

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

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 112 | DLUHC - NDR Cost of Collection | 113 |
| 55 | DEFRA - Flood Relief | 0 |
| 212 | National Leisure Recovery Fund | 0 |
| 13,566 | DWP - Housing Benefit Subsidy and Council Tax Rebates | 12,594 |
| 168 | DWP - Housing Benefit Administration | 155 |
| 73 | DWP - Council Tax Administration | 79 |
| 125 | DLUHC - Homelessness Support Grant | 232 |
| 699 | DLUHC- Disabled Facilities Grant (REFCUS) | 695 |
| 0 | DLUHC - Local Authority Delivery Green Energy Grants | 228 |
| 515 | DLUHC - Covid Hardship Funding | 0 |
| 76 | DLUHC - Covid Track & Trace | 51 |
| 56 | DLUHC - High Streets Safely | 140 |
| 0 | Section 106 Affordable Housing | 301 |
| 161 | COMF Contain Funding | 102 |
| 119 | Total of grants below £50k | 296 |
| **15,937** | **TOTAL** | **14,986** |

## 27. GRANT INCOME CONTINUED

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:

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 21,849 | S106 Planning Agreements | 33,605 |
| 379 | CIL Planning Agreements | 1,779 |
| | **Other Grants:** | |
| 102 | Salix Energy Efficiency | 1 |
| | **Other Receipts :** | |
| 10 | Sale Deposit (Hollygate Lane) | 10 |
| **22,340** | **TOTAL** | **35,395** |

The Council received the following revenue grants receipts in advance

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 81 | COMF Contain Funding | 0 |
| 0 | Council Tax Energy Rebate Discretionary Funding | 131 |
| 0 | Track & Trace Discretionary Funding | 39 |
| 0 | Local Authority Delivery Grant 2 | 26 |
| **81** | **TOTAL** | **196** |

## 28. 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 27.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2021/22 are shown in Note 23. The Members could potentially have a material related party transaction with the Council. During 2021/22 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 2021/22 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 £2.320m and Internal Drainage Board levies of £0.302m 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 32).

**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 Council purchased street cleansing and grounds maintenance services from the company in 2021/22 to the value of £1.86m. Loan amounts outstanding from RBC to Streetwise as at 31.03.22 stood at £0.3m. At Cabinet March 2022 it was resolved that Streetwise grounds maintenance and street cleansing services would be brought back in house from 1 September 2022 and loans are now expected to be fully repaid at this date.

## 29. 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.

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| **7,300** | **Opening Capital Financing Requirement** | **6,300** |
| | **2021/22 ADJUSTMENT*** | **(443)** |
| | **Restated Capital Financing Requirement** | **5,857** |
| | **Capital Investment:** | |
| 3,826 | Property, Plant & Equipment | 14,570 |
| 0 | Heritage Assets | 25 |
| 4,624 | Investment Properties | 78 |
| 58 | Intangible Assets | 62 |
| 150 | Long Term Debtors | 0 |
| 648 | Revenue Expenditure Funded from Capital Under Statute | 1,541 |
| | **Sources of Finance:** | |
| (7,600) | Capital Receipts | (7,787) |
| (1,557) | Government Grants & Other Contributions | (5,747) |
| (149) | Direct Revenue Contributions | (242) |
| (1,000) | Minimum Revenue Provision | (1,074) |
| **6,300** | **Closing Capital Financing Requirement** | **7,283** |
| | **Explanation of movements in year** | |
| (1,000) | Increase/(decrease) in the underlying need to borrow (unsupported by Government financial assistance) | 1,426 |

* Opening Capital Financing Reserve adjusted to align with Balance Sheet Formula Calculation

## 30. 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 2011 as an operating lease. In accordance with its accounting policies (Note 36 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:

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 1,589 | Not later than one year | 1,583 |
| 5,030 | Later than one year and not later than five years | 5,146 |
| 3,860 | Later than five years | 3,447 |
| **10,479** | **TOTAL** | **10,176** |

**Council as a Lessee**

The Council previously entered in to 2 new agreements as lessee in 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:

| 2020.21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 178 | Not later than one year | 178 |
| 417 | Later than one year and not later than five years | 281 |
| 120 | Later than five years | 80 |
| **715** | **TOTAL** | **539** |

**31. 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 8 reconciling the movement over the year in the Property, Plant and Equipment balances.

The impairment review carried out at 31.03.2022 identified no material impairment to any of the Council's assets.

The revaluation exercise for 2021/22 gave rise to a net revaluation gain of £1.699m for Operational Land & Buildings. Of this, £1.696m was charged to the Revaluation Reserve (Note 19) and £3k credited to the CIES to reverse previous downward valuations charged; a small

revalution gain of £2k arises from Heritage Assets and was also credited to the CIES to reverse a previous downward valuation; in addition, a net loss of £0.307m arises from the movement in Fair Value of Investment Property (Note 9).

The main elements of the net sum credited to the Revaluation Reserve comprises £0.5m increase in the value of car parks in West Bridgford rising from improved income streams; £0.7m increase in the value of operational leisure buildings as a result of increases in Building Cost Information Service (BCIS) construction data; and £0.150m increase in Bingham Land as a result of a land price increase.

The main movement in Investment Property fair value is related to a valuation loss upon the completion of Cotgrave Phase II works £0.470m. Works originally capitalised at cost taking into account wider redevelopment costs: demolition, legal and professional fees, survey costs; and new power connections. Upon completion, the scheme has been split into relevant assets: retail units, new car park, and reconfiguration of the existing car park. This downward valuation has been offset a small reduction in the value of The Point arising from reduced income from vacancies. The net change in FV of Investment Properties is £0.307m.

There is a very small movement (£4k) in changes in valuation credited to the CIES relating to the reversal of previously charged valuation losses for the Arena Offices and the Art Collection.

## 32. 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.

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 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.
- Regulatory Risk. Regulatory uncertainties could result in benefit changes to past of future benefits which could result in additional costs.
- Orphan Risk. As many unrelated employers participate in each 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 in that fund.

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 36vi.

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 returns can be very volatile from year to year and will vary by LGPS fund. A typical LGPS fund might have achieved a return of around 7% for the period from 31 March 2021. This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy.

**Re-measurement of net defined benefit liability**

The actuarial (gains)/losses on pensions assets/liabilities line in the CIES shows a net reduction in pension liability of £9.567m. The changes in actuarial assumptions are detailed below:

- Return on Plan Assets - the actuary's estimation of the return on assets for 2021/22 was 7%, a reduction on the 2020/21 estimate of 21.6%. This return has the effect of **reducing** the pension liability by £4.176m.
- Financial Assumptions – assumed increase in both the future salary and pension increases by the actuary have led to an **decrease** in liability of £5.712m.
- Other Actuarial gains / losses & experience items have led to a **increase** in the pension liability of £0.321m

| 2020/21 £'000 | Local Government Pension Scheme | 2021/22 £'000 |
|---|---|---|
| | **Comprehensive Income and Expenditure Statement** | |
| | **Cost of Services** | |
| 2,284 | Current Service Cost | 3,356 |
| 27 | Administration Expenses | 37 |
| 0 | Past Service Gain | 0 |
| 0 | Settlements and Curtailments | 126 |
| | **Financing and Investment Income and Expenditure** | |
| 1,119 | Net Interest Expense | 1,253 |
| **3,430** | **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **4,772** |
| | **Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | |
| | **Remeasurement of the net defined benefit liability comprising:** | |
| (11,034) | Return on plan assets (excluding the amount included in the net interest expense) | (4,176) |
| (1,216) | Actuarial (Gains) and Losses arising on changes in demographic assumptions | 0 |
| 26,720 | Actuarial (Gains) and Losses arising on changes in financial assumptions | (5,712) |
| (1,406) | Other Experience | 321 |
| **13,064** | **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure** | **(9,567)** |
| | **Movement in Reserves Statement** | |
| **(3,430)** | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | **(4,772)** |
| | **Actual amount charged against the General Fund for Pensions in the year** | |
| **3,925** | Employers contributions payable to scheme | **1,282** |

| 2020/21 £'000 | Discretionary Benefits | 2021/22 £'000 |
|---|---|---|
| 92 | Retirement benefits payable to pensioners | 90 |

## 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:

| 2020/21 £'000 | Local Government Pension Scheme | 2021/22 £'000 |
|---|---|---|
| 132,961 | Present value of the defined benefit obligation | 130,199 |
| (69,736) | Fair Value Plan Assets | (73,142) |
| **63,225** | **Net liability arising from defined benefit obligation** | **57,057** |

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

| 2020/21 £'000 | Local Government Pension Scheme | 2021/22 £'000 |
|---|---|---|
| **56,567** | **Opening Fair Value of Scheme Assets** | **69,736** |
| 1,366 | Interest Income | 1,374 |
| 11,034 | The return on plan assets, excluding the amount included in the net interest expense | 4,176 |
| 4,017 | Contributions from employer | 1,372 |
| 442 | Contributions from employees into the scheme | 462 |
| (3,663) | Benefits Paid | (3,941) |
| 0 | Settlements | |
| (27) | Other | (37) |
| **69,736** | **Closing Fair value of scheme assets** | **73,142** |

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

| 2020/21 £'000 | Local Government Pension Scheme | 2021/22 £'000 |
|---|---|---|
| **107,315** | **Opening Balance 1 April** | **132,961** |
| 2,284 | Current Service Costs | 3,356 |
| 2,485 | Interest Cost | 2,626 |
| 442 | Contributions by scheme participants | 462 |
| | Remeasurement gains/(loss): | |
| (1,216) | Actuarial (Gains) and Losses arising from changes in demographic assumptions | 0 |
| 26,720 | Actuarial (Gains) and Losses arising from changes in financial assumptions | (5,712) |
| (1,406) | Other experience | 321 |
| 0 | (Gains) and Losses on Settlements / Curtailments | 126 |
| (3,571) | Benefits Paid | (3,851) |
| (92) | Unfunded Pension Payments | (90) |
| **132,961** | **Closing Balance 31 March** | **130,199** |

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

| 2020/21 £'000 | Local Government Pension Scheme | 2021/22 £'000 |
|---|---|---|
| 45,172 | Equities | 44,310 |
| 2,343 | Gilts | 2,154 |
| 4,780 | Other Bonds | 4,988 |
| 7,124 | Property | 9,397 |
| 10,317 | Others | 12,293 |
| **69,736** | **Total Assets** | **73,142** |

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 38% are UK investments, 62% 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, 29% are UK corporates, 71% 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 credit 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 2019.

The principal assumptions used by the actuary have been:

| 2020/21 | Local Government Pension Scheme | 2021/22 |
|---|---|---|
| | **Mortality Assumptions** | |
| | Longevity at 65 for current pensioners | |
| 21.6 | Men | 21.6 |
| 24.3 | Women | 24.3 |
| | | |
| | Longevity at 65 for future pensioners | |
| 22.9 | Men | 23.0 |
| 25.7 | Women | 25.8 |
| | | |
| 3.80% | Rate of Increase in Salaries (Per Annum) | 4.20% |
| 2.80% | Rate of Increase in Pensions (Per Annum) | 3.20% |
| 2.00% | Rate for Discounting Scheme Liabilities | 2.60% |

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 occuring 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, ie 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%) | (2,444) | 2,493 |
| Rate of increase in salaries (increase or decrease by 0.1%) | 244 | (227) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 2,277 | (2,205) |
| Longevity (increase or decrease in 1 year) | 6,461 | (6,137) |

**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 2022/23 is 17.6% (2021/22 17.6%). A monetary contribution of £1,021,000 was anticipated from the authority in 2022/23, 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, saving the council £203,000 when compared with annual payments. The contribution to be recognised by the authority for 2021/22 is £918,000. 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 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 2023**

| Projected Pension Expense | 2022/23 £'000 |
|---|---|
| Service cost | 3,080 |
| Net Interest on the defined liability (asset) | 1,466 |
| Administration Expenses | 36 |
| **Total** | **4,582** |
| Employer contributions | 1,217 |

Note: These projections are based on the assumptions as at 31 March 2022, as described earlier in the Barnett Waddington Actuary Report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

## 33. CONTINGENT LIABILITIES

At the 31st March 2022 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.

The Council's street cleansing company Streetwise Environmental Limited will be brought back in-house during 2022/23. There is a possible contingent liability arising from the pension deficit relating to the existing pension fund held by the company. At this stage the value is not yet known and further detail will become available once the pensions report is received. Our expectation is the transactions with the existence of the pensions fund reserve should ensure there is no bottom line impact to tax payers in this regard. The 2022/23 accounts will include the relevant transactions.

## 34. CONTINGENT ASSETS

At 31 March 2022 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 £228k in respect of 2021/22 disposals (2020/21 £159k). 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 2022 gross income of £12.2m has been received from this overage agreement. Over time, it is probable that RBC might receive an estimated £7m 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.

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 was triggered in May 2021 with a commuted sum of £2.387m received by the Council; a further sum of £1.393m was due at 31.03.22(received April 2022). This totals £3.78m.

## 35. 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 2022 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:

| 2020/21 £'000 | Debtors past due but not impaired | 2021/22 £'000 |
|---|---|---|
| 534 | Less than three months | 678 |
| 112 | Three to nine months | 37 |
| 47 | Nine months to one year | 2 |
| 699 | More than one year | 729 |

*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.

| Institution | Length of Term | Amount £000 |
|---|---|---|
| **Call Accounts/MMFs** | | |
| Aviva | Call | - |
| Blackrock | Call | 5,649 |
| CCLA - Psdf | Call | 3,002 |
| Federated | Call | 4,477 |
| Goldman Sachs Asset Management | Call | 5,342 |
| HSBC Asset Management | Call | 366 |
| Invesco Aim | Call | 707 |
| Aberdeen Asset Management | Call | 2,088 |
| Bank Of Scotland Plc | Call | 378 |
| Bank Of Scotland Plc | 32 Days | 4,109 |
| Barclays Bank Plc | 32 Days | 4,360 |
| Handelsbanken | 35 Days | 902 |
| Santander UK Plc | Call | 4,145 |
| Santander UK Plc | 35 Days | 4,018 |
| Residual MMF/Call Account balance: | Call | 20 |
| | **Note 15** | 39,563 |
| **Short Term Investments** | | |
| Goldman Sachs Int'l Bank | 182 Days | 5,000 |
| Blackpool Council | 183 Days | 3,000 |
| Close Brothers Ltd | 179 Days | 5,000 |
| | | 13,000 |
| **Total Investments** | | **52,563** |

**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.
- **Inflation** - current high inflation rates heightens the risk of interest rate volatility and in particular the potential for rising interest rates.

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 2022, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| 214 | Increase in interest receivable on variable rate investments | 368 |
| **214** | **Impact on Surplus or Deficit on Provision of Services** | **368** |
| 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, Ninety One and Aegon (formerly 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 DLUHC (5 years commencing from April 2019) 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.

## 36. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22 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 credit 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 set to market conditions (using the annualised Merrill Lynch AA rated

corporate bond yield curve).

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.

**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 legacy impact of the COVID19 pandemic has 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, Aegon and Ninety One (formerly 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 Heritage Assets; a small art collection; war memorabilia (war memorial and commemorative bench); and Covid Memorial Obelisk. 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, bench and Obelisk 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.

Art collection

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 and Covid Memorial Obelisk

The War Memorial, Commemorative Bench and Obelisk 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 16 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.

## 37. ACCOUNTING STANDARDS ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 2022/23 code:

- IFRS 16 Leases (but only for those local authorities that have decided to adopt IFRS 16 in the 2022/23 year).
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

  None of the matters covered in the annual improvements are dealt with in detail in the 2022/23 Code. During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

## 38. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 36 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 until at least 2024/25 due to COVID 19 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 £137k 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. Following the decision to bring back in-house the Streetwise function from September 2022, group accounts will no longer be required.

d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year.

e. During 2021/22 the Council has administered grants for a range of schemes in relation to Covid-19. A judgement has been made as to whether the Council is acting as Agent or Principal in accordance with the Code of Practice. Where it is deemed the Council is acting as Principal (on its own behalf) and grant conditions have been met, funding will be recognised in the CIES. Where it is deemed the Council is acting as an intermediary (Agent) the transactions are not reflected in the financial statements except for debtors or creditors relating to the transactions. Disclosures relating to grants where the Council is acting as Principal are shown in the relevant notes to the accounts.

## 39. 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 £2.444m and an increase of £6.461m respectively in the present value of the defined benefit obligation. Note 32 provides 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. It is yet unknown how rising inflation and the increased cost of living following an already difficult period due to COVID will impact on collection of debt, therefore a fall in recoverability of 10% has been factored into the calculations. At 31st March 2022, the Council had sundry debtor balances of £0.724m and Housing Benefit (HB) debtors of £0.723m. If recoverability of these balances falls further than 10%, 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 £0.142m and £0.143m, respectively for sundry debtors and Housing Benefit overpayments. If recoverability of the debt does not fall by 10% across all ages of debt an estimated £0.071m would not be required;

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 accounting requirements of the national Business Rates Retention Scheme. In total Rushcliffe's estimated liability amounts to £1.86m, with a further £2.79 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. With the level of inflation currently expected to hit 8% and the current fuel crisis, the 2022/23 budget incorporates an allowance for an increase in utilities and fuel.

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.

## 40. 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 £6.5m of support grants to businesses (including £106k of funding from Rushcliffe Borough Council budgets). The remaining £0.786m is shown as a creditor on the balance sheet to either be carried forward to 2022/23 or repaid to Government.

