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**Date:** 24 October 2022

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To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Tuesday, 1 November 2022 at 7.00 pm in the  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 30 June 2022 (Pages 1 - 10)

4. Internal Audit Progress Report (Pages 11 - 32)

   Report of the Director for Finance and Corporate Services

5. Streetwise Annual Report (Pages 33 - 64)

   Report of the Chief Executive

6. Risk Management (Pages 65 - 86)

   Report of the Director for Finance and Corporate Services

7. Going Concern (Pages 87 - 92)

   Report of the Director for Finance and Corporate Services

8. Capital and Investment Strategy Quarter 1 2022/23 (Pages 93 - 102)

Report of the Director for Finance and Corporate Services

9. Work Programme (Pages 103 - 104)

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

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# MINUTES
## OF THE MEETING OF THE
## GOVERNANCE SCRUTINY GROUP
## THURSDAY, 30 JUNE 2022

Held at 6.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford

**PRESENT:**

Councillors D Virdi (Chairman), R Adair, K Beardsall, P Gowland (Vice-Chairman), L Howitt, J Stockwood, G Dickman and Mrs C Jeffreys

**ALSO IN ATTENDANCE:**

D Hoose – Engagement Lead, Partner Mazars
G Dulay - Senior Manager BDO
C Thomas – Senior Internal Auditor BDO

**OFFICERS IN ATTENDANCE:**

| | |
|---|---|
| T Coop | Democratic Services Officer |
| G Dennis | Monitoring Officer |
| P Linfield | Director of Finance and Corporate Services |
| S Whittaker | Service Manager - Finance |

**APOLOGIES:**

Councillors D Simms, Mrs M Stockwood and K Shaw

1 **Declarations of Interest**

There were no declarations of interest reported.

2 **Minutes of the meeting held on 3 February 2022**

The Minutes of the meeting held on 30 February 2022 were approved by the Group and signed by the Chairman.

At the request of the Mr Hoose, the External Auditor the Chairman agreed to change the running order of the agenda allowing item 6. Annual Audit Report and item 7. External Annual audit Plan 2021/22 to be considered first.

3 **Internal Audit Annual Report 2021/22**

Mr Dulay from BDO, the Council's internal auditors presented a report that summarised the work undertaken during the course of 2021/22 and the management actions arising from the audits, and also provides the annual opinion of the Head of Internal Audit required by the Public Sector Internal Audit Standards.

From the appended BDO report Mr Dulay highlighted the completion of the Internal Audit Plan for 2021/22 and advised the Group that the Council has a substantial system of internal control, adding that substantial assurance is the highest level and that it should be noted that this is a significant achievement as this level of assurance is difficult to achieve and in particular against the backdrop of the Covid pandemic.

Mr Dulay reminded the Group that the audit for 2021/22 looked at ten internal audit reviews which had previously been reported in the quarterly progress reports, of the 10 audits:

- Four received substantial assurance on both design and effectiveness – Main Financial Systems, Housing Benefits, Homelessness and GDPR

- One received substantial assurance on design effectiveness only – Business Continuity and Disaster Recovery

- Four received moderate assurance on both design and effectiveness – Planning and S106, Corporate Governance, Health and Safety and Contract Management

- The Annual Fraud report is not classified in the same way

- There were no reports issued with limited assurance

Members asked a specific question relating to S106 developer contributions and the issues around collecting the monies. The Service Manager - Finance explained that in some cases there were clauses within the S106 as to when in the development the S106 agreement is triggered.

The Chairman highlighted the KPI that the Council was failing to meet its target of 85% of householder applications completed within the statutory time limits and was advised by Ms Thomas that the actual figure was 73%.

Members asked a specific question in respect of the audit for Homelessness and Temporary Accommodation and how the council collects its information using the data base Pentana and whether the information collected has an impact on the actual homeless person or the KPI performance reports. Mr Dulay explained the audit looks at scope of key group of individuals to identify how quickly it takes the Council to house somebody and the reporting controls that the Council has in place.

In respect of the confirmation of Councillors register of interests, Members asked whether the process could be reviewed, allowing for paper copies to be collected as well as online processes.

It was **RESOLVED** that the Governance Scrutiny Group note the Internal Audit's Annual Report 2021/22.

4 **Annual Fraud Report 2021/22**

Mr Dulay presented the Annual Fraud Report 2021/22 which summarised the incidence of fraud and fraud prevention activities undertaken by the Council during the year 2021/22.

The purpose of the report is to provide an overview of general and specific fraud related issues that have arisen at the council during 2021/22. These include:

- Preventing and Detecting Fraud
- Whistleblowing Policy
- National Fraud Initiative (NFI)
- Council Tax Single Person Discount
- Internal Investigations 2021/22
- Internal Audit – Covid-19 Grants Assurance
- Fraud Awareness Training and Counter Fraud Staff Survey

Mr Dulay highlighted a data matching exercise in respect of single person discount and the results of this exercise revealed that the number of cases investigated, and the additional council tax billed, reduced significantly compared to the previous year. Mr Dulay explained that this was due to other work pressures and resource constraints during the pandemic.

Mr Dulay also highlighted the Council's Whistleblowing Policy and the lack of specific staff awareness campaigns and has made a management recommendation in relation to staff awareness and training.

Members asked specific questions in respect of the Single Person Discount and the processes in place to identify and prevent this. Mr Dulay explained this was not unique to Rushcliffe and weas a national issue. The exercise looked at the electoral roll and often residents failed to inform the Council of changes, this is recorded as not reporting but not fraudulent. The Service Manager – Finance advised the Group that the Council is planning a review in respect of single person discount later in 2022.

Members asked whether any training had been planned for the coming year and could a reporting back mechanism be considered to track the discussions raised during training. The Director – Finance and Corporate Services advised that training would be included when reporting the Annual Fraud report next year.

Members questioned the cost of chasing payments from residents found to of miss paid and what the impact of recovery has on residents already struggling with the cost of living. The Director – Finance and Corporate Services advised members that no extra resources were required to recover missed payments, it was part of an officer's job to look for fraudulent activity. In respect of recovery, the Director – Finance and Corporate Services advised that the Council is sympathetic and tries to help residents where it can.

Mr Dulay added that generally Council's operate a zero tolerance and looks at fraud on a case by case basis which demonstrates good practice.

It was **RESOLVED** that The Governance Scrutiny Group notes the Annual Fraud Report for 2021/22 and approves the requirement for further fraud awareness training in 2022/23.

5 **Annual Audit Letter**

Mr Hoose from Mazars the Council's External Auditors presented the Annual Audit Letter including the Council's Value for Money arrangements.

The purpose of the audit is to provide reasonable assurance to users that the financial statements are free from material error in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021.

The Council's accounting policies and disclosures were reviewed and concluded that they comply with the 2020/21 Code of Practice on Local Authority Accounting.

In respect of Value for Money arrangements (VFM), Mr Hoose informed the Group that the audit considers whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in it use of resources, and advised the Group of the reporting criteria:

**Financial sustainability** - how the Council plan 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 costs and performance to improve the way it manages and delivers services.

In concluding Mr Hoose informed the Group that the audit did not identify any risks of significant weakness, or actual significant weakness in the Council's arrangements.

Members questioned the significant increase in the audit fees and what are the benefits of the new additional work as a result of the Code of Audit Practice and Value for Money (VFM) reporting. Mr Hoose explained that the additional work involved a new piece of work conducted at a more senior level, adding that a new package of changes is expected but that there is still some uncertainty around the extra reporting requirements. The Director - Finance and Corporate Services added that the Value for Money (VFM) report considered the risks associated with the Covid-19 pandemic, Brexit and cost of living, which are all issues effecting local authorities.

It was **RESOLVED** that Governance Scrutiny Group note the Annual Audit Letter

6 **External Audit Annual Plan 2021/22**

Mr Hoose from Mazars, the Council's External Auditors presented the External Audit Plan which summarised the Council's approach to external audit activity with regards to the final account process and the approach to value for money (VFM) work in relation to the financial year 2021/22.

Mr Hoose highlighted three significant risks concerning management override of controls, net defined benefit liability valuation, valuation of property, plant and equipment.

Mr Hoose provided the Group with and Audit Strategy Memorandum which explained the audit scope, approach and timeline and advised that he was confident that the audit would be delivered on time.

The Director - Finance and Corporate Services advised the Group that the Draft Statement of Accounts had been completed within the timescales and is available for view on the Council's website. Completed a month before the statutory deadline for publication.

Members asked a specific question in relation to the level of officer expertise when valuing property and whether the reporting cycle to Governance Scrutiny Group was adequate. The Director - Finance and Corporate Services advised that property valuations were undertaken professionally and diligently by officers. A considerable amount of officer time was spent during the audit when valuations are reviewed and no significant issues have ever arisen. Mr Hoose added that the regulatory expectations were challenging as additional information is required, however he did not anticipate any issues and confirmed that there were no significant risks.

It was **RESOLVED** that the governance Scrutiny Group accept the External Audit Plan.

7 **Annual Governance Statement 2021/22**

The Director – Finance and Corporate Services presented the Annual Governance Statement, which is published alongside the Council's Statement of Accounts. The Governance Statement reflects the requirements of the updated CIPFA/SOLACE "Delivering good governance in local government framework (2016)" and incorporates the seven principles withing the Local Code. These were referenced in the AGS Appendix 1 attached to the report.

Members were reminded that other content, for example (section 4) 'Significant Governance Issues' will alter as new risks and opportunities arise, and the environment we operate in evolves over time. The Director – Finance and Corporate Services added that there are also additional references linked to the impact on governance from Covid-19 and the Financial Management Code which was introduced last year.

Members asked specific questions relating to the employee National Living Wage and how this this will impact on costs for the Council and were officers confident that this risk was being monitored. The Director - Finance and

Corporate Services advised that this would be covered in the Budget later in the year.

Members questioned how compliance was being reported in respect of significant governance issues. The Director – Finance and Corporate Services informed the Group that performance issues form part of regular reporting to the Corporate Overview Group.

The Chairman raised a question in relation to Leisure provision and what was the current position in respect of the new leisure centre at Bingham. The Director – Finance and Corporate Services advised the Group that any delays would have an impact on income, adding that a Revenue and Capital Outturn Report is on the agenda for Cabinet on Tuesday 12 July.

It was **RESOLVED** that the Group note and approve the Annual Governance Statement 2021/22 (Appendix 1) which incorporates actions for the forthcoming year.

8 **Capital and Investment Strategy Outturn 2021/22**

The Service Manager - Finance presented the Capital and Investment Strategy Outturn which summarised the transactions undertaken during the 2021/22 financial year reporting against the Council's Capital and Investment Strategy 2021/22-2025/26. The report also provided information on the Council's commercial investment activity and summarises requirements of the new CIPFA Code.

The Service Manager - Finance referred to the Prudential Indicators Summary which detailed the impact of capital expenditure activities during the year and highlighted the increase in the investments balance due to slippage in the Capital Programme due to re-profiling of expenditure on the Bingham Hub and Crematorium and additional S106 deposits, adding that this had removed the need to externally borrow in 2021/22. The Group noted that this will be reported to Cabinet at its meeting in July.

The Service Manager - Finance highlighted the ratio of financing costs to the net revenue streams and reported that the actual costs are lower than originally estimated primarily as a result of income investments exceeding expectations and larger investment balances due to additional S106 monies and Community Infrastructure Levy (CIL).

In respect of interest rates the Service Manager – Finance advised the Group that the cash balances the Council are holding are unusually large, however, the council needs to ensure adequate liquidity for the revenue and capital activities , security for investments and to manage risks within all Treasury Management activities in line with the approved treasury strategy, therefore interest rates remain low in comparison to longer term investment options. Tables were provided in Appendix 1, detailing where the Council had placed investments and monthly returns on investments during 2021/22.