## 41. 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.

## H. COLLECTION FUND

| 2020/21 | | | | 2021/22 | | |
|---|---|---|---|---|---|---|
| **Council Tax £'000** | **NDR £'000** | **TOTAL £'000** | | **Council Tax £'000** | **NDR £'000** | **TOTAL £'000** |
| | | | **INCOME** | | | |
| 89,316 | | **89,316** | Council Tax | 93,993 | | **93,993** |
| | 23,064 | **23,064** | Income from business ratepayers | | 25,677 | **25,677** |
| **89,316** | **23,064** | **112,380** | | **93,990** | **25,677** | **119,670** |
| | | | **EXPENDITURE** | | | |
| | | | Precepts and Demands | | | |
| 67,519 | | **67,519** | · Nottinghamshire County Council | 69,968 | | **69,968** |
| 10,087 | | **10,087** | · Nottinghamshire Police Authority | 10,811 | | **10,811** |
| 3,579 | | **3,579** | · Nottinghamshire Fire Authority | 3,671 | | **3,761** |
| 9,260 | | **9.260** | · Rushcliffe Borough Council | 9,575 | | **9,575** |
| | | | Business Rate | | | |
| | 17,397 | **17,397** | · Payments to Government* | | 22,786 | **22,786** |
| | 10,620 | **10,620** | · Payments to Nottinghamshire County Council** | | 10,741 | **10,741** |
| | 273 | **273** | · Payments to Nottinghamshire Fire Authority | | 286 | **286** |
| | 3,213 | **3,213** | · Payments to Rushcliffe Borough Council *** | | 3,792 | **3,792** |
| | 112 | **112** | · Costs of Collection | | 113 | **113** |
| | | | Impairment of Debts/Appeals | | | |
| | | | · Write offs and uncollectable amounts | | | |
| 334 | 190 | **524** | · Allowance for Impairment | 569 | 19 | **588** |
| | 5,564 | **5,564** | · Movement in provision for appeals | | (4,112) | **(4,112)** |
| | | | Contributions | | | |
| (943) | 356 | **(587)** | - Distribution of 20-21 estimated Collection Fund surplus/(deficit) | (442) | (10,001) | **(10,443)** |
| **89.836** | **37,725** | **127,561** | | **94,152** | **23,624** | **117,776** |
| (520) | (14,661) | **(15,181)** | **Movement on Fund Balance** | (159) | 2,053 | **1894** |
| (885) | 166 | **(719)** | **Opening Fund Balance** | (1,405) | (14,495) | **(15,900)** |
| **(1,405)** | **(14,495)** | **(15,900)** | **Closing Fund Balance** | **(1,564)** | **(12,442)** | **(14,006)** |

* This includes £8.483m payable to Government for transitional protection payments (20/21 £3.764m)

** This includes £8.166m (2020/21 £8.166m) payable to the Nottinghamshire Business Rates Pool.

*** This includes the disregarded amount for renewable energy of £0.518m (20/21 £0.473m)

# G. 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 |
|---|---|---|---|---|
| **2020/21** | | | | **2021/22** |
| 2,804 | A | 4,196 | 6/9 | 2,825 |
| 6,139 | B | 7,860 | 7/9 | 6,175 |
| 8,325 | C | 9,302 | 8/9 | 8,352 |
| 9,602 | D | 9,412 | 9/9 | 9,506 |
| 7,808 | E | 6,416 | 11/9 | 7,920 |
| 5,695 | F | 3,976 | 13/9 | 5,801 |
| 3,829 | G | 2,315 | 15/9 | 3,897 |
| 230 | H | 114 | 18/9 | 230 |
| **44,432** | | | | **44,706** |
| (444) | | Non-Collection Impairment was 1.00% in 2021/22 (2020/21 1.00%) | | (446) |
| **43,988** | | **Council Tax Base** | | **44,260** |

## 3. COLLECTION FUND COUNCIL TAX BALANCE/REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous year's surpluses/deficits. 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.

In 2021/22 a Collection Fund Council Tax deficit of £0.442m was redistributed between the major precepting authorities. Of this £0.499m reflected the estimated outturn deficit at 15 January 2021 and £0.057m decrease in deficit arose from the difference between the estimated and actual outturn positions for 2019/20.

At 15 January 2022 the Collection Fund Council Tax deficit for 2021/22 was estimated at £0.465m comprising an in-year deficit of £0.001m and £0.464m deficit arising from the difference between the actual and estimated outturns for 2020/21. These funds will be collected from the major precepting authorities in 2022/23.

## G. NOTES TO THE COLLECTION FUND CONTINUED

| 2020/21 £'000 | | 2021/22 £'000 | 2022/23 £'000 |
|---|---|---|---|
| (704) | Nottinghamshire County Council | (330) | (347) |
| (103) | Nottinghamshire Police Authority | (49) | (52) |
| (38) | Nottinghamshire Fire Authority | (18) | (18) |
| (97) | Rushcliffe Borough Council | (45) | (48) |
| **(942)** | | **(442)** | **(465)** |

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 in 2020/21. Every billing authority had to establish its 2021/22 in-year 'exceptional balance' for council tax as part of the process of estimating the outturn surplus/deficit on the collection fund for 2021/22 as at 15 January 2022. 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 £0.442m and in 2022/23 is £0.465m and this is allocated to preceptors as shown in the table above. At 31 March 2022 the actual outturn for the Collection Fund Council Tax was £1.564m, an increase of £0.066m from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2023/24.

### 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 2021/2022 was 51.2p (2020/2021 51.2p). The non-domestic rateable value at the 31st March 2022 was £73,372,614 (31st March 2021 £74,852,874).

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 17 provides further details on the provision made in 2021/22.

The deficit continues at the increased level observed in 20/21 due to the continuation of lost income from business rates reliefs in response to the Covid pandemic awarded to Leisure, Retail, Hospitality and Nursery sector and the Covid-19 Additional Relief Fund (CARF) for wider business support. The Government reimbursed the lost income by way of S31 grants, however, this is not collection fund income and therefore is shown in the revenue accounts of the relevant authority. Amounts relating to the Council are shown in Note 7).

## G. NOTES TO THE COLLECTION FUND CONTINUED

### 5. NON-DOMESTIC RATES SURPLUS OR DEFICIT

At 31 March 2022 the actual outturn for the Collection Fund NDR was a deficit of £12.4m (2020/21 £14.5 deficit) which is then distributed to the preceptors as detailed in the following table.

| 2020/21 £'000 | | 2021/22 £'000 |
|---|---|---|
| (7,248) | Central Government (50%) | (6,221) |
| (5,798) | Rushcliffe Borough Council (40%) | (4,977) |
| (1,304) | Nottinghamshire County Council (9%) | (1,120) |
| (145) | Nottinghamshire Fire Authority (1%) | (124) |
| **(14,495)** | | **(12,442)** |

# I. 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 38.

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.

In early 2022 the Council agreed to bring back in-house the Streetwise function from 1st September 2022. Group accounts will no longer be required after the 2021/22 accounts.

## 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.

## I. GROUP ACCOUNTS

### NOTE 1 GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

| 2021/22 | 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 2021** | **2,604** | **22,365** | **494** | **364** | **25,827** | **4,114** | **29,941** | **(182)** | **29,759** |
| **Balance at 31 March 2021 Restated PPA** | **2,604** | **22,365** | **494** | **364** | **25,827** | **6,729** | **32,556** | **(182)** | **32,374** |
| Post Audit Adjustment to Subsidiary Reserves | | | | | | | | **(12)** | **(12)** |
| **Movement in Reserves during 2021/22** | | | | | | | | | |
| Surplus or (deficit) on the provision of services | 2,942 | | | | 2,942 | | 2,942 | (44) | 2,898 |
| Other Comprehensive Income & Expenditure | | | | | 0 | 11,263 | 11,263 | 325 | 11,588 |
| Other Recognisable Gains/(Losses) | | | | | 0 | | 0 | | 0 |
| **Total Comprehensive Income & Expenditure** | **2,942** | **0** | **0** | **0** | **2,942** | **11,263** | **14,205** | **281** | **14,486** |
| Adjustments between Group accounts & authority accounts | | | | | 0 | | 0 | | 0 |
| Adjustments between accounting basis and funding basis under regulations | (1,819) | | 331 | (204) | (1,692) | 1,692 | 0 | | 0 |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **1,123** | **0** | **331** | **(204)** | **1,250** | **12,955** | **14,205** | **281** | **14,486** |
| Transfers to/(from) earmarked reserves | (1,210) | 1,210 | 0 | 0 | 0 | 0 | 0 | | 0 |
| **(Increase)/Decrease in 2021/22** | **(87)** | **1,210** | **331** | **(204)** | **1,250** | **12,955** | **14,205** | **281** | **14,486** |
| PPA reconciling item - in year depreciation | 87 | | | | 87 | | 87 | | 87 |
| **Balance at 31 March 2022 Carried Forward** | **2,604** | **23,575** | **825** | **160** | **27,164** | **19,684** | **46,848** | **87** | **46,935** |

## GROUP MOVEMENT IN RESERVES STATEMENT (MIRS) Restated PPA

| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'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 | 9,859 | | | | 9,859 | | 9,859 | 0 | 9,859 |
| Other Comprehensive Income & Expenditure | | | | | 0 | (12,343) | (12,343) | (246) | (12,589) |
| Other Recognisable Gains/(Losses) | | | | | | (372) | (372) | | (372) |
| **Total Comprehensive Income & Expenditure** | **9,859** | **0** | **0** | **0** | **9,859** | **(12,715)** | **(2,856)** | **(246)** | **(3,102)** |
| Adjustments between accounting basis and funding basis under regulations | (2) | | (3,044) | 144 | (2,902) | 2,902 | 0 | | 0 |
| **Net Increase/(Decrease) before Transfers to Earmarked Reserves** | **9,857** | **0** | **(3,044)** | **144** | **6,957** | **(9,813)** | **(2,856)** | **(246)** | **(3,102)** |
| Transfers to/(from) earmarked reserves | (8,892) | 8,892 | | | 0 | 0 | 0 | | 0 |
| **(Increase)/Decrease in 2020/21** | **965** | **8,892** | **(3,044)** | **144** | **6,957** | **(9,813)** | **(2,856)** | **(246)** | **(3,102)** |
| **Reconciling Line for CIES** | (965) | | | | (965) | (488) | (1,453) | | |
| **Balance at 31 March 2021 Carried Forward** | **2,604** | **22,365** | **494** | **364** | **25,827** | **6,729** | **32,556** | **(182)** | **33,827** |



## GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

| 2020/21 | General Fund Balance | Earmarked GF Reserves | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Council Reserves | Council's Share of Sunsidiary's Reserves | Total Reserves |
|---|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'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)** |
| **Balance at 31 March 2021 Carried Forward** | **2,604** | **22,365** | **494** | **364** | **25,827** | **4,114** | **29,941** | **(182)** | **29,759** |

## I. GROUP ACCOUNTS

### NOTE 2 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

| 2020/21 | | | Restated PPA | | 2021/22 | | |
|---|---|---|---|---|---|---|---|
| Gross Exp £'000 | Gross Inc £'000 | Net Exp £'000 | Net Exp £'000 | | Gross Exp £'000 | Gross Inc £'000 | Net Exp £'000 |
| 1,934 | (43) | 1,891 | 1,891 | Chief Execs | 2,033 | (38) | 1,995 |
| 3,120 | (1,626) | 1,494 | 1,494 | Development & Economic Growth | 3,465 | (1,707) | 1,758 |
| 18,660 | (14,666) | 3,994 | 3,994 | Finance & Corporate | 17,748 | (13,264) | 4,484 |
| 14,195 | (6,563) | 7,632 | 7,632 | Neighbourhoods | 15,199 | (7,639) | 7,560 |
| **37,909** | **(22,898)** | **15,011** | **15,011** | **Cost of Services (Note 5a)** | **38,445** | **(22,648)** | **15,797** |
| | | 3,212 | (856) | Other Operating Expenditure | | | 3,995 |
| | | (879) | (879) | Financing & Investment Income & Expenditure | | | (755) |
| | | (23,010) | (23,010) | Taxation & Non-Specific Grant Income | | | (21,916) |
| **37,909** | **(22,898)** | **(5,666)** | **(9,734)** | **(Surplus)/Deficit on Provision of Services** | **38,445** | **(22,648)** | **(2,879)** |
| | | (27) | (27) | Tax expenses of subsidiaries | | | (19) |
| | | **(5,693)** | **(9,761)** | **Group (Surplus)/Deficit on Provision of Serviices** | | | **(2,898)** |
| | | (721) | (721) | Surplus or deficit on revaluation of non-current assets | | | (1,696) |
| | | 0 | 0 | Available for Sale Financial Instruments | | | |
| | | 14,479 | 14,479 | Actuarial gains/losses on pension assets/liabilities | | | (9,892) |
| | | (895) | (895) | Other recognisable (Gains) / Losses | | | |
| | | **12,863** | **12,863** | **Other Comprehensive Income & Expenditure** | | | **(11,588)** |
| | | **7,170** | **3,102** | **Total Comprehensive Income & Expenditure (Note 5b)** | | | **(14,486)** |

## I. GROUP ACCOUNTS

## NOTE 3 GROUP BALANCE SHEET

| | Restated PPA | | |
|---|---|---|---|
| 31 March 2021 £'000 | 31 March 2021 £'000 | | 31 March 2022 £'000 |
| 46,273 | 44,820 | Property, Plant & Equipment | 57,125 |
| 88 | 88 | Heritage Assets | 114 |
| 29,127 | 29,127 | Investment Property | 30,753 |
| 13,050 | 13,050 | Long Term Investments | 15,222 |
| 221 | 221 | Intangible Assets | 190 |
| 2,269 | 2,269 | Long Term Debtors | 2,062 |
| **91,028** | **89,575** | **Long Term Assets** | **105,466** |
| 4,586 | 4,586 | Assets Held for Sale | 0 |
| 15,000 | 15,000 | Short Term Investments | 13,000 |
| 87 | 87 | Inventories | 62 |
| 8,134 | 12,202 | Short Term Debtors | 8,293 |
| 19,899 | 19,899 | Cash & Cash Equivalents | 40,340 |
| **47,706** | **51,774** | **Current Assets** | **61,695** |
| (17,994) | (17,994) | Short Term Creditors | (24,288) |
| **(17,994)** | **(17,994)** | **Current Liabilities** | **(24,288)** |
| (3,600) | (3,600) | Long Term Provisions | (1,972) |
| (22,340) | (22,340) | Capital Grants Receipts in Advance | (35,395) |
| (65,041) | (65,041) | Pension Liability | (58,563) |
| 0 | 0 | Deferred Tax Liability | 0 |
| 0 | 0 | Long Term Creditors | (8) |
| **(90,981)** | **(90,981)** | **Long Term Liabilities** | **(95,938)** |
| **29,759** | **32,374** | **NET ASSETS** | **46,935** |
| 494 | 494 | Usable Capital Receipts Reserve | 825 |
| 2,604 | 2,604 | General Fund Balance | 2,604 |
| 22,365 | 22,365 | Earmarked Reserves | 23,575 |
| 364 | 364 | Capital Grants Unapplied | 160 |
| (182) | (182) | Profit & Loss Reserve | 87 |
| **25,645** | **25,645** | **Usable Reserves** | **27,251** |
| **4,114** | **6,729** | **Unusable Reserves** | **19,684** |
| **29,759** | **32,374** | **TOTAL RESERVES** | **46,935** |

## I. GROUP ACCOUNTS

## NOTE 4 GROUP CASHFLOW STATEMENT (INDIRECT METHOD)

| | Restated PPA | | |
|---|---|---|---|
| **2020/21 £'000** | **2020/21 £'000** | | **2021/22 £'000** |
| (5,693) | (9,761) | Group Net (surplus) or deficit on the provision of services | (2,898) |
| | | Post Audit adjustment to Subsidiary surplus | |
| (15,273) | (15,273) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (15,266) |
| 4,545 | 8,613 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 5,013 |
| (16,421) | (16,421) | Net cash flows from Operating Activities | (13,151) |
| (3,580) | (3,580) | Investing Activities | (6,873) |
| 5,634 | 5,634 | Financing Activities | (417) |
| (14,367) | (14,367) | Net (increase) or decrease in cash and cash equivalents | (20,441) |
| (5,532) | (5,532) | Cash & Cash equivalents at the beginning of the reporting period | (19,899) |
| **(19,899)** | **(19,899)** | **Cash & Cash equivalents at the end of the reporting period** | **(40,340)** |

## I. 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

| 2020/21 | | | | | 2021/22 | | |
|---|---|---|---|---|---|---|---|
| RBC Adjusted £'000 | Streetwise Environmental Ltd Adjusted £'000 | Group £'000 | Restated PPA Group £'000 | Comprehensive Income & Expenditure Statement | RBC Adjusted £'000 | Streetwise Environmental Ltd Adjusted £'000 | Group £'000 |
| 13,232 | 1,778 | 15,010 | 15,010 | (Surplus)/Deficit on Continuing Operations | 14,062 | 1,735 | 15,797 |
| 3,212 | 0 | 3,212 | (856) | Other Operating Expenditure | 3,995 | 0 | 3,995 |
| (904) | 26 | (878) | (878) | Financing & Investment Income & Expenditure | (790) | 35 | (755) |
| (23,010) | 0 | (23,010) | (23,010) | Taxation & Non-Specific Grant Income | (21,916) | 0 | (21,916) |
| **(7,470)** | **1,804** | **(5,666)** | **(9,734)** | **(Surplus)/Deficit on Provision of Services** | **(4,649)** | **1,770** | **(2,879)** |

### b. Reconciliation of the Single Entity (Surplus)/Deficit to the Group (Surplus)/Deficit

| | Restated PPA | | |
|---|---|---|---|
| 2020/21 £'000 | 2020/21 £'000 | | 2021/22 £'000 |
| 6,924 | 2,856 | (Surplus)/Deficit on the Council's Comprehensive Income & Expenditure Statement | (14,205) |
| (1,678) | (1,678) | Adjustments for transactions with other group entities | (1,707) |
| **5,246** | **1,178** | **(Surplus)/Deficit in the Group Comprehensive Income & Expenditure Statement attributable to the Council** | **(15,912)** |
| 1,924 | 1,924 | (Surplus)/Deficit in theGroup Comprehensive Income & Expenditure Statement attributable to the Group subsidiaries (adjusted for inter group transactions) | 1,426 |
| **7,170** | **3,102** | **(Surplus)/Deficit for the year on the Group Comprehensive Income & Expenditure Statement** | **(14,486)** |

## I. GROUP ACCOUNTS

### c. Group Transactions in relation to Debtors, Creditors, Provisions and Investments.

| 2021/22<br><br>Balance Sheet | RBC<br><br>£'000 | Streetwise Environmental Ltd<br><br>£'000 | Adjustment<br><br>£'000 | Group<br><br>£'000 |
|---|---|---|---|---|
| Fixed Assets - PPE | 56,584 | 541 | 0 | 57,125 |
| Long term debtors | 2,240 | 955 | (1,133) | 2,062 |
| Short term debtors | 8,144 | 320 | (171) | 8,293 |
| Short term borrowing | 0 | (123) | 123 | 0 |
| Long term investments | 15,222 | 0 | 0 | 15,222 |
| Short term investments | 13,000 | 0 | 0 | 13,000 |
| Short term creditors | (23,829) | (506) | 47 | (24,288) |
| Long term creditors | 0 | (186) | 178 | (8) |
| Long term provisions | (2,927) | 0 | 955 | (1,972) |

The elimination of £1.133m 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 £178k is being the remnants of long-term loans to Streetwise.