The Service Manager - Finance advised that overall, the council had successfully achieved it objectives of ensuring investments were held with relatively secure counterparties and ensuring there is sufficient liquidity to operate efficiently.

The Service Manager - Finance advised the Group that the updated Treasury Management Code requires local authorities to document a knowledge and skills schedule reflecting he need to ensure both officers and members dealing with treasury management are trained and kept up to date.

Members noted that that there would be more regular reporting of treasury management activities and were pleased to see that a more in-depth training for staff and members was to be implemented. Members requested that Treasury Training should be offered to all members, so they are able to substitute on Governance Scrutiny Group.

Members asked a specific question relating to inflation and whether the Council should be considering other sustainable solutions to encourage growth and not be reliant on monetary policy. The Director – Finance and Corporate Services advised the Group that monetary policy relies on investments primarily being secure followed by liquidity and then yield, adding that the Council is supporting economic growth by way of the Bingham Hub and crematorium developments. He also referred to the Freeport which is likely to dwarf anything that has been suggested, creating jobs, improved infrastructure and HS2 which in the long term should encourage further investment.

Members were encouraged by the Treasury Management reporting and noted that the Council was in a strong position financially. The chairman thanked the finance team.

It was **RESOLVED** that the Governance Scrutiny Group approves the 2021/22 outturn position.

9 **Revisions to the Council's Constitution**

The Monitoring Officer presented a report outlining revisions to the Council's Constitution and summarised the main amendments being proposed, details of which were highlighted in the report. The Group was asked to consider those proposed revisions and recommend them for adoption by Council.

Members asked a specific question relating to new responsibilities for scrutiny and how were these decided. The Director – Finance and Corporate Services explained that members are asked to complete a scrutiny matrix for review by the Corporate Overview Group.

Members questioned the amendment proposed for the remuneration of the Chief Executive and whether the new arrangements were an improvement and do they reflect 'best practice'. The Director – Finance and Corporate Services explained that the amendment provides more transparency for a practise that already exists. Mr Dulay from BDO the Council's internal auditors added that the changes appear to be appropriate and reasonable.

In respect of the remuneration of the Chief Executive, Members requested a minor change to the wording being inserted, to confirm the decision being taken were in relation to the existing pay scale and not changing the pay scale.

The Chairman also suggested that an additional bullet point be added to the Terms of Reference for Governance Scrutiny Group to include a Review of Going Concern.

It was **RESOLVED** that:

a) the proposed revisions to the Constitution be recommended for adoption by Council.

b) Including the additional amendments in Part 3 of the Constitution proposed by Governance Scrutiny Group

10 **Work Programme**

The Director – Finance and Corporate Services presented the report thar detailed the proposed Governance Scrutiny Work Programme for 2022/23.

With due regard to statutory and legislation requirements the Annual Audit Report will move from the November agenda to 23 February 2023.

**15 September 2022**

Internal Audit Progress Report
Streetwise Annual Report 2021/22
Risk Management
Going Concern
Treasury Management Update
Work Programme

**24 November 2022**

Internal Audit Progress Report
Statement of Accounts
Treasury and Asset Investment – 6 Month Update
Asset Management Plan
Work Programme

**23 February 2023**

Internal Audit Progress Report
Annual Audit Report 2021/22
Treasury Management Update
Internal Audit Strategy Plan
Risk Management – Update
Treasury and Asset Investments Strategy
Work Programme

**Proposed Training**

The Group noted that training on Risk Management had been scheduled for 15 September before the Governance Scrutiny Group meeting later that evening and a walkthrough session of the key points on the Statement of Accounts is scheduled prior to the November meeting of Governance Scrutiny Group.

The Group were advised that the Internal Auditors, BDO, were looking at delivering a joint Q & A session with Gedling District Council on external and internal audit issues.

The meeting closed at 8.03 pm.

CHAIRMAN

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**Governance Scrutiny Group**

**Tuesday, 1 November 2022**

**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. 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 of three reports from the 2022/23 Internal Audit Annual Plan. In terms of findings:

- The Risk Management audit received a substantial rating for both Design and Effectiveness – one medium and two low level recommendations were made
- The Project Management audit received a moderate rating for Design Opinion and a substantial rating for Design Effectiveness with one medium and two low level recommendations being made.
- The Environment audit received a substantial rating for Design Opinion and a moderate rating for Effectiveness with two medium and two low level recommendations.
- Management actions have been agreed for all recommendations and it should be noted that a moderate rating is not a cause for concern.

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 | Not applicable |
| Efficient Services | Undertaking a programme of internal audit ensures that proper and efficient services are delivered by the Council. |
| Sustainable Growth | Not applicable |
| The Environment | Not applicable |

**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 Inspection:** | Internal Audit Plan 2022/23 Governance Scrutiny Group 3 February 2022 |
| **List of appendices:** | Appendix A - Internal Audit Progress Report – BDO |

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# INTERNAL AUDIT PROGRESS REPORT

## Rushcliffe Borough Council

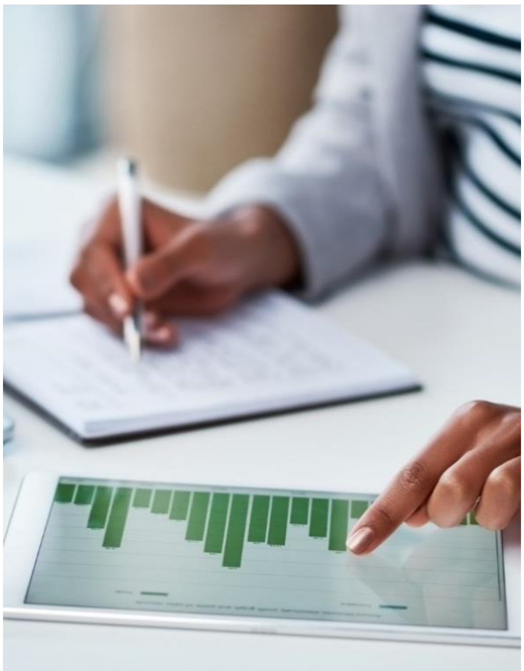
SEPTEMBER 2022

IDEAS | PEOPLE | TRUST

# CONTENTS

# 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:

- Project Management
- Risk Management
- Environment

Planning and/or fieldwork is underway in respect of the following audits:

- Health and Wellbeing
- Safeguarding
- IT Asset Management
- Main Financial Systems

We anticipate presenting 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 | TBC | ✓ | ✓ | | | |
| Safeguarding | TBC | ✓ | ✓ | | | |
| Main Financial Systems (MFS) | TBC | ✓ | | | | |
| IT Asset Management | TBC | ✓ | | | | |
| Sustainable Warmth Funding | TBC | ✓ | | | | |
| Channel Shift | TBC | ✓ | | | | |
| Project Management (2) | TBC | ✓ | | | | |

# PROJECT MANAGEMENT

## CRR REFERENCE:

Risk 6 – Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget
Risk 18 – Failure to deliver the Transformation Strategy
Risk 19 – Failure to deliver and manage significant projects

| Design Opinion | M | Moderate | Design Effectiveness | S | Substantial |
|---|---|---|---|---|---|
| Recommendations | 0 | 1 | 2 | | |

**SCOPE**

### BACKGROUND

As stewards of public finances, effective project management is necessary within local government to ensure that public monies are spent efficiently and produce the outputs and outcomes as articulated in a local authority's corporate strategy and benefit the public.

A sound controls environment is also necessary to mitigate against potential fraud.

Rushcliffe Borough Council (the Council) is an ambitious Council and capital expenditure was reported as £9.3m in the audited 2020-21 accounts. The Council's Corporate Strategy (2019-23) outlines significant expenditure delivering multiple large scale ongoing projects, including the following:

- Bingham Leisure Centre (£2.2m) – In December 2020, Cabinet approved the construction of a new leisure centre, community hall and separate office building on a Council-owned site at Chapel Lane in Bingham, to be called 'Bingham Arena'. The key strategic objective of this project is to provide employment and enhanced leisure opportunities in the area, meeting the needs of a growing community. It is due to be completed in September 2022 and therefore prior to the Leisure Strategy's mid-point review in 2023
- Crematorium (£8.5m) – Plans for a new crematorium and memorial gardens in Stragglethorpe were approved by Cabinet in 2019 and will be operated inhouse. Construction work on the site was due to start in July 2021 and the crematorium is scheduled to be fully operational by the Autumn of 2022
- Meritec – As part of the 'Digital by Design' programme the Council was due to implement a new Meritec solution to enable customers to have a 'My Account', bringing all interaction with RBC into one place
- Hybrid Mail – another initiative introduced as part of the 'Digital by Design' programme.

The effective delivery of these projects is vital to the Council to ensure that money has been well-spent and is able to generate the anticipated revenue and other benefits from the projects.

### AREAS REVIEWED

This review focussed on the Bingham Leisure Centre, Crematorium and Meritec projects. Hybrid Mail is due to be reported on in a separate report in Q3 2022. The Council had a Project Management Framework 2012 (the Framework) in place which we used as the basis for this review, however, this document is out of date and no longer used by the Council. We used a combination of this Framework and standard project management best practice to benchmark the stages of project management in place at the Council, from inception and initiation to delivery. We reviewed documentation, meeting minutes, highlight reports and reviews, financial reporting and spoke with staff to understand the processes in place. Where we have included cases of non-compliance against the Council's 2012 Framework , we view these as standard best practice project management steps.

## AREAS OF STRENGTH

- Feasibility studies were performed and approved by the Cabinet for large scale projects such as the Bingham Leisure Centre and Crematorium
- Project Initiation Documents (PID) were accomplished for all the projects tested
- Meetings are held with the project team (including external project management teams), project board, SRO, and member scrutiny groups in fixed intervals to discuss project progress
- Risk assessment (level 2 projects) and risk register (level 3 and 4 projects) were completed during project planning and are monitored and updated on a regular basis
- Project spend is monitored by the project managers and finance accountants on a monthly basis
- Regular site visits are done by the project team, project board, SRO and member scrutiny groups
- Issues encountered and corresponding resolutions are logged for the Bingham Leisure Centre project
- A lessons learned log is maintained for the Bingham Leisure Centre project detailing, as well, different actions that could be done in the future for the project or a different one
- All changes to the Bingham Leisure Centre project are monitored through a Change Control Log and these are all supported by Employers Agent Instructions approved by the project manager.

## AREAS OF CONCERN

- As the Framework is out of date and not used by staff, there is at present a lack of consistent guidance available to project managers for Council expectations in relation to the initiation, delivery and completion of projects (Finding 1 – Medium)
- We noted two low level administration related findings (Findings 2 and 3- Low).

## CONCLUSION

- The Council has historically successfully managed large-scale and complex projects, such as the Rushcliffe Arena. Whilst this review has identified that there is a control gap in relation to the absence of an up-to-date Project Management Framework, testing of specific projects found that operationally this has not impeded their delivery and that robust measures such as regular and transparent reporting to Cabinet and continuous risk assessment is in place.
- This leads us to conclude an opinion of Moderate assurance in relation to control design and Substantial assurance in relation to operational effectiveness.

# ENVIRONMENT

## CRR REFERENCE:

CRR 32 – Response to flooding impacts on delivery of service

CRR 33 - Inadequate resources to respond to flooding incidents.

| Design Opinion | S | Substantial | Design Effectiveness | M | Moderate |
|---|---|---|---|---|---|
| Recommendations | 0 | 2 | 2 | | |

*SCOPE*

BACKGROUND

There is international recognition that responding to climate change is critical, requiring immediate and proactive attention. The key international law instrument outlining the commitment to global emissions reduction is the Paris Agreement 2015, which sets out a goal to limit global warming to below 2 degrees above pre-industrial levels, aiming for a limit of 1.5 degrees warming by the end of the century. The COP26 international climate change conference took place in 2021, which aimed to secure global net zero (where total emissions are equal to or less than the emissions removed from the environment) by 2050 and keep within a maximum of 1.5C warming.

In advance of COP26, the UK government released its Net Zero Strategy: Build Back Greener in October 2021 and passed the Environment Act in November 2021. The Environment Act 2021 sets out four priority areas: air quality, water, biodiversity and resource efficiency/waste reduction. It includes some specific responsibilities for local authorities, including responsibilities around air quality, a requirement for all councils to collect food and garden waste for free, a 10% biodiversity net gain for 30 years for new developments and flooding and tree felling consultations.

Rushcliffe Borough Council (the Council) declared a 'Climate Emergency' in March 2019.In March 2020 it made a commitment towards becoming carbon neutral in 2030 for its own operations. The Council has tracked its own carbon emissions since 2008 and these have fallen from over 5,000 t CO2e to just over 2,400 t CO2e in 2021.

The Council has a Climate Change Strategy (2021-2030) along with a Carbon Neutral Strategy and Carbon Management Action Plan (CMP)(2020), and a Nature Reserves Strategy (2020). It is also party to a wider Air Quality Strategy within Nottinghamshire.

The Council has demonstrated its pioneering spirit in relation to this agenda by establishing a £1m climate change reserve to support projects that help achieve its targets. Among other achievements, the Council completed a successful pilot in running its waste fleet with hydrogenated vegetable oil (HVO) instead of Diesel in 2021 which it is estimated produced up to 90% reduction in fleet emissions. The Council has installed electric vehicle charging points, is in the process of redeveloping Rushcliffe Country Park as a 'net zero' country park used Department of Business, Energy and Industrial Strategy (BEIS) funding to retrofit homes and worked with other local authorities to lobby the government to introduce standards and regulations that encourage developers to deliver sustainable homes. It is currently working on a Local Development Order to redevelop the Ratcliffe-on-Soar coal power plant, which will be decommissioned in 2025. The Council plans to make this site a hub for renewable energy technological innovation and production.

AREAS REVIEWED

This audit considered the strategy, policies and action plans the Council has in place in relation to it declaring a Climate Emergency. We examined these documents as well as service plans, Council and Committee minutes and decisions, and other relevant plans such as the Local Plan. We interviewed key staff and sought to understand how plans are being progressed and reporting on. We also sought to verify that the Council is adequately preparing for changes required by the Environment Act 2021.

## AREAS OF STRENGTH

- All staff interviewed were positive about this agenda and enthusiastic about working to meet the carbon neutral and net zero carbon targets. Many officers cited the lead that the CEO has taken on this topic and noted the engagement of Members. The Council established a £1m Climate Change Reserve that will be used to support projects that help the Council become carbon neutral. To access the fund a business case must be presented to and approved by the Executive Management Team
- The Council has a Climate Change Strategy (2021-2030) in place, which cites the UK Government's net zero by 2050 target and highlights the Council's plan to become carbon neutral by 2030 and zero carbon by 2050. The Strategy was published in November 2021 and is due for review in November 2023. The Strategy displays good practice in a number of areas:
  - It clearly defines its scope 1 and 2 emissions and the distinction between what is in the Council's control, and what it needs to influence (scope 3)
  - It splits Council activities into the categories Buildings & Assets; Community & Business; Fleet & Transport; Waste & Recycling and Supply Chain, which allows for clear accountability and encouraging this agenda to be embedded across all Council service areas
  - Conservation is a central tenant of the Strategy, which is a key point of focus within the Environment Act, demonstrating that the Council is well-prepared for the new biodiversity requirements of the Act.
- Supporting the Strategy is the CMP, which is a thorough review of the actions needed to implement the Council's climate change mitigation ambitions. The actions are set out clearly in defined sections which promotes easy management and review. They are also given a rating on whether they are short, medium or long-term actions and whether their carbon reduction benefit is high, medium or low, allowing officers to direct their attention and resources accordingly
- The Carbon Management Group meets on a quarterly basis to review the action tracker. The Communities Manager restructured the group in 2021 and the process now involves Lead Specialists, along with action owners. These meetings are not minuted but updates to the tracker are made. The involvement of Lead Specialists is encouraging as it increases the prominence of the group and environmental agenda, as well as providing a forum for cross- service discussion and information sharing
- Annual updates on the CMP are then reported on to the Communities Scrutiny Group, which in turn report to Cabinet
- Discussions with the Communities Manager, Neighbourhoods Manager, Team Leader-Environment (previous and new) and the Environmental Sustainability Ecologist confirmed that all staff are knowledgeable about the Act and are preparing for it as far as is possible given the limited information available from government currently. The Council is ahead of many councils with respect of the biodiversity requirements as there is a professional ecologist on the team, who has produced a document detailing the anticipated changes and impact it will have on the Council in relation to biodiversity
- The Environmental Sustainability Ecologist has recently achieved facilitator status from Climate Fresk, which enables them to deliver training on environmental sustainability. Training is currently being planned for all those directly involved with the CMP and Member portfolio holders in the Autumn 2022. An awareness programme for all staff is also being devised
- Partnership working is critical to both combatting climate change, and the Council's CEO demonstrates clear commitment to this by, for example, chairing the Nottinghamshire Local Authority D2N2 Environmental Strategy Working Group. Other officers are also working with partners in multiple contexts, for example:

- The Director for Neighbourhoods set up the Big Business Carbon Club to encourage local businesses to share best practice and ideas
- The Service Manager, Neighbourhoods - works with the Nottinghamshire Waste Partnership (NWP) which is attended by a DEFRA representative
- The Ecology Officer chairs the Nottinghamshire Biodiversity Action Group and facilitates the Rushcliffe Nature Conservation Strategy Group (which includes the Wildlife Trust).