The elimination of £171k Short Term Debtors - includes the opposite entry to remove Short term creditors plus removal of £123k short term loan to Streetwise.

| 2020/21<br><br>Balance Sheet | RBC<br><br>£'000 | Streetwise Environmental Ltd<br><br>£'000 | Adjustment<br><br>£'000 | Group<br><br>£'000 | Restated PPA - Group<br><br>£'000 |
|---|---|---|---|---|---|
| Fixed Assets - PPE | 44,272 | 548 | 0 | 44,820 | 44,820 |
| Long term debtors | 2,570 | 955 | (1,256) | 2,269 | 2,269 |
| Short term debtors | 7,789 | 511 | (166) | 8,134 | 12,202 |
| Short term borrowing | 0 | (127) | 127 | 0 | 0 |
| Long term investments | 13,050 | 0 | 0 | 13,050 | 13,050 |
| Short term investments | 15,000 | 0 | 0 | 15,000 | 15,000 |
| Short term creditors | (17,402) | (631) | 39 | (17,994) | (17,994) |
| Long term creditors | 0 | (301) | 301 | 0 | 0 |
| Long term provisions | (4,555) | 0 | 955 | (3,600) | (3,600) |

# J. 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.

**DEFERRED CAPITAL RECEIPTS**

Income recognised upon the disposal of non-current assets but, for which, cash settlement has yet to take place.

**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.

**DLUHC**

Department for Levelling Up, Housing and Communities

**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

**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.

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**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Risk Management Progress Report**

**Report of the Director – Finance and Corporate Services**

## 1. Purpose of report

1.1. This report provides an update on risk activity since the last meeting on 1 November 2022. It provides a summary of risks in the Council's Risk Registers that have changed, been removed or new risks that have been identified as a result of management review throughout the period.

1.1. The contents of this report have not been considered by any other committee.

## 2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

a) note the contents of this report

b) considers and makes recommendations on risks that have red alert status.

## 3. Reasons for Recommendation

3.1. To provide Governance Scrutiny Group the opportunity to discuss risk activity and make recommendations on risk management, mitigation and financial impacts.

## 4. Supporting Information

### Risk Management Activity

4.1. Since the last meeting of this group, the Council's Risk Management Group (RMG) met on 31 January 2023, in order to review risks on the register and to make recommendations.

### Risk Management Audit

4.2. A risk management audit was carried out in June/July by BDO, our Internal Auditors. Risk Management Level of Assurance was given a Substantial rating for Design and Operational Effectiveness. Three recommendations were made:

Medium

- Articulation of the risk and mitigating controls.

Low

- Risk Management Strategy – requires guidance to staff.
- Format of risk reports – some information in Pentana not replicated in reports.

**Risk Management Training**

4.3. Training was delivered by Zurich to provide Service Managers with an opportunity risk workshop on 6 October 2022. Zurich also provided training on 1 November 2022 for members of Governance Scrutiny Group.

**Risk Management Strategy**

4.4. The draft Risk Management Strategy has been written and is also on the agenda for this meeting. The revised strategy addresses the recommendations in the BDO report and takes into account the latest best practice in Risk Management as communicated by Zurich in the training sessions.

**Risk Update**

4.5. There are currently 41 corporate risks and 27 operational risks on the risk register. In addition, there are 4 opportunity risks. The number of risks within the registers will fluctuate 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 and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification.

4.6. Appendix A presents the Council's existing Risk Registers containing corporate, operational risks and opportunity risks. There are no new risks and one risk has been removed as a result recent reviews. Risks that have decreased or increased risk ratings are summarised as follows:

**Risk Increased**

**OR_DEG08** Loss of income as a result of the refund of planning application fees under the provisions of the Government's Planning Performance and Planning Guarantee: the likelihood has increased from 3 to 4 as a result of receiving a request for refund on a major scheme £32,324. Taking legal advice but likely to have to be paid back.

**Risk reduced**

**CRR_NS18** Failure of public sector partnerships / withdrawal of financial support: likelihood reduced from 2 to 1 - Rushcliffe Primary Care Network committing more funding to the joint Health Development Officers post.

**CRR_NS19** Failure to safeguard children and vulnerable adults: likelihood decreased from 2 to 1 - the risk has improved with all staff undertaking E-

learning Training and the Steering group now meeting again on a quarterly basis.

**OR_CED01** Threat of violence to staff: likelihood reduced from 3 to 2 - likelihood was increased due to covid, but has now been reduced back to unlikely

**Risk change**

**CRR_FCS23** ICT supplier goes out of business: the impact reduced from 3 to 2 and likelihood increased from 2 to 3 - there is a lot of uncertainty and acquisitions happening in the technical market for companies struggling and on the verge of bankruptcy. One of our suppliers have recently been acquired. A number of factors are contributing to the instability of suppliers.

4.7. One risk has been removed as a result of the completion of the Bingham Arena project.

**CRR_DEG05** Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget

## 5. Risks and Uncertainties

5.1. If risks within the Risk Register did not have the correct level of mitigation there would be a heightened threat if a risk occurred. Arrangements are in place to reduce risk by implementation of the Risk Management Strategy.

## 6. Implications

### 6.1. Financial Implications

The Risk Management Group ensures that the financial risks of the Council are managed. The MTFS being presented to Full Council has some additional risks which will be reported back to the Group when the Risk Register is next presented.

### 6.2. Legal Implications

There are no implications in this report, the processes in place provide good risk management.

### 6.3. Equalities Implications

The Risk Management Group ensure that equalities implications are contained within this register.

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

The Risk Management Group ensure that the section 17 implications are contained within this register.

## 7. Link to Corporate Priorities

| | |
|---|---|
| Quality of Life | Maintaining an accurate and up-to-date Corporate Risk Register assists the Council in delivering its Corporate Priorities. |
| Efficient Services | |
| Sustainable Growth | |
| The Environment | |

## 8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:

a) note the contents of this report

b) considers and makes recommendations on risks that have red alert status.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director - Finance and Corporate Services<br>Tel: 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | There are no additional papers |
| **List of appendices:** | Appendix A – Risk Registers – Corporate, Operational and Opportunity Risk |

Appendix A

# Corporate Risks

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| CRR_CED01 Equal pay claim | | 3 | 2 | 6 |
| CRR_CED02 Insufficient staff capacity - skills, knowledge, and availability etc | | 3 | 3 | 9 |
| CRR_DEG01 Inability to demonstrate a five-year supply of deliverable housing sites against the housing target leading to further development on unallocated sites | | 3 | 1 | 3 |
| CRR_DEG02 Failure to properly manage our property assets | | 3 | 1 | 3 |
| CRR_DEG04 Ability to deliver Rushcliffe Oaks project on time and within budget | | 3 | 2 | 6 |
| ~~CRR_DEG05 Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget~~ | | ~~2~~ | ~~2~~ | ~~4~~ |
| Removed – the opening of Bingham Arena to the public on 20 February 2023 is the completion of this project. | | | | |
| CRR_DEG07 Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area | | 2 | 3 | 6 |
| CRR_DEG08 Failure to secure the Local Development Order for the Ratcliffe on Soar site | | 3 | 3 | 9 |
| CRR_FCS01 Failure to properly deal with community governance review legislation, Community Right to Challenge, and nominations for assets of community value | | 2 | 2 | 4 |
| CRR_FCS02 Reduction in Government funding linked to New Homes Bonus Fairer funding and business rates reviews and the impact of the overall Comprehensive Spending Review | | 3 | 3 | 9 |
| CRR_FCS03 Failure to prevent or detect fraud and corruption | | 2 | 2 | 4 |
| CRR_FCS05 Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure | | 4 | 3 | 12 |
| CRR_FCS06 Lack of funding from partners | | 2 | 3 | 6 |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| CRR_FCS07 Central Government policy changes | | 3 | 3 | 9 |
| CRR_FCS08 Inadequate capital resources | | 3 | 2 | 6 |
| CRR_FCS09 Fee income volatility | | 2 | 4 | 8 |
| CRR_FCS11 Increased demand for services | | 2 | 3 | 6 |
| CRR_FCS12 Risk and return from Asset Investment Strategy | | 3 | 2 | 6 |
| CRR_FCS13 Failure to deliver the Transformation Strategy | | 3 | 2 | 6 |
| CRR_FCS20 Failure to properly manage and deliver significant projects | | 2 | 2 | 4 |
| CRR_FCS21 Potential inflationary pressures, with volatility over prediction for budget | | 3 | 3 | 9 |
| CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement | | 3 | 3 | 9 |
| CRR_FCS23 ICT supplier goes out of business | | 3 to 2 | 2 to 3 | 6 |
| Impact reduced from 3 to 2 and likelihood increased from 2 to 3 - there is a lot of uncertainty and acquisitions happening in the technical market for companies struggling and on the verge of bankruptcy. One of our suppliers have recently been acquired. A number of factors are contributing to the instability of suppliers. | | | | |
| CRR_FCS24 Long term loss/failure of main ICT systems | | 4 | 1 | 4 |
| CRR_FCS25 Loss or compromise of sensitive data | | 3 | 2 | 6 |
| CRR_FCS26 Short term loss/failure of main ICT systems | | 3 | 2 | 6 |
| CRR_FCS27 Threat of major successful cyber-attack | | 4 | 2 | 8 |
| CRR_FCS28 Failure to comply with General Data Protection Regulation | | 4 | 2 | 8 |
| CRR_FCS29 Loss or compromise of confidential or restricted information or data | | 3 | 2 | 6 |
| CRR_FCS31 Increases in interest rates which potentially increases the burden if the Council has to borrow | | 3 | 2 | 6 |
| CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety | | 3 | 1 | 3 |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| CRR_NS09 Unforeseen incidents happening at public events | | 4 | 1 | 4 |
| CRR_NS10 Failure of business continuity | | 3 | 2 | 6 |
| CRR_NS11 Ineffective emergency planning arrangements | | 2 | 2 | 4 |
| CRR_NS13a Response to flooding impacts on delivery of statutory services | | 2 | 3 | 6 |
| CRR_NS13b Inadequate resources to respond to flooding incidents | | 2 | 2 | 4 |
| CRR_NS18 Failure of public sector partnerships / withdrawal of financial support | | 2 | 2 to 1 | 4 to 2 |
| Likelihood reduced from 2 to 1 - Rushcliffe PCN committing more funding to the joint Health Development Officers post. | | | | |
| CRR_NS19 Failure to safeguard children and vulnerable adults | to | 3 | 2 to 1 | 6 to 3 |
| Likelihood reduced from 2 to 1 - the risk has improved with all staff undertaking E-learning Training and the Steering group now meeting again on a quarterly basis. | | | | |
| CRR_NS21 Ensuring the Afghan Relocation Programme is supported in accordance with national guidance (funding and community cohesion) | | 2 | 1 | 2 |
| CRR_NS22 Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion) | | 2 to 1 | 1 | 2 to 1 |
| Impact reduced from 2 to 1??????? | | | | |
| CRR_NS23 Failure to deliver the Carbon management plan objectives | | 3 | 2 | 6 |

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## Operational Risks

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OR_CED01 Threat of violence to staff | | 2 | 3 to 2 | 6 to 4 |
| Likelihood reduced from 3 to 2 - likelihood was increased due to covid, but has now been reduced back to unlikely. | | | | |
| OR_CED02 Failure to comply with Equality legislation | | 2 | 1 | 2 |
| OR_CED03 Risk to staff health due to their work | | 3 | 2 | 6 |
| OR_CED04 Threat of Industrial Action | | 2 | 3 | 6 |
| OR_CED05 Failure to meet major statutory duties or take on board new legislation | | 2 | 2 | 4 |
| OR_CED06 Inadvertent illegal activity, taking illegal decisions | | 2 | 1 | 2 |
| OR_CED07 Ability of the Borough Council to maintain frontline services in the event of a future wave of Covid-19 | | 2 | 2 | 4 |
| OR_DEG01 Failure to manage legionella issues | | 2 | 2 | 4 |
| OR_DEG02 Failure to manage asbestos in buildings under our control | | 2 | 1 | 2 |
| OR_DEG03 Failure to maintain council owned trees | | 2 | 2 | 4 |
| OR_DEG06 Cost of defending appeals for large scale residential developments and potential award of costs | | 2 | 1 | 2 |
| OR_DEG07 Failure to determine major planning applications within 13 weeks or agreed period | | 3 | 2 | 6 |
| OR_DEG08 Loss of income as a result of the refund of planning application fees under the provisions of the Government's Planning Performance and Planning Guarantee | | 2 | 3 to 4 | 6 to 8 |
| Likelihood increase from 3 to 4 as a result of receiving a request for refund on a major scheme £32,324. Taking legal advice but likely to have to be paid back. | | | | |
| OR_FCS06 Failure to manage and monitor budget | | 2 | 2 | 4 |
| OR_FCS07 Lack of implementation of financial controls | | 2 | 2 | 4 |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OR_FCS08 Exposure to breach of VAT rules | | 3 | 2 | 6 |
| OR_FCS10 Reputational risk to the Council following adverse media coverage | | 2 | 2 | 4 |
| OR_FCS11 Unauthorised access to IT systems | | 4 | 2 | 8 |
| OR_FCS12 Partners closure of buildings where RBC has contact points | | 2 | 1 | 2 |
| OR_NS02 Disruption and lack of fuel preventing collection of domestic waste | | 2 | 1 | 2 |
| OR_NS20 Significant malfunction of core services/security risk at Council's temporary accommodation premises | | 2 | 2 | 4 |
| OR_NS25 Failure to deliver mandatory DFG grant due to insufficient staffing | | 3 | 2 | 6 |
| OR_NS28a Increasing number of developments and greater opportunity for affordable housing | | 2 | 3 | 6 |
| OR_NS29 Lack of or inappropriate monitoring of the Council's contracts in place | | 3 | 1 | 3 |
| OR_NS30 Lack of emergency accommodation for those at risk of homelessness, fleeing domestic violence and in crisis | | 2 | 2 | 4 |
| OR_NS31 Increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence leading to a loss of homes | | 2 | 2 | 4 |
| OR_NS34 Increased risk of ASB and other related safety concerns arising from the use an asylum contingency hotel by the Home Office for asylum seekers | | 4 | 2 | 8 |

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## Opportunity Risk

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OPP_DEG01 Opportunity provided by Rushcliffe Oaks | | 4 | 4 | 16 |
| OPP_DEG02 County Deals – failure to secure opportunities for greater collaboration and Government funding | | 3 | 3 | 9 |
| OPP_FCS01 Increases in interest rates leading to higher interest income on cash balances that are invested | | 4 | 3 | 12 |
| OPP_NS01 Opportunity with the in-sourcing of Streetwise to provide other chargeable services to both public and private sector in line with the Council's charging policy | | 2 | 2 | 4 |

Risk Threat and Opportunity Matrix

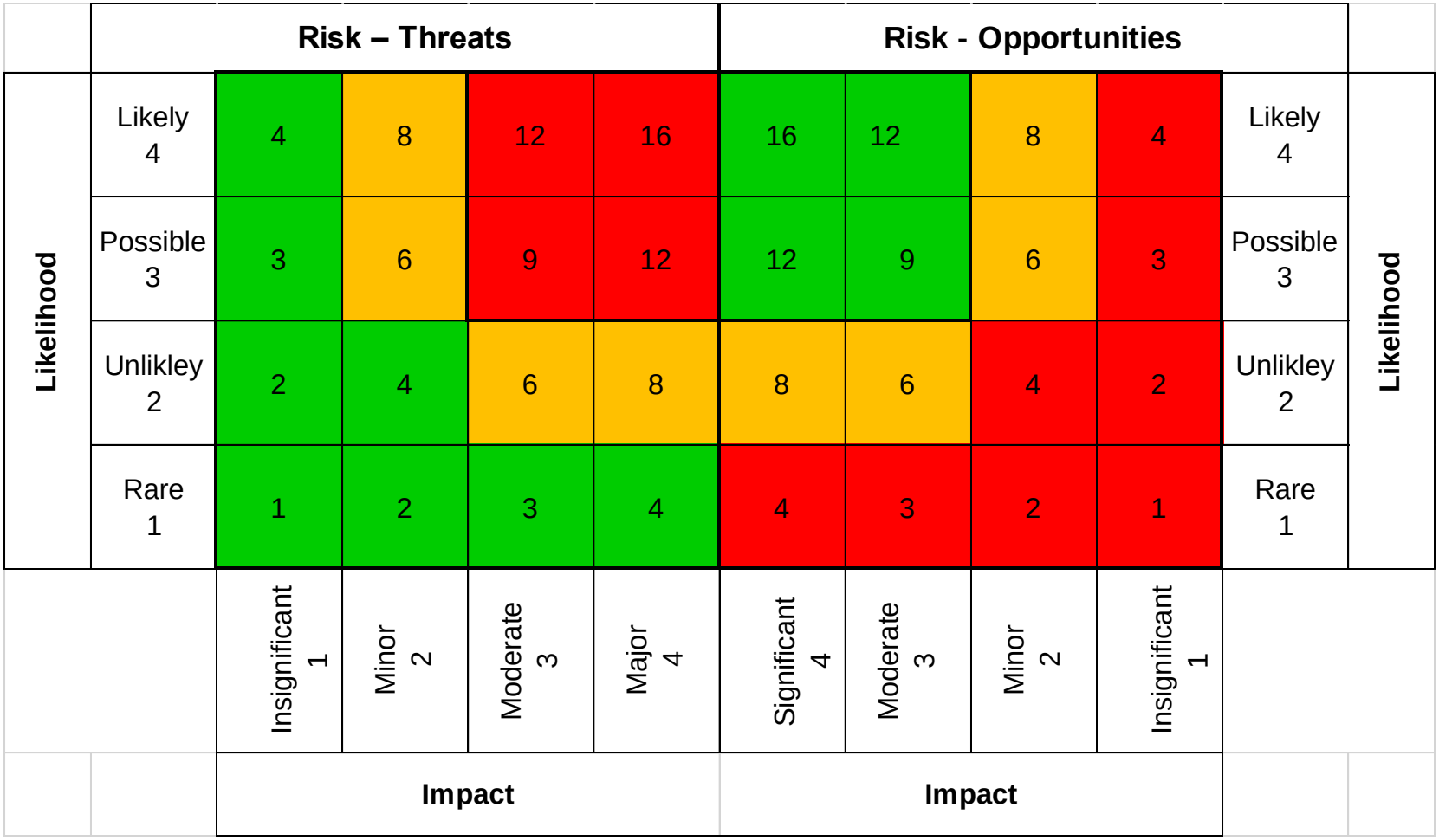

**Table 1 Consequence / Impact**
This is a measure of the consequences of the identified risk

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Impact** | **Thresholds and Description** | **Impact** | **Thresholds and Description** |
| 1 – Insignificant | Financial Impact = <£10k<br><br>No adverse impact on reputation<br><br>No impact on partners | 1 – Insignificant | Little or no improvement to service<br><br>Little or no improvement to welfare of staff / public<br><br>Little or no financial income / efficiency savings (less than £10k)<br><br>Little or no improvement to environment or assets<br><br>Little or no feedback from service users |
| 2 – Minor | Financial Impact = £10k - £50k<br><br>Negative internal/ within sector impact on reputation<br><br>Negative partner impact | 2- Minor | Minor improvement to service<br><br>Minor improvement to welfare of staff / public<br><br>Improvement that produces £10k - £50K of income / efficiency savings<br><br>Minor improvement to environment or assets<br><br>Positive user feedback |

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Impact** | **Thresholds and Description** | **Impact** | **Thresholds and Description** |
| 3 – Moderate | Financial Impact = >£100k<br>Negative Regional/Local impact on reputation<br>Negative impact on key partnerships | 3 – Moderate | Moderate improvement to service<br>Moderate improvement to welfare of staff / public<br>Improvement that produces £50k+ - £100k of income / efficiency savings<br>Moderate improvement to environment or assets<br>Positive local media contact |
| 4 – Major | Financial Impact = >£250k<br>Negative National reputation<br>Key partners withdraw | 4 – Significant | Significant improvement to service<br>Significant improvement to welfare of staff / public<br>Improvement that produces £100k+ of income / efficiency savings<br>Significant improvement to environment or assets<br>Positive local media coverage |

**Table 2 Likelihood / Probability of Occurrence**
This measures the chance of the risk or opportunity occurring

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Likelihood** | **Thresholds and Description** | **Likelihood** | **Thresholds and Description** |
| 1 – Rare | Unlikely | 1 – Rare | Opportunity has not been fully investigated but considered extremely unlikely to materialise |
| 2 – Unlikely | Possible | 2 – Unlikely | Opportunity has not been fully investigated; achievability is unproven / in doubt |
| 3 – Possible | Probable within 2 years | 3 – Possible | Opportunity may be achievable, but requires significant management, planning and resources |
| 4 – Likely | Probable within 12 months | 4 – Likely | Opportunity is achievable with careful management |

**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Draft Risk Management Strategy 2023 - 2026**

**Report of the Director – Finance and Corporate Services**

## 1. Purpose of report

1.1. The current Risk Management Strategy is due to expire in April 2023. A review has taken place and changes have been made to reflect best practice as a result of further risk management training for officers and members of the Group last Autumn.

1.2. The Council's Risk Management Strategy forms the framework within which risks are identified, articulated, assessed and managed. Identified risks are reviewed monthly by Lead Specialists, bi-monthly by Service Managers, and twice a year by the Risk Management Group and Governance Scrutiny Group.

## 2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group:

a) Considers the attached draft Risk Management Strategy for 2023-2026

b) Approves the Risk Management Strategy for 2023-2026.

## 3. Reasons for Recommendation

3.1. To provide guidance on the review of the Risk Management Strategy and the Council's approach to risk management to demonstrate good governance.

## 4. Supporting Information

4.1. Rushcliffe Borough Council takes risk management seriously and has had a Risk Management Strategy since 2010. This Strategy provides guidance and assurances that are used in order to identify, mitigate and control risks that have potential impact on the strategic and operational business of the Council.

4.2. The Council in the past has used Zurich Municipal to deliver training to both officers and councillors and will continue to ensure specialist training continues to be provided. Risk management specialists are also on hand to provide advice on increasing the effectiveness of the Strategy and ensuring that the Council continues to follow best practice.

4.3. Zurich provided training for key officers in July 2022, to follow up on training provided in 2019 and 2016. Zurich also provided training to members of the Governance Scrutiny Group in November 2022. Current best practice has been drawn from the training and implemented within the draft Strategy.

4.4. The Council's Internal Audit provider BDO also conducted an audit of the Council's Risk Management process during 2022 and made the following recommendations:

- Risk registers should be reviewed by risk owners and re-worded where risk - cause - consequence is unclear
- Similarly, mitigating controls and actions detailed in Pentana and reporting should be SMART. The descriptions of these actions should provide the reader with reasonable assurance that they would be able to minimise the likelihood of the risk materialising to an acceptable level. Implementation dates and action owners for each recorded action should be stated to ensure actions are being implemented in a timely manner.

4.5. The following changes have been made to the Strategy:

- More comprehensive introduction and explanation of the RBC Risk Management process
- Reference to the recent training from Zurich Insurance and BDO audit
- Reference to Pentana, the Council's performance monitoring system which includes a risk management module
- Information about the monitoring and review process of both risks and the Risk Management Strategy
- Alterations to the roles and responsibilities section to reflect the internal management restructure of 2021.

4.6. A revised Risk Management Strategy is presented at Appendix One.

## 5. Risks and Uncertainties

5.1. Maintaining a responsive risk register is essential to the Council's ability to manage potential risks focusing attention on controls and mitigating actions.

## 6. Implications

### 6.1. Financial Implications

6.1.1. Risk Management training will be met from the Council's existing budgets.

6.1.2. Indirectly a more robust risk management process will ensure financial risks are minimised.

### 6.2. Legal Implications

No direct legal implications.

6.3. **Equalities Implications**

The risk of not complying with Equalities legislation is an active risk on the Council's risk register and is monitored and reviewed regularly.

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

No direct implications.

## 7. Link to Corporate Priorities

| | |
|---|---|
| Quality of Life | The report links to all key themes within the Corporate Strategy |
| Efficient Services | |
| Sustainable Growth | |
| The Environment | |

## 8. Recommendations

It is RECOMMENDED that that Governance Scrutiny Group:

a) Considers the attached draft Risk Management Strategy for 2023-2026

b) Approves the Risk Management Strategy for 2023-2026.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director of Finance and Corporate Services<br>Tel: 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | |
| **List of appendices:** | Appendix One – Draft Risk Management Strategy 2023-2026 |

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Rushcliffe
Borough Council

# RUSHCLIFFE BOROUGH COUNCIL RISK MANAGEMENT STRATEGY 2023 - 2026

Published: March 2023

Next Review due April 2026

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To Be Updated

# 1. INTRODUCTION

## 1.1. Overview

This strategy outlines Rushcliffe Borough Council's approach to risk management. It has been developed to ensure that areas of risk are identified and appropriate remedial action is considered.

Rushcliffe Borough Council considers Risk Management to be a series of coordinated actions seeking to control and mitigate risks bringing the negative consequences of such risks within tolerable levels or maximising the potential of opportunity risks being realised. The Council recognises that only risks that are properly identified can be effectively addressed.

Failure to pay attention to the likelihood and impact of risks can have significant consequences. These can include endangering public health, reputational damage, financial costs, compensation claims and disruption to critical services. The effective management of risk is therefore a critical part of Rushcliffe Borough Council's approach to delivering services and maintaining high levels of performance.

The Council operates three risk registers – one for Strategic Risks, a second for Operational Risks and a third for Opportunity Risks (specific project risks are maintained within the Project Management Framework). The Strategic Risk Register contains high level risks specifically related to the achievement of the organisation's corporate objectives including risks associated with future business plans and strategies. The Operational Risk Register contains service-based risks that effect an individual; business unit or those risks associated with inadequate or failed internal processes, people or systems. Opportunity Risks are those associated with the positive gains or benefits of a specific course of action.

The Council has embedded risk management into its cultures, processes and structures to ensure that opportunities are maximised and risk minimised. This Strategy will enable the Council to develop risk management further through its effective use in management and decision-making processes.

The Council recognises that there are risks involved in everything it does and that it has a duty to manage these risks efficiently and effectively. This duty is to staff, residents, service users, partners, contractors and funding agencies.

## 1.2. Statement of Commitment

The Leader and Cabinet are committed to:

- Adopting best practice in the identification, evaluation and cost-effective control of risks.
- Ensuring wherever possible that risks are either, reduced to a level within the Council's risk tolerance or eliminated.
- Maximising opportunities to achieve the Council's corporate objectives and deliver core service provisions.

### 1.3. Funding

The risk and insurance reserve provides senior managers with the encouragement to increase levels of risk awareness within their areas of responsibility by formally identifying risks and proposals for action.

The reserve provides the opportunity to apply for financial support and creates an incentive for loss control, without adversely affecting service area budgets. This investment in risk management measures should lead to a reduction of insured and uninsured losses and eventually to lower costs, including premiums.

Other reserves exist such as Planning Appeals and Investment Properties to help mitigate against other specific risks. A Climate Change Reserve has been created to help the Council address environmental risks. Service budget and the Capital Programme may also be utilised to mitigate risk.

The S151 Officer will ensure that appropriate insurance cover is in place for all identified risks. Managers, where necessary, will utilise budgets to help mitigate risk.

### 1.4. Sources of assurance

Sources of assurance are sought to provide evidence that the management of risk is carried out effectively. These exist at different levels to ensure that risks are identified and controlled appropriately. An assurance framework is included in appendix A.

**Identification and articulation**
Risks can be identified by all staff liaising with Lead Specialists (via team meetings or service planning exercises) with emerging risks brought to the attention of Service Managers and Directors either through the bi-monthly performance clinic process, at team meetings or at the more formal Risk Management Group. Those topics raised that are considered to be risks (an occurrence that may or may not happen in the future) as opposed to issues (something which is happening in the here and now that requires immediate action) are discussed and a risk identification template completed and submitted to the Performance Officer. The articulation of risks is an important part of the process, and the risk identification template encourages the identification of cause-risk-consequence reflecting best practice in this area.

**Monitoring via performance clinics**
Pentana is the Council's chosen performance management tool – it also acts as a repository for identified risks. Lead Specialists are responsible for reviewing risk ratings (likelihood and impact) at a minimum of every other month in line with bi-monthly performance clinics. A written performance clinic is produced for each of the Council's four service areas, presented at the clinic meeting by Service Managers and challenge is provided by other Service Managers present. Any changes to risk ratings since the last clinic are highlighted in the performance clinic document.

**Monitoring via Risk Management Group**
The Council has an active Risk Management Group which consists of the Chief Executive and three Directors (including the Council's Section 151 Officer). The Monitoring Officer and Senior Information Risks Officer are consulted as necessary. The Risk Management Group meets twice a year to review the Corporate and Operational Risk Registers and challenge risk ratings and control measures where necessary.

**Monitoring at Governance Scrutiny Group**
Risk Management is scrutinised twice a year by the Governance Scrutiny Group. All three Risk Registers are presented and the Group's attention is drawn to any changes officers have made to risk ratings since the last meeting. Controls and mitigating actions are made available for risks currently rated as 'red' risks to focus Councillors attention on the Council's most important risks.

Additional assurance is provided by the Council's insurer, Zurich, who provide regular training to officers and Councillors as well as acting as a critical friend in all matters related to risk. The Council's risk management process has also been recently audited by the internal auditors, BDO, and a 'substantial' rating in terms of Design and operational Effectiveness awarded.

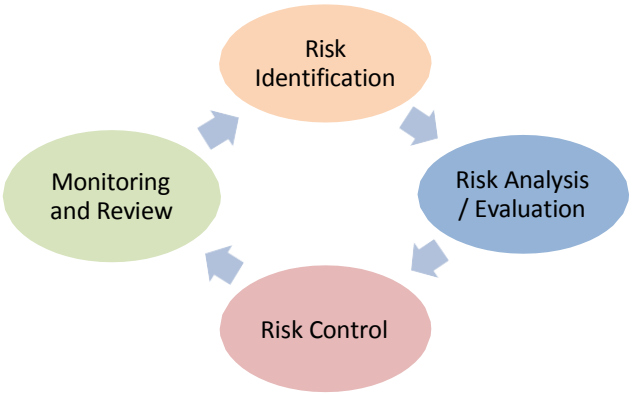
## 2. RISK MANAGEMENT PROCESS

### 2.1. Overview

Risk management entails identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them. It is a means of minimising costs and disruption caused by undesirable events.

The aim of this process is to reduce the frequency of incidents and minimise the severity of their effects. Even when the likelihood of an event occurring cannot be controlled, steps can be taken to limit its consequences (for example, by developing effective emergency and business continuity plans).

Risk management involves the following processes (the risk management cycle):




## 2.2. Identification

A systematic assessment of risk needs to be undertaken when judging all policy and service delivery options available to the authority. By identifying areas of risk before an event occurs, steps can be taken to prevent an incident from arising.

## 2.3. Analysis

Having identified areas of potential concern, risks need to be systematically and accurately assessed. This process requires managers to evaluate:

- The probability of a particular incident occurring
- The potential consequences should such an incident occur
- The anticipated cost of future incidents.

The Council has a risk identification template which helps a manager to correctly and effectively define the risk (using the cause-risk-consequence model), rate the risk at identification (often called inherent risk) in terms of how likely the risk is and what the potential impact of that risk might be if it is realised, whether the risk should be tolerated, treated, terminated or transferred, what controlling and mitigating actions should be taken if the risk is retained to reach a target risk rating, and, finally, the residual risk rating once those actions have been put in place. This information is entered into Pentana, the Council's performance management tool.

## 2.4. Control

A variety of options exist for controlling risk. These include:

- Terminate
- Treat
- Transfer
- Tolerate.

Terminating risk involves the authority opting not to undertake a current or proposed activity because the risk is deemed too significant. By taking the decision not to pursue the project or activity the risk is effectively eliminated. Given the nature of the public sector this option is only available for discretionary services.

Treating (or controlling) risk involves taking action (such as implementing projects or developing procedures) to reduce the likelihood of an incident occurring and limit the severity of its impact. If the current risk score is higher than the target risk score, actions should be identified to mitigate the risk and reduce its potential likelihood and / or impact to the target level. These actions are noted on the risk identification template and recorded within Pentana. They are then monitored by Lead Specialists to ensure that the controls and mitigating actions taken are effective. Financial provision to implement risk reduction measures will be made available where appropriate, with funding for initiatives provided from the risk management reserve, specific earmarked reserves, the revenue budget or the capital programme. Where these additional mitigating actions cannot be justified or implemented, the review process will result in the target risk score being raised.

Transferring risk refers to allocating liability for the consequences of an event to another body. Legal liability may be transferred to an alternative provider under contractual arrangements for service delivery. Transferring some or all of the financial risk to external insurance companies may also reduce the costs associated with a damaging event.

There may be occasions when the cost of implementing risk reduction measures will outweigh the anticipated benefits. This is often because the likelihood of a risk occurring is deemed to be very low or its impact negligible. In such instances, a decision may be taken to tolerate the risk and no additional control measures will be undertaken.

### 2.5. Monitoring and Review

The risk management process does not end once control measures are identified. Regular monitoring and reviews should take place of:

- The implementation of agreed control actions
- The effectiveness of these actions in controlling the risk
- How the likelihood and impact of the risk has changed over time
- Ongoing review of risks in totality along with the Risk Management Strategy.

Corporate and Operational Risks Registers are reviewed on a regular basis as described elsewhere in this Strategy. Risks that are tolerated still need to be reviewed as their likelihood and / or impact may increase over time.

This Risk Management Strategy is reviewed every three years by the Risk Management Group and approved by the Governance Scrutiny Group.

## 2.6. Risk Appetite

Our ‘risk appetite’ guides how much risk the Council is willing to seek or accept to achieve its objectives. Taking risks, both operationally and to achieve the priorities set out in our Corporate Strategy 2019-2023, is a necessary part of business. Good risk management ensures the Council makes well informed decisions where the associated risks are understood and managed. By ensuring that risks are properly managed, the Council is more likely to achieve its priorities. Effective risk management also provides a high level of due diligence consistent with the Council’s responsibility to manage public money prudently.