## AREAS OF CONCERN

- Emissions data is incomplete and data quality is not yet robust (Finding 1 – Medium)
- Decision-making processes across the Council could be strengthened to support the carbon neutral and net zero carbon targets (Finding 2 – Medium and Finding 3- Low)
- The CMP should include more specific dates and milestones and we recommend biannual reporting to the Communities Scrutiny Group (Finding 4 – Low).

## CONCLUSION

- The Council is demonstrably committed to tackling climate change and has devised a clear strategy and action plan to do so, which also addresses the requirements of the Environment Act. Funds and responsibilities to help achieve this have been designated. We have however also identified improvements required regarding the data quality of emissions data underlying these actions. In addition, monitoring the progress of actions and creating tangible milestones that will enable Members to measure how successfully the CMP is progressing have also been identified as improvement areas. We also note some opportunities to further strengthen the transparency between service areas in relation to work plans and decision making. We therefore conclude a substantial opinion in relation to the design of controls given the extensive plans in place and a moderate opinion in relation to operational effectiveness of those controls because of the emissions finding and other findings relating to the potential improvements that could be implemented to help fully realise the ambitious plans.



8

# RISK MANAGEMENT

## CRR REFERENCE: ALL CRR RISKS

| | | | |
|---|---|---|---|
| **Design Opinion** | S Substantial | **Design Effectiveness** | S Substantial |
| **Recommendations** | 0 1 2 | | |

### SCOPE

**BACKGROUND**

Risk management is a fundamental part of both the operational and strategic thinking of every part of service delivery within an organisation. Robust risk management processes involve identifying, analysing and addressing risks in a timely and ongoing manner. This provides assurance that an organisation is nurturing the achievement of its objectives by minimising, eliminating, reducing or accepting the level of risk it undertakes.

Rushcliffe Borough Council (the Council) has a Corporate Risk Register (CRR) in place which is managed by the Service Manager – Corporate Services and presented to the Governance Scrutiny Group (GSG) on a bi-annual basis. The most recent update was taken to the GSG on 3 February 2022. The risk register presented 45 corporate and 33 operational risks including 8 'high alert' risks.

Risk is monitored daily by team leaders and managers. The Council uses the Pentana system to record risks and the Performance Officer manager is responsible for prompting service areas to update the system and providing day to day guidance and management on risk. Service managers review the risks in their service area every two months at the executive management team (EMT) meetings. A Risk Management Group (RMG) is also in place which meets quarterly. The Performance, Reputation and Constitutional Services Manager convenes discussions with the service managers to discuss changes to the CRR prior to the update to the GSG.

**AREAS REVIEWED**

During this audit we reviewed the current policies and procedures in place along with the corporate and service area risk registers. We examined executive management team (EMT), RMG and GSG reports and minutes to understand that level of engagement around risk management at the Council.

### AREAS OF STRENGTH

- Risk Management Strategy: The current Risk Management Policy (2020-2023) was approved by the GSG and includes the key topic areas we would expect to see, such as an overview of risk management, roles and responsibilities, the Terms of Reference for the RMG and the Council's risk appetite statement
- Roles and Responsibilities: A clear structure is in place for managing risk. The Council uses the Pentana system to record risks. The Director of Finance and Corporate Services holds the ultimate responsibility for risk management. The Service Manager, Corporate Services is responsible for high level risk management and reporting on corporate risks to the GSG, and the Performance Officer is responsible for the day-to-day management of risk, engaging with risk owners to regularly review and update the Pentana system
- Alignment of risk registers: The Council's corporate risk register includes the key corporate risks detailed in the service risk registers, confirming that the registers are

aligned and therefore that risks are being reported to GSG. The risks in the service area risk registers are also aligned to the Council's Corporate Plan

- Review and reporting of risk registers: Minutes and reports obtained confirmed that service risk registers are reviewed every two months at EMT meetings. The corporate risk register is subject to regular review on a quarterly basis by the RMG to monitor the key risk themes. The Council is also proactive in identifying 'opportunities', which is not the case at many other councils. Risk management progress reports to the GSG provide insight as to which risks are reducing or increasing in severity and provides narrative about actions being taken to address this. During Covid, risk reporting to GSG highlighted specific Covid-related risks. This approach was not taken across all councils and is evidence of the Council's good practice in engaging in ongoing review of risk management and adapting its approach in a timely manner
- Risk management training: training was provided to both Members and officers in 2020 and refresher training was arranged in July 2022 (for officers) and will be undertaken in September 2022 (for Members)
- The Council regularly engages with its insurance provider in relation to risk management, and the insurance provider is holding a session on how to improve the identification of opportunity risk across the Council later in 2022.

## AREAS OF CONCERN

- Risks are not always fully articulated with cause and consequence, and mitigating controls are not always specific, measurable, achievable, relevant or time-bound (SMART). The Council uses a residual risk rating in its assessment of risk as opposed to stating an inherent and residual risk rating.

## ADDED VALUE

- BDO recently undertook a benchmarking survey across local government clients on risk management, and the results of this will presented separately to the Council in September 2022.

## CONCLUSION

- The Council has a robust and mature framework in place for reviewing and reporting on the risks it faces. Roles and responsibilities are clear and the Council regularly reviews and reports on risk. We identified some areas that we argue could be strengthened, notably in the articulation and rating of risks and their associated mitigating controls. We assessed these according to the BDO risk maturity assessment tool and have made relevant recommendations in relation to this. We do however accept that the risk management process is subjective with no one correct method, and that the Council has made an informed decision about how it approaches risk management. Given that the Council is a high performing and well-run Council, we have therefore given an opinion of substantial for both the design and effectiveness of controls.

# 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.

## COST OF LIVING CRISIS

The Local Government Association draws attention to its Cost of Living hub: The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability within our communities to put many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Councils and local partners have delivered remarkable services and support and will continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

But they can't tackle the problem alone. We need to strengthen and maintain a collaborative approach between national and local government and key partners in the private, public and voluntary sectors.

https://www.local.gov.uk/about/campaigns/build-back-local/cost-living

Citizen's Advice Bureau has also released a dashboard, giving near real-time insight on the crisis as it unfolds:

https://wearecitizensadvice.org.uk/our-new-cost-of-living-dashboard-the-crisis-were-seeing-unfold-aac74fb98713

FOR INFORMATION

For the Audit Committee Members and Executive Directors

## GOVERNMENT UNVEILS £110M RURAL PROSPERITY FUND

The government has allocated £110m to the new Rural England Prosperity Fund to support businesses such as farms, wedding venues and pubs.

The fund will be jointly rolled out by the Department for Environment, Food & Rural Affairs and the Department for Levelling Up, Housing & Communities.

It is set to be invested in projects to boost productivity and create rural job opportunities. Examples include farm businesses which are looking to open a farm shop, wedding venue or tourism facilities or improvements to rural community hubs such as pubs or village halls.

Investment will also provide capital grants to develop, restore and refurbish local, natural, cultural heritage assets and sites and for the provision of gigabit-capable digital infrastructure at rural community hubs.

The Rural England Prosperity Fund will be delivered by eligible local authorities. Defra and DLUHC say it will give local leaders a greater say in investment than was previously the case under former EU schemes.
It will be in addition to the £2.6bn allocated by the government via the UK Shared Prosperity Fund and the new fund will be integrated into the UKSPF. It is a rural top-up for eligible local authorities.
The announcement of the fund coincides with the release of the government's 'Delivering for Rural England' report which sets out how "rural interests will be at the heart of the government's approach to levelling up".
Levelling up secretary Greg Clark said: "This major investment in rural businesses will help us boost the countryside economy and close the rural productivity gap.
"It's our mission to spread opportunity across the whole of the UK and this funding will help us do just that."
Lord Benyon, the minister for rural affairs said: "We are addressing the rural productivity gap, levelling up opportunities and outcomes, and looking after the rural areas and countryside that so many of us are proud to call home.
"The Rural England Prosperity Fund worth up to £110m recognises the unique strengths and challenges of rural communities, and will support them to invest and grow their economies in line with local priorities."
The prospectus has been published. The submissions window for eligible authorities is expected to be 3 October to 30 November. The government is expected to make decision on funding in early 2023 and councils should receive their first payments in April 2023.

Government unveils £110m Rural Prosperity Fund | Local Government Chronicle (LGC) (lgcplus.com)

FOR INFORMATION

For the Audit Committee Members and Executive Directors

## DLUHC PULLS BACK FROMP PLAN TO APPOINT COMMISSIONERS TO NOTTINGHAM

The communities secretary has decided not to appoint commissioners at Nottingham City Council immediately, but has strengthened the powers of its external improvement board.
Greg Clark had been expected to issue a formal intervention of the authority, after the previous secretary of state said he "minded to" do so in June.The external improvement board was appointed in January 2021 following a review into governance issues there sparked by failings in its oversight of its energy company, Robin Hood Energy.
But earlier this year Nottingham found itself in more hot water for unlawful use of Housing Revenue Account expenditure, with independent reports citing "serious historical financial and governance failings" and "cultural failings" at the authority.
There has been much speculation that the improvement board's chair Sir Tony Redmond would be made a commissioner.
But instead Mr Clark has given the board statutory powers to compel the council to act on their advice.
The council has been issued with new directions, which will remain in force until September 2024, to speed up improvements, and strengthen their approach to longer term budgeting.
Its improvement board has been ordered to advise DLUHC in three months whether sufficient progress continues to be made, or whether commissioners should be appointed.
Mr Clark said: "Under Sir Tony Redmond's leadership of the improvement board, working with the council leader, Nottingham City Council has taken important steps to deliver the changes expected by local residents. However, it is clear that more action is needed to ensure the council is able to meet its best value duty.
"I have therefore issued directions today that will empower the improvement and assurance board and accelerate improvements at the council."
Nottingham had resisted the attempt to appoint commissioners.
In in their representation earlier this summer Nottingham's chief Mel Barrett and leader David Mellen (Lab) said that over the last 18 months the council has been "undertaking a comprehensive organisation wide transformation and improvement programme, arising from the need to respond to the failures of governance in relation to Robin Hood Energy".
"Cultural change in an organisation takes time, we believe the changes we have made (and will continue to make) show the organisation to be very different to the one it was a few years ago," they said.
This afternoon the city welcomed the government's decision.
Council leader, Cllr Mellen, said: "I would like to thank the significant number of partners and stakeholders who wrote to the government in support of the council and the progress we were making. This was acknowledged by the secretary of state who said that he wants to offer help not punishment.
"We know there is a lot more work to do but we have demonstrated our determination to address the issues which led to the non-statutory review and I am confident we will continue to work well with the Board to make the progress needed to emerge a better council."
Mr Barrett added: "We have had a positive relationship with Sir Tony Redmond and the improvement and assurance board and have valued their support and challenge as part of our improvement journey. I have no doubt this will continue as we work together in the interest of providing services in the best possible way for Nottingham residents.

"It is reassuring that government has identified that our Together for Nottingham recovery and improvement plan remains the basis of the council's required improvement, but we understand the pace of improvement needs to increase and that the plan will need to be reappraised to ensure we continue to head in the right direction."

Mr Clark's decision on Nottingham was announced on the same afternoon as Essex CC was appointed as commissioner over its neighbouring unitary, Thurrock BC.