As a Council, we recognise effective risk management considers not just threats but also opportunities; namely, what is to be gained by taking a risk. Our approach to risk takes account of both opportunities and threats. By encouraging managed risk taking, and considering all of the available options, we seek a balance between caution and innovation. our risk appetite reflects our current position. We encourage managed risk taking for minor to moderate level risks, and control, more closely, those risks which register at a higher point on our risk matrix where the benefits to our residents or to the organisation are greatest. We accept that our appetite for risk will vary over time depending on our ambitions and corporate priorities as well as the external environment the Council is operating in. This position will be reviewed on a regular basis as part of the Council’s Risk Management Strategy.

Risk appetite goes ‘hand-in hand’ with how much the Council will tolerate risk, what is its risk threshold? Appendix B details the Council’s risk tolerance level for both risk threats and opportunities (see para 2.7 below) and what constitutes, low, medium or high risks.

## 2.7 Opportunity Risk

The Council has an entrepreneurial approach to seizing opportunities and has been able to successfully manage its finances throughout a challenging period of austerity. Successful organisations need a balance between risk taking and caution and this approach has ensured the delivery of major projects with lasting benefit to residents in the borough.

An opportunity risk matrix (Appendix B) has been developed to provide guidance and a scoring mechanism when making decisions about potential opportunities. By using the matrix to establish the greatest potential benefits, the Council is ensuring that its finances re used in the best possible way.

## 2.8 Project Risks

The Council has a formalised project management framework that provides the basis for

officers managing projects within their team and jointly with other members of staff. The framework provides guidance on what risk assessments are required for projects based on a scale of 1-4 determined by the complexity and project costs. Projects that fall within levels 3 and 4 require a full risk register and with controls in place to mitigate against the risks. These projects also require a greater degree of monitoring to ensure the project remains on track and aligned with the budget.

## 3. ROLES AND RESPONSIBILITIES

### 3.1. Overview

The following representatives have responsibilities for Risk Management.

Councillors:

- To oversee and scrutinise the effective management of risk by officers through the Governance Scrutiny Group.

Chief Executive:

- To ensure the risk management strategy is implemented effectively.

Director (Finance and Corporate Services):

- To ensure the corporate risk register is reviewed regularly
- To maintain an overview of the risk management strategy and its implementation
- To review the risk management strategy
- To provide updates on risk management to Councillors at Governance Scrutiny Group meetings
- To ensure that an effective strategy is in place for development of business continuity arrangements.

S151 officer:

- To ensure a proper system of internal audit is carried out within the authority
- To ensure reserves and budgets are sufficient to manage and mitigate both upside and downside risks (in consultation with EMT and Cabinet)
- To ensure that appropriate insurance cover is in place and that a register of claims is maintained.
-

Director (Neighbourhoods)

- To ensure that an effective strategy is in place for development of emergency planning arrangements.

Chief Executive and Directors:

- To identify risks of loss, damage, injury or performance facing service areas

- To implement appropriate risk control measures (i.e. terminate, treat, transfer, tolerate)
- To seek assurance that risk management arrangements for service areas are implemented effectively and reviewed on a regular basis
- To ensure service areas have arrangements in place for updating the corporate risk management system
- To oversee the implementation of agreed recommendations from internal audits
- To promote good risk management practice throughout the authority by co-operation and liaison with employees and relevant external agencies.

Monitoring Officer

- To report on matters they believe are, or are likely to be, illegal or amount to maladministration
- To be responsible for matters relating to the conduct of Councillors

Performance Officer:

- To support and assist technical use of the corporate risk management system (Pentana).
- To prepare risk management reports for the Risk Management Group and Governance Scrutiny Group
- To liaise with Internal Audit providing all information requested
- To arrange risk management training for officers and Councillors.

Emergency Planning Officer:

- To advise the Risk Management Group on emergency planning and business continuity arrangements
- To update the corporate emergency plan and corporate business continuity plan
- To ensure that business continuity plans for service areas are reviewed on a regular basis
- To co-ordinate training and exercising for staff, including participating in relevant activities undertaken by the Local Resilience Forum (LRF).

# 4. TERMS OF REFERENCE: RISK MANAGEMENT GROUP

## 4.1. Overview

The corporate Risk Management Group oversees the management of risk across the organisation and has responsibility for ensuring that adequate sources of assurance are in place. The Risk Management Group will meet twice a year and instigate actions, allocate resources and communicate important messages to service areas as necessary.

## 4.2. Membership

The Risk Management Group is made up of the following officers:

- Chief Executive
- Director – Finance and Corporate Services
- Director – Neighbourhoods
- Director – Development and Economic Growth.

The Monitoring Officer and Chief Information Officer will be consulted as necessary. Other representatives (such as the Performance Officer and / or Emergency Planning Officer) will be invited to attend as required.

## 4.3. Objectives

Objectives of the Risk Management Group include:

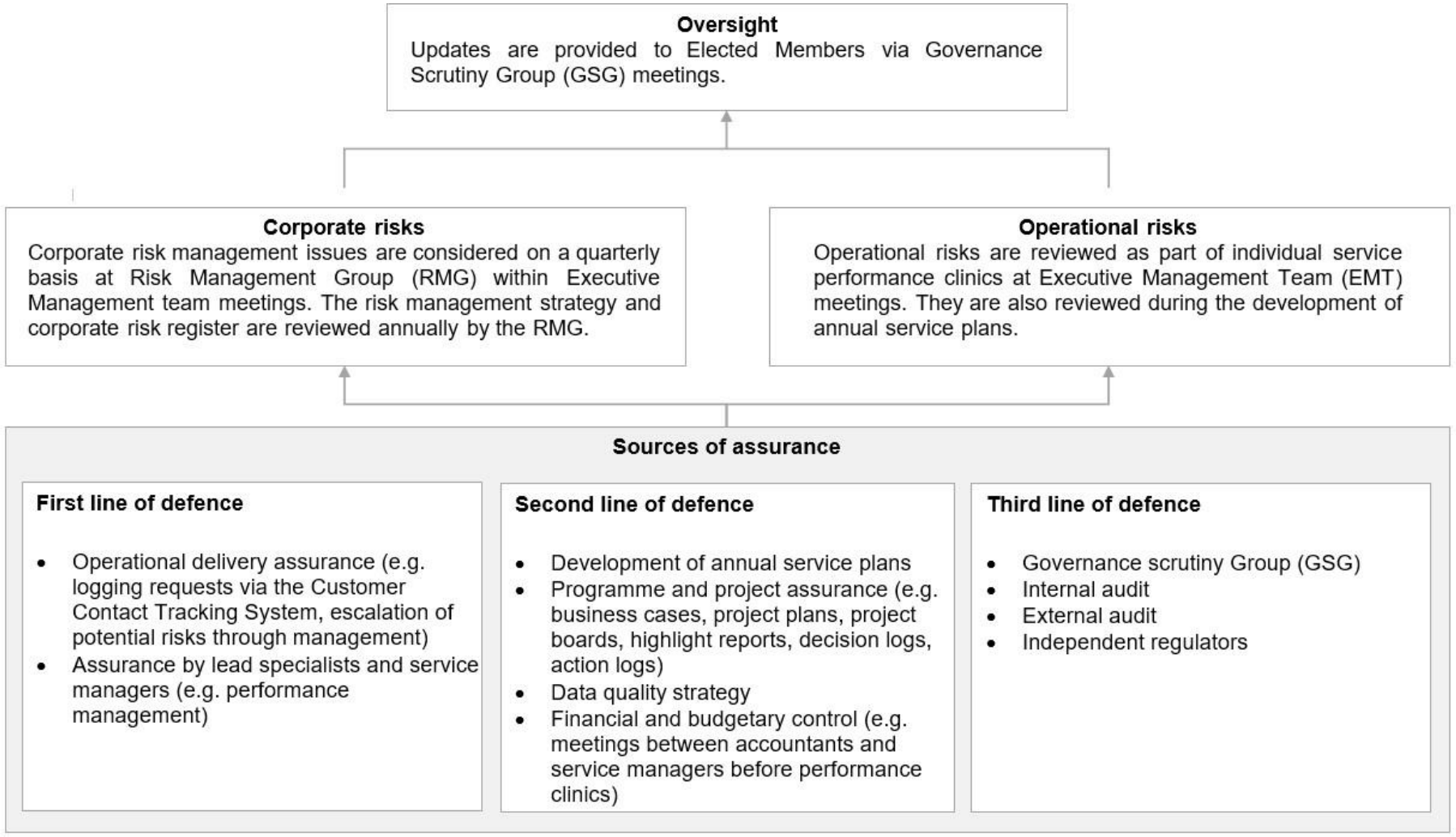
1. Coordinating risk management throughout the authority
2. Keeping the corporate risk register and risk management strategy under review
3. Identifying strategic and operational practices that present significant risk to the authority
4. Identifying emerging risks by drawing on information from other organisations and external sources of information
5. Making proposals for reducing the likelihood and / or impact of risks
6. Coordinating and prioritising risk control measures
7. Advising on the use of the risk management reserve to support funding necessary for initiatives that will reduce risk (e.g. vandalism, arson, theft, damage to property, personal injury to employees, visitors and persons under the care of the authority)
8. Monitoring the number and type of insurance claims being received by the authority
9. Coordinating the management of information security
10. Evaluating new approaches on risk management and the extent to which they could assist the authority and its services
11. Promoting good risk management practice by liaising with employees and identifying training needs
12. Ensuring effective business continuity arrangements are in place, including those

of critical suppliers

13. Ensuring effective emergency planning arrangements are in place
14. Participating in the work of the Local Resilience Forum (LRF) and working closely with other organisations as appropriate.

**APPENDIX A:**

## ASSURANCE FRAMEWORK



**APPENDIX B:**

## RISK TOLERANCE THRESHOLDS

The Council has set its risk tolerance level for risk threats at the threshold between medium and high rated risks. A matching but reverse tolerance level has been set for positive risk but the ambition is to move all opportunity risks to their highest impact and likelihood but as with risk threats, only above tolerance risks will be reported by exception.

| | | Risk – Threats | | | | Risk - Opportunities | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Likelihood | Likely 4 | 4 | 8 | 12 | 16 | 16 | 12 | 8 | 4 | Likely 4 |
| | Possible 3 | 3 | 6 | 9 | 12 | 12 | 9 | 6 | 3 | Possible 3 |
| | Unlikley 2 | 2 | 4 | 6 | 8 | 8 | 6 | 4 | 2 | Unlikley 2 |
| | Rare 1 | 1 | 2 | 3 | 4 | 4 | 3 | 2 | 1 | Rare 1 |
| | | Insignificant 1 | Minor 2 | Moderate 3 | Major 4 | Significant 4 | Moderate 3 | Minor 2 | Insignificant 1 | |
| | | Impact | | | | Impact | | | | |

Key to risk threats: **Green – Low, Amber** – Medium**, Red** – High

### Table 1 Consequence / Impact

This is a measure of the consequences of the identified risk

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Impact** | **Thresholds and Description** | **Impact** | **Thresholds and Description** |
| 1 – Insignificant | Financial Impact = <£10k<br><br>No adverse impact on reputation<br><br>No impact on partners | 1 – Insignificant | Little or no improvement to service<br><br>Little or no improvement to welfare of staff / public<br><br>Little or no financial income / efficiency savings (less than £10k)<br><br>Little or no improvement to environment or assets<br><br>Little or no feedback from service users |

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Impact** | **Thresholds and Description** | **Impact** | **Thresholds and Description** |
| 2 – Minor | Financial Impact = £10k - £50k<br>Negative internal/ within sector impact on reputation<br>Negative partner impact | 2- Minor | Minor improvement to service<br>Minor improvement to welfare of staff / public<br>Improvement that produces £10k - £50K of income / efficiency savings<br>Minor improvement to environment or assets<br>Positive user feedback |
| 3 – Moderate | Financial Impact = >£100k<br>Negative Regional/Local impact on reputation<br>Negative impact on key partnerships | 3 – Moderate | Moderate improvement to service<br>Moderate improvement to welfare of staff / public<br>Improvement that produces £50k+ - £100k of income / efficiency savings<br>Moderate improvement to environment or assets<br>Positive local media contact |
| 4 – Major | Financial Impact = >£250k<br>Negative National reputation<br>Key partners withdraw | 4 – Significant | Significant improvement to service<br>Significant improvement to welfare of staff / public<br>Improvement that produces £100k+ of income / efficiency savings<br>Significant improvement to environment or assets<br>Positive local media coverage |

**Table 2 Likelihood / Probability of Occurrence**
This measures the chance of the risk or opportunity occurring

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Impact** | **Thresholds and Description** | **Impact** | **Thresholds and Description** |
| 1 – Rare | Unlikely | 1 – Rare | Opportunity has not been fully investigated but considered extremely unlikely to materialise |

| Risk - Threats | | Risk - Opportunities | |
|---|---|---|---|
| **Impact** | **Thresholds and Description** | **Impact** | **Thresholds and Description** |
| 2 – Unlikely | Possible | 2 – Unlikely | Opportunity has not been fully investigated; achievability is unproven / in doubt |
| 3 – Possible | Probable within 2 years | 3 – Possible | Opportunity may be achievable, but requires significant management, planning and resources |
| 4 – Likely | Probable within 12 months | 4 – Likely | Opportunity is achievable with careful management |

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**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Capital and Investment Strategy – Quarter Report 3 2022/23**

**Report of the Director - 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 31 December 2022.

1.2. The Capital and Investment Strategy for 2022/23 approved by Council on 3 March 2022, 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 update position as of 31 December 2022.

## 3. Reasons for Recommendation

3.1 CIPFA's Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly. This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the CIPFA Code of Practice, although authorities are allowed to defer introducing revised reporting requirements until 2023/24 (these include changes in capital strategy, prudential indicators, and investment reporting).

## 4. Supporting Information

### Economic Forecast

4.1. The UK is currently experiencing a deteriorating economic outlook with prices currently rising 10.7% a year (Nov 22) and the Bank of England have warned that inflation might reach 12% within months, as the prices of fuel, energy and food put pressure on household budgets.

4.2. The Bank of England Monetary Policy Committee (MPC) reacted to this by voting on 15 December to increase the base rate to 3.5% with further increases anticipated.

4.3. Link Group (the Council's Treasury Advisors) has revised its interest rate forecast through a series of stepped increases. They are forecasting that interest rates will peak at 4.5% in June 23 before starting to tail off from December 2023.

4.4. Overall, the economy is looking at a protracted recession with public finances stretched, making it harder for Local Authorities to absorb any potential further shocks in the short term.

**Investment Income**

4.5. At the time of setting the 2022/23 budget, Link's base rate forecast was 0.5% and the Council budgeted to receive £673,300 in investment income (compared with £462,100 in 2021/22). Actual interest earned to 31 December 2022 totalled £849,142 with total receipts for the year expected to be approximately £1,255,400 (£676,742 in 2020/21). **Appendix D** details the Councils current investments and the respective counterparties. Interest receipts are higher than estimated due to ongoing increases in interest rates and larger investment balances, due to re-profiling of the capital programme and additional S106 monies. All investments have been made in accordance with the Council's Capital and Investment Strategy.

4.6. 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. In December £5m was invested in HSBC Global Liquidity Fund (ESG).

4.7. In light of these cash balances, 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.

4.8. The fair value of the Council's diversified funds can fluctuate, and the movement can be seen in **Appendix A**. The funds are currently showing £1.4m deficit and some funds are just starting to pick up from the downward trend experienced by the political turmoil last year. The majority of deficit is mitigated by proposed appropriations to reserves of £0.6m from 2022/23 in year efficiencies and a £0.2m carried forward from 2021/22. Currently there is a statutory override preventing any accounting loss impacting on the revenue accounts. This was due to end 31 March 2023 however DLUHC have decided, after consultation, to extend this for a further two years. It is however, prudent to maintain the reserve as detailed above whilst the investments remain.

**Borrowing and Prudential Indicators**

4.9. 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 B**.

4.10. The Liability Benchmark reflects the real need to borrow. A credit balance (as shown at Appendix B) confirms that the Council has no need to borrow over the medium term.

4.11. Net Income from Commercial and Service Investments to Net Revenue Streams reflects the Council's dependence on investments. The projected figure is lower than estimated due to changes in the operational start dates for the Crematorium and Bingham Hub, rising utility costs and favourable net revenue streams.

**Commercial Investments**

4.12. The Council's target is that this should not exceed 30% with the current actual just under 20% (see **Appendix C**)

**Conclusion**

4.13. Treasury Management continues to be fraught with difficulty. The UK economy is recovering but risk of a recession remains real with inflationary pressures and rising interest rates. Whilst the latter will have a positive effect on returns that can be achieved from investments, uncertainty in the economy will have a negative impact on the capital value of some of the Council's investments. Officers will continue to monitor the environment and report any significant issues to the Governance Scrutiny Group.

## 5. Risk and Uncertainties

5.1. The report covers both counterparty, interest rate and property related risks.

## 6. Implications

### 6.1. Financial Implications

Financial implications are covered in the body of the report.

### 6.2. Legal Implications

There are no specific legal implications identified in this report. The report demonstrates the Council's good practice in following CIPFA's Code of Practice for Treasury Management (2021) which recommends reporting Treasury Management activities quarterly. Adoption of the best practice ensures scrutiny of capital and investment activity undertaken during the relevant period.

### 6.3. Equalities Implications

There are no equalities implications identified in this report.

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

There are no crime and disorder implications identified in this report.

## 7. Link to Corporate Priorities

| | |
|---|---|
| Quality of Life | No direct impact on quality of life |
| Efficient Services | Responsible income generation and maximising returns |
| Sustainable Growth | No direct impact on sustainable growth |
| The Environment | Helping to protect the environment by consideration of carbon footprint and fossil-based investments as part of the Capital and Investment Strategy |

## 8. Recommendations

It is recommended that the Group notes the Capital and Investment Strategy update position as of 31 December 2022.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Executive Manager - Finance and Corporate Services<br>0115 914 8439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for inspection** | Treasury Management Strategy 2022/23 |
| **List of Appendices:** | Appendix A – Pooled Funds<br>Appendix B - Prudential and Treasury Indicators for 2022/23 position at 31 December 2022<br>Appendix C – Commercial Investment Income and Costs<br>Appendix D – Investments at 31 December 2022 |

**APPENDIX A**

| Fair Value | 31.03.22 | 30.06.22 | 30.09.22 | 31.12.22 | Difference |
|---|---|---|---|---|---|
| Aegon-Previously Kames | 4,976,196 | 4,425,213 | 4,145,841 | 4,377,738 | -598,458 |
| Ninety One-Previously Invest | 4,819,826 | 4,538,071 | 4,401,865 | 4,498,733 | -321,092 |
| RLAM | 991,193 | 982,352 | 965,030 | 978,590 | -12,603 |
| CCLA Property | 2,416,786 | 2,543,095 | 2,435,135 | 2,058,130 | -358,656 |
| CCLA Divesified | 2,018,480 | 1,887,902 | 1,845,419 | 1,830,824 | -187,656 |
| | **15,222,481** | **14,376,633** | **13,793,290** | **13,744,015** | **-1,478,466** |

**APPENDIX B**

# Prudential and Treasury Indicators for 2022/23
# Position at 31 December 2022

| | 2022/23 £'000 Original Estimate | 2022/23 £'000 Projected |
|---|---|---|
| **Prudential Indicators** | | |
| **Capital Expenditure** | 14,611 | 18,140 |
| **Proportion of financing costs to net revenue streams** | 5.29% | 4.92% |
| **Expected Investment Position (at 31 March 2023)** | 30,917 | 53,719 |
| **Capital Financing requirement as at 31 March 2023** | 14,933 | 15,516 |
| **Net Income (from Commercial and Service Investments) to Net Revenue Streams** | 14.5% | 5.3% |
| **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** | 15,400 | 26,900 |
| **Liability Benchmark** | (20,917) | (42,719) |

## Commercial Investment Income and Costs

| 2022/23 | Original £'000 | Current £'000 | Actual £'000 | Projected £'000 |
|---|---|---|---|---|
| **Commercial Property Income** | (1,772) | (1,753) | (1,553) | (1,661) |
| **Running Costs** | 616 | 647 | 525 | 753 |
| **Net Contribution to core functions** | (1,156) | (1,106) | (1,028) | (908) |
| **Interest from Commercial Loans** | (81) | (110) | (59) | (105) |
| **Total Contribution** | (1,237) | (1,216) | (1,087) | (1,013) |
| **Sensitivity:** | | | | |
| +/- 10% Commercial Property Income | 177 | 175 | 155 | 166 |
| **Indicator:** | | | | |
| Investment Income as a % of total Council Income | 19.5% | 22.8% | 19.9% | 15.7% |
| Total Income | 9,484 | 10,711 | 8,111 | 11,261 |

**APPENDIX D**

| Financial Institution | Amount £ | Length of Investment | Interest |
|---|---|---|---|
| Standard Chartered | 4,000,000 | 182 days | 4.06% |
| Standard Chartered | 3,000,000 | 183 days | 4.28% |
| Blackpool Council | 5,000,000 | 183 days | 1.15% |
| Close Brothers | 5,000,000 | 179 days | 2.00% |
| HSBC ECG | 5,000,000 | Call | 3.19% |
| Hertfordshire District Council | 5,000,000 | 273 days | 2.83% |
| Wrexham Borough Council | 5,000,000 | 273 days | 2.48% |
| Residual MMF/Call Account Balances | 19,138 | Call | 2.50% |
| Blackrock | 5,158,980 | Call | 3.21% |
| Ccla - Psdf | 3,755,548 | Call | 3.31% |
| Federated Investors (Uk) | 5,676,702 | Call | 3.25% |
| Goldman Sachs Asset Management | 2,156,248 | Call | 3.17% |
| Hsbc Asset Management | 2,640,099 | Call | 0.50% |
| Invesco Aim | 949,193 | Call | 3.22% |
| Aberdeen Asset Management | 3,830,970 | Call | 3.28% |
| Bank Of Scotland Plc | 378,925 | Call | 0.01% |
| Bank Of Scotland Plc | 109,752 | 32 Days | 1.55% |
| Barclays Bank Plc | 4,396,846 | 32 Days | 2.95% |
| Handelsbanken Plc | 904,637 | 35 Days | 1.55% |
| Santander Uk Plc | 162,955 | Call | 1.23% |
| Santander Uk Plc | 4,048,588 | 35 Days | 1.88% |
| Royal London Cash Plus Fund | 991,193 | On-going | 3.46% |
| Ccla Property Fund | 2,416,786 | On-going | 3.86% |
| Ccla Diversified Income Fund | 2,018,480 | On-going | 3.25% |
| Aegon Diversified Income Fund | 4,976,196 | On-going | 6.80% |
| Ninety One Diversified Income Fund | 4,819,826 | On-going | 6.20% |
| **Total Investments/Average Interest Rate** | **81,411,060** | | **3.24%** |

## 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.

**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.

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**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Capital and Investment Strategy 2023/24**

**Report of the Director – Finance and Corporate Services**

## 1. Purpose of report

1.1. The purpose of this report is to provide the Group with details of the Capital and Investment Strategy for 2023/24 to 2027/28 focusing on both traditional treasury activity and the Council's commercial property investments in light of CIPFA's updated Prudential and Treasury Management Codes.

1.2. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities (updated December 2021) along with revised guidance issued by the Department of Levelling-Up, Housing and Communities (DLUHC) when carrying out capital and treasury management activities.

1.3. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are affordable and proportionate, and all borrowing and other long-term liabilities are at prudent and sustainable levels, and that treasury management decisions are taken in accordance with the Council's treasury management strategy.

1.4. The Capital and Investment Strategy 2023/24 to 2027/28 (Appendix A) reflects Government Guidance, and the updated CIPFA Treasury Management and Prudential codes.

## 2. Recommendation

2.1. It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:

a) The Capital Strategy and Capital Prudential Indicators and Limits for 2023/24 to 2027/28 contained within Appendix A (paragraphs 5 to 15)

b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP

c) The Treasury Management Strategy 2023/24 to 2027/28 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 66)

d) The Commercial Investments Indicators and Limits for 2023/24 to 2027/28 contained within Appendix A (paragraphs 67 to 81).

## 3. Reasons for Recommendation

3.1. To comply with Council Financial Regulations, and the Local Government Act 2003 which requires the Council to adhere to the CIPFA Prudential Code for Capital Finance in Local Authorities.

## 4. Supporting Information

### Capital Prudential Indicators

4.1. Appendix A (paragraphs 5 to 15) details the Capital Strategy and Capital prudential Indicators for 2023/24 to 2027/28.

4.2. The Capital Prudential Indicators highlight the following:

- Projected capital expenditure plans and funding
- The Council's Borrowing Need (the Capital Financing Requirement CFR)
- The on-going impact of the capital programme on the investment balance.

### Minimum Revenue Provision Policy

4.3. Appendix A (paragraphs 16 and 17) contains the Minimum Revenue Provision (MRP) Policy Statement, which details the methodology used to calculate the charge to the revenue account for the cost of borrowing to fund capital expenditure.

4.4. The Government Guidance and the Council's MRP Policy includes limits to the period over which the cost of borrowing can be recovered from the revenue account (a maximum of 40 and 50 years respectively for property and land). It also clarifies the position on Voluntary Revenue Provision (VRP) and that in times of financial crisis then there is the option to not apply VRP.

### Treasury Management Strategy

4.5. Appendix A (paragraphs 18 to 66) details the Treasury Management Strategy which covers:

- The current economic climate and prospects for interest rates
- The Council's debt and investment projections
- The limits and prudence of future debt levels
- The affordability impact of the capital programme
- The Council's borrowing and investment strategies
- Specific limits on treasury activities; and
- Any local treasury issues.

4.6 There is a risk with the Council's diversified funds due to the current economic climate and a change in their fair value. As stated at para 52 of the Strategy the impact of this may not be until 2025 and assuming an economic recovery by this date the position should improve. To be prudent a separate reserve of £1m is proposed in the MTFS to mitigate this risk. This has previously been reported to Cabinet, COG and CGG.

**Commercial Investments**

4.7 The revised definition of investments in the CIPFA Treasury Code includes assets which the organisation holds primarily for financial returns, such as investment property portfolios.

4.8 Appendix A (paragraphs 67 to 81) details the appraisal techniques used to assess commercial investments, and provides a risk assessment of the level of commercial investments by identifying:

- The limit on the Council's dependency on commercial income; and
- How risk is spread across both commercial sectors and the size of investments proportionately in relation to asset value.

4.9 Paragraph 69 of the Capital and Investment Strategy confirms the latest guidance from DLUHC that Local Authorities cannot borrow to fund non-financial assets solely to generate a profit.

**Conclusion**

4.10 The Capital Prudential Indicators and Treasury Management Strategy give both a position statement and details of the future position of the Council's Capital, Commercial Investment and Treasury plans. The documents comply with best professional practice and as such will go forward for approval by Full Council.

## 5. Risks and Uncertainties

5.1. The report identifies the risks relating to interest rates, use of counterparties for investments and the returns from commercial investments, particularly in light of a global recession.

## 6. Implications

### 6.1. Financial Implications

Financial Implications are covered in the Capital and Investment Strategy (Appendix A) and integrated into the Council's Medium Term Financial Strategy.

### 6.2. Legal Implications

The Strategy demonstrates compliance with The Local Government Act 2003 and adherence to the CIPFA Prudential Code for Capital Finance in Local Authorities.

6.3. **Equalities Implications**

There are no equalities implications associated with the recommendations of this report.

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

There are no equalities implications associated with the recommendations of this report.

## 7. 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 39 in appendix A |

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group scrutinise and recommend for approval by Full Council:

a) The Capital Strategy and Capital Prudential Indicators and Limits for 2023/24 to 2027/28 contained within Appendix A (paragraphs 5 to 15)

b) The Minimum Revenue Provision (MRP) Statement contained within Appendix A (paragraphs 16 and 17) which sets out the Council's policy on MRP

c) The Treasury Management Strategy 2023/24 to 2027/28 and the Treasury Indicators contained within Appendix A (paragraphs 18 to 66)

d) The Commercial Investments Indicators and limits for 2023/24 to 2027/28 contained within Appendix A (paragraphs 67 to 81).

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director - Finance and Corporate Services<br>Tel: 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | Council Financial Regulations<br>Treasury Management in the Public Services: Code of Practice (CIPFA)<br>The Prudential Code for Capital Finance in Local Authorities (CIPFA)<br>Guidance on Local Government Investments (DLUHC) |

| | |
|---|---|
| | Statutory Guidance on Minimum Revenue Provision (DLUHC) |
| **List of appendices:** | Appendix A – Capital and Investment Strategy 2023/24 – 2027/28 |

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**Appendix A**

# CAPITAL AND INVESTMENT STRATEGY 2023/24 – 2027/28

## Introduction

1. The Local Government Act 2003 requires the Council to comply with the CIPFA Prudential Code for Capital Finance in Local Authorities when carrying out capital and treasury management activities.

2. The Department for Levelling Up, Housing & Communities (DLUHC) has issued Guidance on Local Authority Investments that requires the Council to approve an investment strategy before the start of each financial year.

3. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance.

4. Revisions to CIPFA's Treasury Management Code and Prudential Code (Dec 2021) come into full effect in 2023/24, including revised reporting requirements (these include changes in the Capital strategy, prudential indicators, and investment reporting) which had been deferred but which the Council is already following. Treasury Management Practices (TMPs) have been updated accordingly and are referenced below. Main changes relate to greater emphasis on environmental sustainability and the knowledge and skills of staff/council members dealing with treasury management. In addition, there is the introduction of Investment Management Practices (IMPs) which cover investment objectives/criteria, risk management and decision making.

## The Capital Strategy

5. The Council's capital expenditure plans are summarised below and forms the first of the prudential indicators. Capital expenditure needs to have regard to:

- Corporate Priorities (e.g., strategic planning)
- Stewardship of assets (e.g., asset management planning)
- Value for money (e.g., option appraisal)
- Prudence and sustainability (e.g., implications for external borrowing and whole life costing)
- Affordability (e.g., implications for council tax)
- Practicability (e.g., the achievability of the Corporate Strategy)
- Proportionality (e.g., risks associated with investment are proportionate to financial capacity); and
- ESG (Environmental, Social, and Governance e.g., address environmental sustainability in a manner which is consistent with our corporate policies. This is now a requirement of the TM Code)

6. Each year the Council will produce a Capital Programme to be approved by Full Council in March as part of the Council Tax setting.
7. Each scheme is supported by a detailed appraisal (which may also be a Cabinet Report), as set out in the Council's Financial Regulations. The capital appraisals will address the following:

   **a)** A detailed description of the project
   **b)** How the project contributes to the Council's Corporate Priorities and Strategic Commitments (particularly the Council's environmental and carbon policies)
   **c)** Anticipated outcomes
   **d)** A consideration of alternative solutions
   **e)** An estimate of the capital costs and sources of funding
   **f)** An estimate of the revenue implications, including any savings and/or future income generation potential
   **g)** A consideration of whether it is a new lease agreement
   **h)** A consideration of sustainability in accordance with corporate objectives
   **i)** Any other aspects relevant to the appraisal of the scheme as the S151 Officer may determine

   The appraisal requirement applies to all schemes except where there is regular grant support and if commercial negotiations are due to take place and further reporting to Cabinet or Full Council is therefore required.

8. From time-to-time unforeseen opportunities may arise, or new priorities may emerge, which will require swift action and inclusion in the Capital Programme. These schemes are still subject to the appraisal process and the Capital Programme will contain a contingency sum to allow such schemes to progress without disrupting other planned capital activity.

**Capital Prudential Indicators**

**a) Capital Expenditure Estimates**

9. Capital expenditure can be financed immediately through the application of capital resources, for example, capital receipts, capital grants or revenue resources. However, if these resources are insufficient or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need. Table 1 summarises the capital expenditure projections and anticipated financing.

**Table1: Projected Capital Expenditure and Financing**

| | 2022/23 Original £'000 | 2022/23 Revised £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 | 2027/28 Estimate £'000 |
|---|---|---|---|---|---|---|---|
| **Capital Expenditure** | 14,611 | 19,579 | 9,576 | 4,340 | 5,935 | 2,265 | 1,370 |
| **Less Financed by:** | | | | | | | |
| Capital Receipts | 8,921 | 4,759 | 3,387 | 2,260 | 4,690 | 670 | 195 |
| Capital Grants/ Contributions | 4,085 | 4,347 | 3,739 | 1,570 | 695 | 695 | 695 |
| Reserves | 1,605 | 1,223 | 1,450 | 510 | 550 | 900 | 480 |
| **Total Financing** | 14,611 | 10,329 | 8,576 | 4,340 | 5,935 | 2,265 | 1,370 |
| **Underlying need to Borrow** | **0** | **9,250** | **1,000** | **0** | **0** | **0** | **0** |

10. The key risks to the capital expenditure plans are that the level of grants estimated is subject to change, anticipated capital receipts are not realised or spend is more than expected in the medium term. The Government had planned to cease New Homes Bonus from 2023/24 which impacted on the level of capital grants received going forward. We have had a reduced allocation in 2023/24 and its future remains uncertain.

**b) The Council's Underlying Need to Borrow and Investment position**

11. The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for capital expenditure and it remains a key indicator under the Prudential Code. This underlying need to borrow will increase the CFR (i.e., the use of internal borrowing, which reduces our investment balance). This increase is offset by Minimum Revenue Provision (MRP) and any additional voluntary contributions (VRP) raised through Council Tax, as a result of financing requirements in relation to the Arena development, Cotgrave redevelopment, Bingham Leisure Hub, and the Crematorium.

12. The Council also holds usable reserves and working capital which represent the underlying resources available for investment. The Council's current strategy is to use these resources, by way of internal borrowing, to avoid the commitment to external debt.

13. The table below summarises the overall position regarding borrowing and available investments and shows an increase in CFR reflecting the completion of the Crematorium and Bingham Leisure Hub in 2022-23. The capital receipt anticipated from the sale of land Hollygate Lane will be used to reduce the CFR in following years.

**Table 2: CFR and Investment Resources**

| | 2022/23 Forecast £'000 | 2023/24 Forecast £'000 | 2024/25 Forecast £'000 | 2025/26 Forecast £'000 | 2026/27 Forecast £'000 | 2027/28 Forecast £'000 |
|---|---|---|---|---|---|---|
| Opening CFR | 7,283 | 15,516 | 12,605 | 9,385 | 8,116 | 7,281 |
| CFR in year | 9,250 | 1,000 | - | - | | |
| Less: MRP etc | (1,017) | (1,311) | (1,320) | (1,269) | (835) | (269) |
| Less: Capital Receipts Applied | | (2,600) | (1,900) | | | |
| **Closing CFR** | **15,516** | **12,605** | **9,385** | **8,116** | **7,281** | **7,012** |
| Less: External Borrowing | - | - | - | - | - | - |
| **Internal Borrowing** | 15,516 | 12,605 | 9,385 | 8,116 | 7,281 | 7,012 |
| **Less:** | | | | | | |
| Usable Reserves | (24,866) | (22,129) | (22,632) | (20,451) | (18,665) | (18,281) |
| Working Capital | (43,569) | (38,625) | (35,750) | (33,750) | (31,750) | (29,750) |
| **Available for Investment** | (52,919) | (48,149) | (48,997) | (46,085) | (43,134) | (41,019) |

14. The Council is currently debt free and the assumption in the capital expenditure plans is that the Council will not need to externally borrow over the MTFS predominantly due to CIL and S106 monies. Available resources (usable reserves and working capital) gently tail off over the medium term, with usable reserves being used over the medium term to finance both capital and revenue expenditure and working capital steadily reducing as S106 monies in relation to Education are no longer paid to the Council.

15. The new accounting standard IFRS16 has been delayed again and now comes into force on 1st April 2024. IFRS 16 affects how leases are measured, recognised, and presented in the accounts and essentially means that some leases may have to be classified as capital expenditure. The full impact of this change will be determined but it is thought that it is unlikely to impact significantly on the CFR.

## Minimum Revenue Provision Policy

16. DLUHC Regulations have been issued which require the Governance Scrutiny Group to consider a Minimum Revenue Provision (MRP) Statement in advance of each year. Further commentary regarding financing of the debt is provided in paragraphs 28-33. A variety of options are provided to Councils, so long as there is prudent provision. The Council has chosen the Asset Life Method (Option 3 within the Guidance) with the following recommended MRP Statement:

*MRP will be based on the estimated life of the assets, in accordance with Option 3 of the regulations. Estimated life periods within this limit will be determined under delegated powers, subject to any statutory override. (DCLG revised guidance states maximum asset lives of 40 and 50 years for property and land respectively)*

*As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.*

*This option provides for a reduction in the borrowing need over approximately the asset's life.*

17. As well as the need to pay off an element of the accumulated General Fund borrowing requirement used to fund capital expenditure each year (the CFR), through a revenue charge (the MRP) the Council is also allowed to make additional voluntary contributions (voluntary revenue provision – VRP). In times of financial crisis, the Council has the flexibility to reduce voluntary contributions. Table 2 (paragraph 13) shows a decision to use capital receipts to bring the CFR down by funding capital expenditure.

## Treasury Management Strategy 2023/24 to 2027/28

18. The CIPFA Treasury Management Code (2021) defines treasury management activities as:

> *"The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions,the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."*

The code also includes non-cash investments which are covered at paragraph 67 below. Under the revised Prudential code, investments are separated into categories for Treasury Investment, Service Investment and Commercial Investment.

19. The CIPFA Code of Practice for Treasury Management in the Public Services (the "CIPFA Treasury Management Code") and the CIPFA Prudential Code require local authorities to produce a Treasury Management Strategy Statement on an annual basis.

20. This Strategy Statement includes those indicators that relate to the treasury management functions and help ensure that the Council's capital investment plans are affordable, prudent, and sustainable, while giving priority to the security and liquidity of those investments. TMP 1 sets out the Council's practices relating to ESG and is a developing area.

## The Current Economic Climate and Prospects for Interest Rates

21. At the December 2022 meeting the monetary policy committee (MPC) backed a hike in interest rates of 0.5 percentage points despite fears the UK economy is about to enter a long recession**.**

22. It is exactly a year since the Bank of England started raising interest rates from a record low of 0.1% in December 2021. On the 15 December the Bank of England raised the Bank Rate for the ninth time in a year, a 0.5% jump to 3.5%. The financial markets believe interest rates will peak at 4.75% next year. Link (the Council's Treasury Advisors) are forecasting a stepped increase with rates peaking at 4.5% in June 2023 before starting to tail off from December 2023 dropping to 4.0% in March 2024 and gradually reducing to 2.5% by September 2025.

23. Inflation is currently at 10.7% due to higher energy and commodity prices and continuing supply shortages. The target is to get inflation to 2% which is why the MPC is under pressure to increase interest rates. Inflation is expected to remain high for the first quarter of 2023 and then gradually fall back towards 2% by the April 2024.

24. The unemployment rate in the UK is currently 3.7% (Nov 2022) and is projected to trend around 5% in 2023 and 6% in 2024.

25. The table below shows the assumed average interest (which reflects a prudent approach) that will be made over the next five years for budget setting purposes.

**Table 3: Budgetary Impact of Assumed Interest Rate Going Forward**

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|
| **Anticipated Interest Rate** | 4.50% | 4.00% | 3.00% | 2.50% | 2.50% |
| **Expected interest from investments (£)** | 1,292,308 | 839,420 | 613,045 | 547,570 | 542,995 |
| **Other interest (£)** | 67,000 | 63,000 | 59,000 | 59,000 | 59,000 |
| **Total Interest (£)** | **1,359,308** | **902,420** | **672,045** | **606,570** | **601,995** |

| **Sensitivity:** | £ | £ | £ | £ | £ |
|---|---|---|---|---|---|
| - 0.25% Interest Rate | (307,700) | (205,800) | (37,000) | (24,700) | (19,300) |
| + 0.25% Interest Rate | 307,700 | 205,800 | 37,000 | 24,700 | 19,300 |

26. In the event that a bank suffers a loss, the Council could be subject to bail-in to assist with the recovery process. The impact of a bail-in depends on the size of the loss incurred by the bank or building society, the amount of equity capital and junior bonds that can be absorbed first and the proportion of insured deposits, covered bonds and other liabilities that are exempt from bail-in.

27. The Council has managed bail-in risk by both reducing the amount that can be invested with each institution to £10 million and by investment diversification between creditworthy counterparties.

## Borrowing Strategy 2023/24 to 2027/28

### Prudential Indicators for External Debt

28. Table 2 above identifies that the Council will not need to externally borrow over the MTFS instead choosing to internally borrow. Whilst this means that no external borrowing costs (interest/debt management) are incurred, there is an opportunity cost of using internal borrowing by way of lost interest on cash balances.

29. The approved sources of long-term and short-term borrowing are:

- Internal borrowing
- Municipal Bond Agency
- Public Works Loan Board (or the body that will replace the PWLB in the future)
- Local authorities
- UK public and private sector pension funds
- Commercial banks
- Building Societies in the UK
- Money markets
- Leasing
- Capital market bond investors
- Special purpose companies created to enable local authority bond issue

PWLB Borrowing is at Gilts +80bps (certainty rate). If applying, there is the need to categorise the capital programme into 5 categories including service, housing and regeneration. If any Authority has assets that are being purchased 'primarily for yield' anywhere in their capital programme they will not be able to access PWLB funding.

#### a) Authorised Limit for External Debt

30. The authorised limit is the "affordable borrowing limit" required by section 3 (1) of the Local Government Act 2003 and represents the limit beyond which borrowing is prohibited. It shows the maximum amount the Council could afford to borrow in the short term to maximise treasury management opportunities and either cover temporary cash flow shortfalls or use for longer term capital investment. It should be set higher than the CFR plus a safety margin of £5m to £10m.

**Table 4: The Authorised Limit**

| | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 | 2027/28 Estimate £'000 |
|---|---|---|---|---|---|---|
| **Authorised Limit** | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |

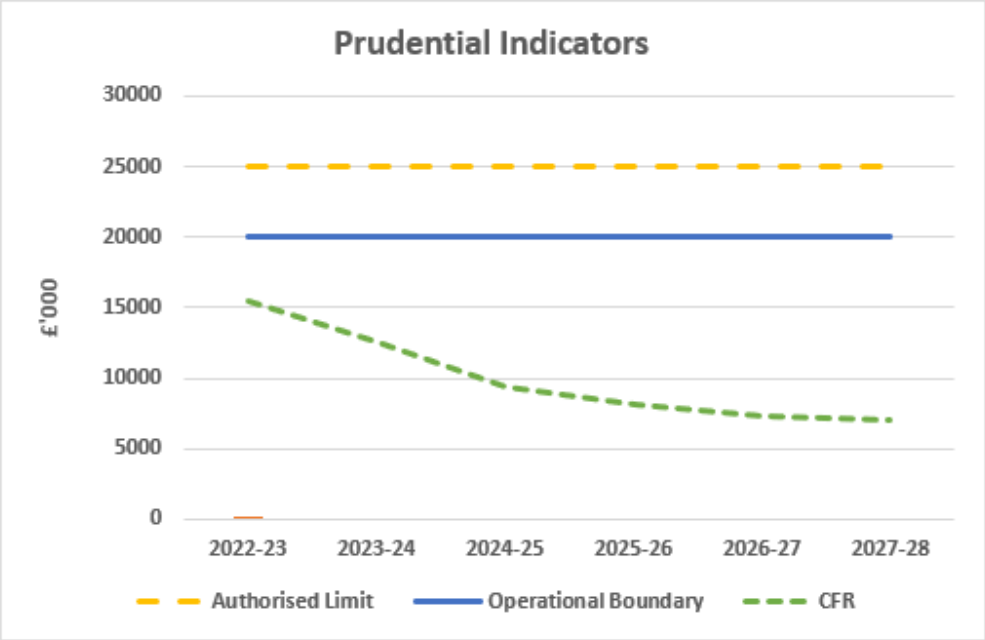
### b) Operational Boundary for External Debt

31. The operational boundary is the expected borrowing position of the Council during the course of the year. The operational boundary is not a limit and actual borrowing can be either below or above the boundary subject to the authorised limit not being breached. The Operational Limit has been set at £20m and, whilst the Council is not expected to externally borrow over the period of the MTFS, this provides a cushion and gives flexibility should circumstances significantly change.

**Table 5: The Operational Boundary**

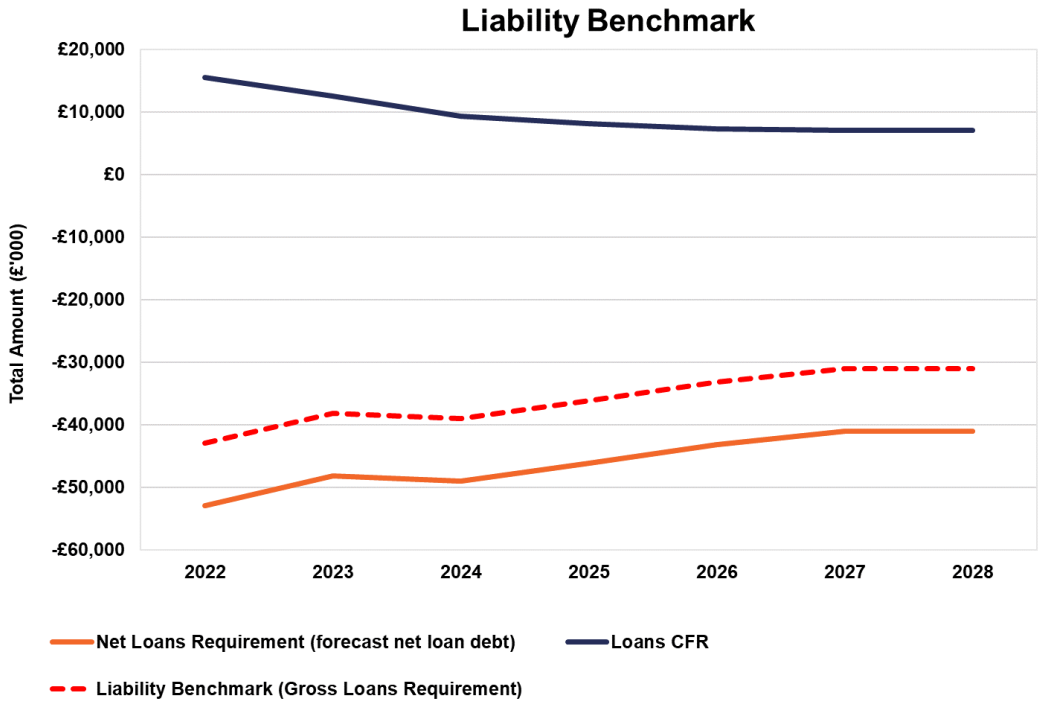
| | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 | 2024/25 Estimate £'000 | 2025/26 Estimate £'000 | 2026/27 Estimate £'000 | 2027/28 Estimate £'000 |
|---|---|---|---|---|---|---|
| **Operational Boundary** | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |

32. The Prudential indicators are shown graphically below.



33. The TM Code introduces a new indicator called the Liability Benchmark which reflects the real need to borrow. The Benchmark must also be shown graphically. The Liability Benchmark in the table and graph below shows that the Council's CFR is reducing due to MRP repayments, reserves are being used to fund future capital expenditure and working capital/S106 monies are returning to a more realistic level. The Council has no need to borrow over the medium term.

| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|---|---|---|---|---|---|---|
| Closing CFR | 15,516 | 12,605 | 9,385 | 8,116 | 7,281 | 7,012 |
| **Less:** | | | | | | |
| Usable Reserves | (24,866) | (22,129) | (22,632) | (20,451) | (18,665) | (18,281) |
| Working Capital | (43,569) | (38,625) | (35,750) | (33,750) | (31,750) | (29,750) |
| Plus minimum investments | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| **LIABILITY BENCHMARK** | (42,919) | (38,149) | (38,997) | (36,085) | (33,134) | (31,019) |




## Prudential Indicators for Affordability

34. Affordability indicators provide details of the impact of capital investment plans on the Council's overall finances.

**a) Actual and estimates of the ratio of net financing costs to net revenue stream**

35. This indicator identifies the trend in net financing costs (borrowing costs less investment income) against net revenue income. The purpose of the indicator is to show how the proportion of net income used to pay for financing costs is changing over time. A credit indicates interest earned rather than an interest cost. The credit figure in 2023-24 reflects the rapid rise in interest rates and the downward trend, in later years, reflects the reduction in MRP as payments in relation to the Arena are finalised and despite new non-treasury capital commitments in the Crematorium and Bingham Hub giving rise to further MRP, repayments are less because they are spread over a longer period.

**Table 6: Proportion of Financing Costs to Net Revenue Stream**

| | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate |
|---|---|---|---|---|---|---|
| **General Fund** | 4.92% | -0.37% | 3.22% | 4.45% | -0.32% | -0.31% |

**b) Estimates of net income to net revenue stream**

36. This is a new indicator that looks at net income from commercial and service investments (for example it includes the Crematorium) and expresses it as a percentage of net revenue streams. The increase reflects rent increases and full year effect of the crematorium becoming operational.

**Table 7: Proportion of Net Income to Net Revenue Stream**

| | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate |
|---|---|---|---|---|---|
| **Net Income to Net Revenue Stream** | 11.3% | 11.4% | 15.5% | 15.7% | 15.6% |

**Investment Strategy 2023/24 to 2027/28**

37. Table 8 below shows the Council's investment projections. The downward movement reflects the use of capital receipts to finance capital expenditure. In addition, it reflects the release of S106 monies and the loss of S106 receipts for Education which are no longer paid to the Council.

**Table 8: Investment Projections**

| | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Investments at 31 March £'000** | 52,919 | 48,149 | 48,997 | 46,085 | 43,134 | 41,019 |

38. Both the CIPFA Code and the DLUHC Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitable low investment income. Accordingly, the Council ensures that robust due diligence procedures cover all external investments.

39. The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council's Corporate Objectives and values. This would include avoiding direct investment in institutions with material links to:
    a) Human rights abuse (e.g., child labour, political oppression);
    b) Environmentally harmful activities (e.g., pollutants, destruction of habitat, fossil fuels); and
    c) Socially harmful activities (e.g., tobacco, gambling).

40. The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation and will seek to manage the risk accordingly in the context of the whole of the Council's inflation exposures.

41. The Council will invest its surplus funds with approved counterparties. Where appropriate, the Council is registered as a professional client (under MIFID II) with the counterparty limits shown below in Table 9 and counterparties included at Appendix i. Government is currently reviewing UK regulations in light of Brexit, but at this point, there is no direct impact on the way the Council invests. However, members will be updated if there are any changes as they materialise:

**Table 9: Counterparty Details**

| Credit Rating | Banks* Unsecured | Banks* Secured | Government | Corporates | Registered Providers |
|---|---|---|---|---|---|
| UK Govt | n/a | n/a | £ Unlimited 20 Years | n/a | n/a |
| AAA | £3.0m 3 years | £10.0m 10 years | £10.0m 20 years | £3.0m 10 years | £5.0m 10 years |
| AA+ | £3.0m 2 years | £10.0m 10 years | £10.0m 5 years | £3.0m 4 years | £5.0m 4 years |
| AA | £3.0m 1 year | £10.0m 4 years | £10.0m 3 years | £3.0m 2 years | £5.0m 4 years |
| AA- | £3.0m 1 year | £10.0m 2 years | | | £5.0m 4 years |
| A+ | £3.0m 6 months | £10.0m 2 years | | | £5.0m 2 years |
| A | £3.0m 6 months | £10.0m 1 year | | | £5.0m 2 years |
| A- | £3.0m 3 months | £10.0m 6 months | | | £5.0m 2 years |
| Pooled Funds** | £10m per fund | | | | |

*Banks includes Banks and Building Societies.

**Pooled funds do not have a defined maturity date. Monies in Money Market Funds can be withdrawn on the same date; monies in other pooled funds can be withdrawn giving the requisite notice, generally between 1 and 7 days. Monies in the CCLA Property Fund can be withdrawn on each monthly redemption date, if required; it is the Council's intention to hold its investment over a reasonable time frame for property investments, which is 5 years, subject to cash flow requirements.

42. Although the above table details the counterparties that the Council could invest funds with, it would not invest funds with counterparties against the advice of Link (our TM Advisors) even if they met the criteria above.

43. Changes to any of the above can be authorised by the Section 151 Officer or the Financial Services Manager and thereafter will be reported to the Governance Scrutiny Group. This is to cover exceptional circumstances so that instant decisions can be made in an environment which is both fluid and subject to high risk.

44. The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank

with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of an Authority maintaining operational continuity.

45. Credit rating information is provided by Link on all active counterparties that comply with the criteria above. A counterparty list will be maintained from this information and any counterparty not meeting the criteria will be removed from the list.

46. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
    - no new investments will be made,
    - any existing investments that can be recalled or sold at no cost will be, and
    - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

47. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

**Credit Risk**

48. The CIPFA Treasury Management Code recommends that organisations should clearly specify the minimum acceptable credit quality of its counterparties; however, they should not rely on credit ratings alone and should recognise their limitations. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantial doubts about its credit quality, even though it may meet the credit rating criteria.

49. When deteriorating financial market conditions affect the credit worthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a

reduction in the level of investment income earned but will protect the principal sum invested.

## Current investments

50. The Council uses its own processes to monitor cash flow and determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial strategy and cash flow forecast.

51. Surplus funds are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain the maximum benefit from the Council's cash position throughout the year. Generally speaking, in times of rising interest rates it is prudent to invest short term, whilst also ensuring a diversified portfolio. Funds are separated between specified and non-specified investments as detailed in paragraphs 53 to 55 below.

52. The Council holds approximately £15m in pooled/diversified funds. The fair value of these funds can fluctuate. These can be seen in Appendix ii. Some funds are just starting to pick up from the downward trend experienced by the political turmoil last year. However some funds are still reporting a downward trend. Cabinet reports have recommended mitigation by appropriations to reserves of £0.6m from 2022/23 in year efficiencies and £0.2m from 2021/22. Currently there is a statutory override preventing any accounting loss impacting on the revenue accounts. This was due to end next 31st March 2023 however DLUHC having decided, after consultation, to extend this for a further two years. As part of the budget and financial strategy 2023-24 report being taken to Full Council, it is being recommended that a separate reserve is identified to cover this risk of £1m. It should be noted these funds over the past 3 years have generated £1.35m in interest receipts, 65% of total interest received by the Council and our expectation is over time the value will rise as the economy recovers.

## Specified investments

53. The DLUHC guidance defines specified investments as those:

- Denominated in pound sterling,
- Due to be repaid within 12 months of arrangements,
- Not defined as capital expenditure by legislation, and
- Invested with one of:
- The UK Government
- A UK local authority, parish council, or community council, or
- A body or investment scheme of "high credit quality"

54. The Council now defines “high credit quality” organisations as those having a credit rating of A- and above.

**Non-specified investments**

55. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e., those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and scheme not meeting the definition on high credit quality. Limits on non-specified investments are shown in the following table:

**Table 10: Non-specified Investment Limits**

| | Cash Limit |
|---|---|
| Total long-term investments | £15m |
| Total investments without credit ratings or rated below A- (except UK Government and local authorities) | £5m |
| Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+ | £3m |
| Total non-specified investments | £15m |

**Investment Limits**

56. The Council’s revenue reserves available to cover investment losses in a worst-case scenario are forecast to be around £16 million on 31st March 2023. The maximum that will be lent to any one organisation (other than the UK Government) will be £10.0 million. This figure is constantly under review to assess risk in the case of a single default. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries, and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries.

**Table 11: Investment limits**

| | Cash limit |
|---|---|
| Any single organisation, except the UK Central Government | £10m each |
| UK Central Government | Unlimited |

| | |
|---|---|
| Any group of organisations under the same ownership | £10m per group |
| Any group of pooled funds under the same management | £10m per manager |
| Negotiable instruments held in a broker's nominee account | £10m per broker |
| Foreign countries | £3m per country |
| Registered providers | £5m in total |
| Unsecured investments with any building society | £3m in total |
| Loans across unrated corporates | £5m in total |
| Money Market Funds | £40m in total |

## Treasury Management limits on activity

57. The Council measures and manages its exposures to treasury management risks using the following indicators.

### a) Interest Rate Exposures

58. This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net interest payable will be:

**Table 12: Interest Rate Exposure**

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---|---|---|---|---|---|
| **Upper Limit on fixed interest rate exposure** | 50% | 50% | 50% | 50% | 50% | 50% |
| **Upper Limit on variable interest rate exposure** | 100% | 100% | 100% | 100% | 100% | 100% |

59. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

### Principal Sums Invested over 1 year

60. This limit is intended to contain exposure to the possibility of any loss that may arise as a result of the Council having to seek early repayment of any

investments made. The limits on the long-term principal sum invested to final maturities beyond the period end are set at 50% of the sum available for investment (to the nearest £100k), as follows:

**Table 13: Principal Sums Invested over 1 year**

| | 2022/23 Estimate | 2023/24 Estimate | 2024/25 Estimate | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate |
|---|---|---|---|---|---|---|
| **Limit on Principal invested over 1 year £'000** | 26,500 | 24,100 | 24,500 | 23,000 | 21,600 | 20,500 |

**Policy on the use of financial derivatives**

61. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g., interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g., LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

62. The Council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

63. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

**Treasury Management Advisors**

64. Link Treasury Services will act as the Council's treasury management advisors until 31st October 2023 and is currently going through a procurement process. The company provides a range of services which include:

- Technical support on treasury matters and capital finance issues
- Economic and interest rate analysis

- Generic investment advice on interest rates, timing, and investment instruments; and
- Credit ratings/market information service comprising the three main credit rating agencies.

65. Whilst the treasury management advisors provide support to the internal treasury function, the current market rules and the CIPFA Treasury Management Code confirms that the final decision on treasury management matters rests with the Council. The service provided by the Council's treasury management advisors is subject to regular review.

**Other Options Considered**

66. The DLUHC Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance and Corporate Services, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Our policy is to have a feathered approach i.e., a range of counterparties spread over different time periods (short/medium/long term), this mitigates risk of changes in credit ratings and interest rates whether they go up or down.

## Commercial Investments

67. The definition of investments in CIPFA's definition of treasury management activities above (paragraph 18) 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.

68. 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.

69. Under the updated Prudential code Local Authorities are no longer be allowed to borrow to fund non-financial assets solely to generate a profit.

70. The Council will maintain a summary of current material investments, subsidiaries, joint ventures, and liabilities, including financial guarantees and the organisation's risk exposure. The current summary is included at Appendix iii.

71. The Council will also monitor past Commercial Property investments and against original objectives and consider plans to divest as part of a biennial review. The last report was presented to Cabinet 14 December 2021 agenda item 6 – Review of Investment Assets. This is due to be reviewed once again in December 2023.

72. Proportionality is now included as an objective in the Prudential Code, clarification, and definitions to define commercial activity and investment are included, and the purchase of commercial property purely for profit cannot lead to an increased capital financing requirement (CFR). Paragraph 75 covers the issue of proportionality with different types of asset investments the Council has made.

73. The Council must disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchased through the Council's AIS, as well as other pre-existing commercial investments.

74. The expected contributions from commercial investments are shown below. 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 24% in the current year.

a. **Dependence on commercial income and contribution non-core investments make towards core functions**

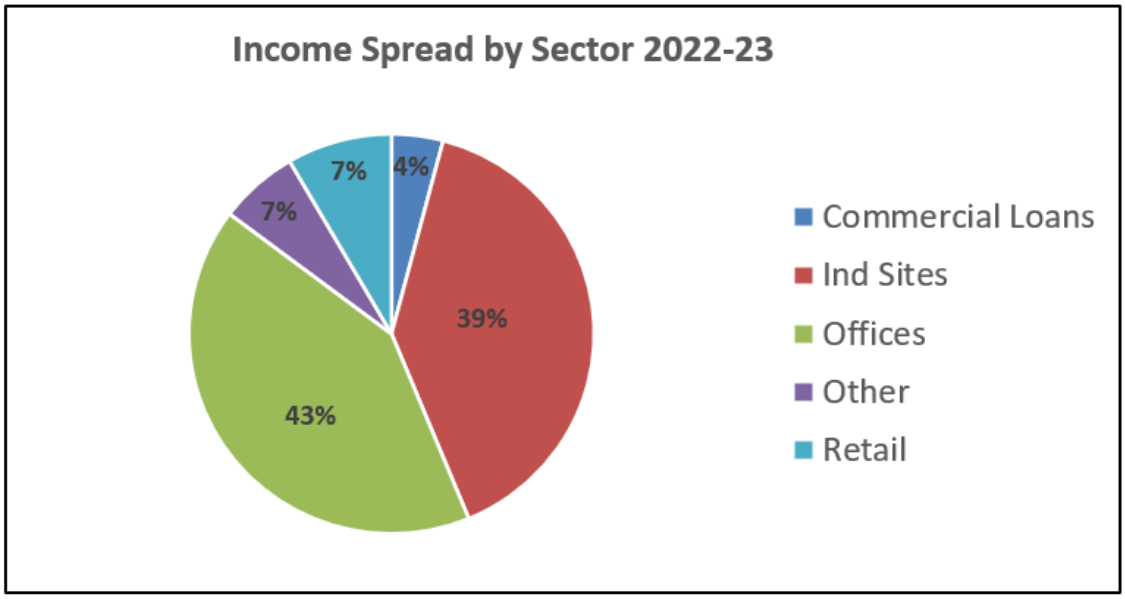
75. The expected contributions from existing commercial investments are shown in Table 14. To manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. Our objective is that this ratio should not exceed 30%, subject to annual review. Running costs drop initially before starting to rise again, reflecting NNDR savings as empty units at the Point and Bingham Enterprise Centre are occupied and also reflects movements on responsive works budgets.

**Table 14: Commercial Investment income and costs**

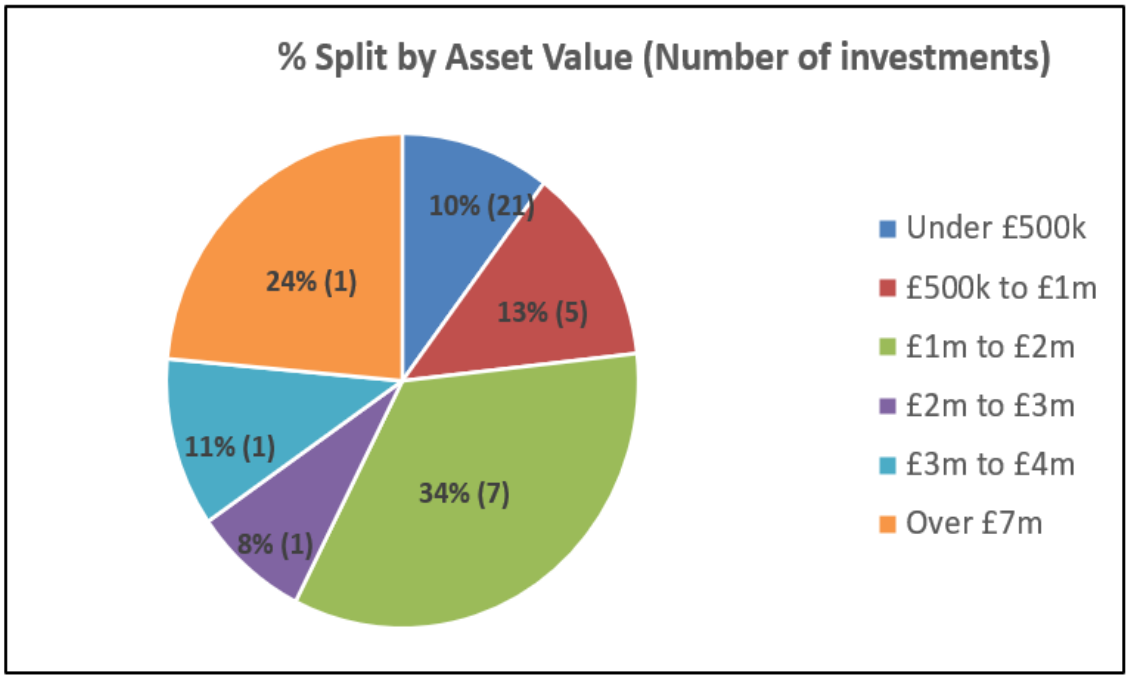
| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|---|---|---|---|---|---|---|
| **Commercial Property Income** | (1,738) | (1,832) | (1,894) | (1,924) | (1,962) | (1,962) |
| **Running Costs** | 591 | 480 | 468 | 476 | 482 | 487 |
| **Net Contribution to core functions** | (1,147) | (1,352) | (1,426) | (1,449) | (1,480) | (1,475) |
| **Interest from Commercial Loans** | (72) | (67) | (63) | (59) | (59) | (59) |
| **Total Contribution** | (1,219) | (1,419) | (1,489) | (1,508) | (1,539) | (1,534) |
| **Sensitivity:** | | | | | | |
| +/- 10% Commercial Property Income | 174 | 183 | 189 | 192 | 196 | 196 |
| **Indicator:** | | | | | | |
| Investment Income as a % of total Council Income | 24.2% | 18.8% | 19.9% | 20.3% | 20.5% | 20.3% |
| Total Income | 7,486 | 10,117 | 9,824 | 9,792 | 9,880 | 9,955 |

### b) Risk Exposure Indicators

76. 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.




### c) Security and Liquidity




77. 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.

78. 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.

79. 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.

80. 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. A review of the Council's commercial assets was undertaken and reported to Governance Scrutiny Group in November 2021 and on to Cabinet December 21 paragraph 71 refers.

81. The investments are subject to ongoing review with regards to their financial viability or indeed whether they are surplus to requirement. At the November 2021 Governance Group Meeting and December 2021 Cabinet, details on the risks surrounding the Council's commercial properties were reported, as well as providing a pathway to potential commercial asset disposal, if required.

**Member and Officer Training**

82. The updated TM Code requires Local Authorities to document a formal and comprehensive knowledge and skills schedule reflecting the need to ensure that both members and officers responsible for treasury management are suitably trained and kept up to date (TMP 10). There will be specific training for members training involved in scrutiny and broader training for members who sit on full Council. Previously these needs have been reported through the Member Development Group, with the Council specifically addressing this important issue by:

- Periodically facilitating workshops for members on finance issues most recently provided in January 2023.
- Interim reporting and advising members of Treasury issues via Governance Scrutiny Group.

With regards to officers:

- Attendance at training events, seminars, and workshops; and
- Support from the Council's treasury management advisors
- Identifying officer training needs on treasury management related issues through the Performance Development and Review appraisal process

CIPFA have developed a self-assessment tool which will need to be completed so that a tailored, recorded and monitored training plan can be drawn up to ensure that training provided achieves the desired outcomes. Attendance at training should be recorded and action taken where poor attendance is identified. Regular communication is encouraged.

83. The Council has piloted a 'training needs' template which will be modified for new Governance Group Members after the local elections. This should inform training requirements. Furthermore, the Council will continue to have its Annual Treasury Management training session with Councillors provided by its Treasury advisers.

**Appendix (i)**

# Counterparty Registrations under MIFID II

The Council is registered with the following regulated financial services organisations who may arrange investments with other counterparties with whom they have themselves registered:

- BGC Brokers LP
- Royal London Asset Management
- Tradition UK Ltd
- King & Shaxson
- Aberdeen Asset Management
- Aviva
- Institutional Cash Distributors Ltd
- Federated Investors (UK) LLP
- Invesco Asset Management Ltd
- CCLA
- Goldman Sachs Asset Management
- Black Rock
- Aegon Asset Management
- Ninety One
- HSBC Asset Management
- Imperial Treasury Services

**Appendix (ii)**

| Fair Value | 31.03.22 | 30.06.22 | 30.09.22 | 31.12.22 | Difference |
|---|---|---|---|---|---|
| Aegon-Previously Kames | 4,976,196 | 4,425,213 | 4,145,841 | 4,377,738 | -598,458 |
| Ninety One-Previously Invest | 4,819,826 | 4,538,071 | 4,401,865 | 4,498,733 | -321,092 |
| RLAM | 991,193 | 982,352 | 965,030 | 978,590 | -12,603 |
| CCLA Property | 2,416,786 | 2,543,095 | 2,435,135 | 2,058,130 | -358,656 |
| CCLA Divesified | 2,018,480 | 1,887,902 | 1,845,419 | 1,830,824 | -187,656 |
| | **15,222,481** | **14,376,633** | **13,793,290** | **13,744,015** | **-1,478,466** |

**Appendix (iii)**

| | Current Book Value £000 | Previous Book Value £000 |
|---|---|---|
| The Point Office Accommodation | 3.395 | 3.508 |
| Hollygate Lane, Cotgrave Industrial Units | 2.716 | 2.628 |
| Unit 3 Edwalton Business Park | 2.433 | 2.450 |
| Unit 1 Edwalton Business Park | 1.955 | 1.950 |
| Bardon Single Industrial Unit | 1.820 | 1.777 |
| Trent Boulevard | 1.415 | 1.412 |
| Cotgrave Phase 2 | 1.385 | - |
| Colliers Business Park Phase 2 | 1.323 | 1.269 |
| Bridgford Hall Aparthotel and Registry Office | 1.121 | 1.120 |
| Finch Close | 0.931 | 0.916 |
| Boundary Court | 0.809 | 0.789 |
| Colliers Business Park Phase 1 | 0.720 | 0.663 |
| Unit 10 Chapel Lane | 0.680 | 0.666 |
| Mobile Home Park | 0.480 | 0.477 |
| Cotgrave Precinct Shops | 0.482 | 0.470 |
| New Offices Cotgrave | 0.422 | 0.401 |
| TOTAL INVESTMENT PROPERTY* | **22.087** | **20.496** |
| Notts County Cricket Club Loan | 1.570 | 1.646 |
| TOTAL | **23.657** | **22.142** |

* Note values are as at 31st March 2022 and 2021

**Glossary of Terms**

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.

Financial Derivatives – A financial contract that derives its value from the performance of an underlying asset

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.

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

**Governance Scrutiny Group**

**Thursday, 23 February 2023**

**Work Programme**

**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.

**June 2023** (Date TBC)

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report 2022/23
- Annual Governance Statement (AGS)
- External Audit Annual Plan
- Annual Audit Letter and Value for Money Conclusion
- Constitution Update
- Capital and Investment Strategy Outturn 2022/23
- Work Programme

**September 2023** (Date TBC)

- Internal audit Progress Report
- Statement of Accounts
- Annual Audit Report
- Risk Management
- Going Concern
- Capital and Investment Strategy Monitoring Q1
- Work Programme

**November 2023** (Date TBC)

- Internal Audit Progress Report
- Capital and Investment Strategy Monitoring Q2
- Work Programme

**February 2024** (Date TBC)

- Internal Audit Progress Report
- Annual Audit Strategy
- Risk Management Strategy 2024/25
- Capital and Investment Strategy Monitoring Q3
- Capital and Investment Strategy 2024/25
- Work Programme

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director – Finance and Corporate Services<br>0115 914 8349<br>plinfield@rushcliffe.gov.uk |
| **Background papers Available for Inspection:** | None. |
| **List of appendices (if any):** | None. |