Three other areas are currently undergoing formal intervention; Liverpool, Slough and Sandwell, while Croydon LBC and Peterborough City Council both have advisory improvement panels which report back to the Department for Levelling Up, Housing & Communities.

DLUHC pulls back from plan to appoint commissioners to Nottingham | Local Government Chronicle (LGC) (lgcplus.com)

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 | We had hoped to bring the Project Management report to this Governance Scrutiny Group however this experience delays from the auditee and will now be brought to the next Governance Scrutiny Group | 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. |

FOR MORE INFORMATION:

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**www.bdo.co.uk**

Rushcliffe Borough Council

**Governance Scrutiny Group**

**Tuesday, 1 November 2022**

Streetwise Annual Report

**Report of the Chief Executive Officer**

## 1. Purpose of report

1.1. This report is to present the annual report of Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd, wholly owned companies of Rushcliffe Enterprises Ltd (Rushcliffe Borough Council). The report will be considered by Cabinet on 8 November 2022.

1.2. Streetwise provide the grounds maintenance and street cleansing services for the Borough Council as well as for other clients in Rushcliffe and the surrounding area.

1.3. The annual report of the companies is presented to both Governance Scrutiny and Cabinet detailing the performance for the previous year.

1.4. The Streetwise service will be brought back in-house on 1 September 2022 to accord with the Cabinet report of 8 February 2022.

## 2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group receives the annual report from the Council's Chief Executive and makes any comments for Cabinet.

## 3. Reasons for recommendation

It is good practice that the running of any Council company is subject to scrutiny and this accords with the Council's Constitution.

## 4. Supporting information

4.1. The annual report and statutory accounts are attached. The accounts have been signed-off by the previous Directors who resigned as at 31 May 2022. The new Directors appointed in succession to the previous directors are Kath Marriott (Chairman of the Company) and RBC as a Corporate Director (nominally Peter Linfield as the representative), and they will remain Directors until such time as the companies are dissolved.

4.2. It is suggested that Governance Scrutiny Group consider the companies' performance based on:

- Governance arrangements
- External accreditations
- Environmental credentials
- Ability to win contracts
- Ability to deliver against contracts awarded
- Financial standing
- Key financial performance indicators

Appendix C gives commentary on these areas.

4.3 It should be noted that the Council has an in-house officer team that monitors day to day performance of the service provided to Rushcliffe Borough Council and so Governance Scrutiny Group is asked to provide a more strategic scrutiny.

**5. Risks and uncertainties**

This is a backward-looking review to consider the financial year 2021/22. This was another challenging year given Covid and, once again, this also impacted operational delivery. The Streetwise function will be brought back in-house on 1 September 2022 which will provide opportunities to provide better value for money for the taxpayer. The risks and uncertainties of this were addressed when the decision to bring the service back in house was considered and are not a matter for this report.

**6. Implications**

6.1. **Financial implications**

6.1.1. The Streetwise prime contract annual sum is £1.77m.

6.1.2. The Streetwise function will be brought back in-house 1 September 2022 as reported to Cabinet on 8 February 2022.

6.1.3. Governance Scrutiny Group should satisfy themselves that the accounts for the 2021/22 year are financially sound.

6.2. **Legal implications**

There are no direct implications arising from this report. Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd are wholly owned subsidiaries of Rushcliffe Enterprises Ltd, which in turn is a wholly owned subsidiary of Rushcliffe Borough Council.

6.3. **Equalities implications**

There are no equalities implications arising from this report.

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

There are no S17 implications arising from this report.

**7. Link to Corporate Priorities**

| | |
|---|---|
| Quality of Life | Streetwise provide grounds maintenance and street cleansing services for RBC and therefore are directly involved with ensuring the borough looks good and that the quality of life for residents in maintained. |
| Efficient Services | The contract should be operated efficiently to ensure maximum benefit for residents. |
| Sustainable Growth | The Companies continue to deliver an excellent service in an area of high growth and this continues once insourcing occurs. |
| The Environment | Streetwise should be following sound environmental practices to ensure that their services enhance the environment and biodiversity wherever possible. |

**8. Recommendations**

It is RECOMMENDED that Governance Scrutiny Group receives the annual report from the Council's Chief Executive and makes any comments for Cabinet.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director Finance and Corporate Services<br>Telephone 0115 9148439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | Cabinet Report, 8 February 2022 -<br>Future Delivery Model for Grounds Maintenance and Street Cleansing Services |
| **List of appendices:** | Streetwise Annual Report and Appendices<br>Appendix A – SEL – Final Statutory Accounts for YE 31/03/2022<br>Appendix B – SETL – Final Statutory Accounts for YE 31/03/2022<br>Appendix C – Commentary on Company Performance from the Company Secretary and the Contracts Management Team |

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**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2022**

**FOR**

**STREETWISE ENVIRONMENTAL LIMITED**

**STREETWISE ENVIRONMENTAL LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 MARCH 2022**

**STREETWISE ENVIRONMENTAL LIMITED**

**COMPANY INFORMATION**
**FOR THE YEAR ENDED 31 MARCH 2022**

| | |
|---|---|
| **DIRECTORS:** | N Carter<br>K T F Daniell<br>Mrs K Marriott<br>Rushcliffe Borough Council |
| **REGISTERED OFFICE:** | Rushcliffe Arena<br>Rugby Road<br>West Bridgford<br>Nottingham<br>NG2 7YG |
| **REGISTERED NUMBER:** | 09042551 (England and Wales) |
| **ACCOUNTANTS:** | Ashtree Accountants<br>The Pavilion<br>Strelley Hall<br>Nottingham<br>Nottinghamshire<br>NG8 6PE |

**STREETWISE ENVIRONMENTAL LIMITED (REGISTERED NUMBER: 09042551)**

**STATEMENT OF FINANCIAL POSITION**
**31 MARCH 2022**

| | Notes | 31/3/22 £ | 31/3/22 £ | 31/3/21 £ | 31/3/21 £ |
|---|---|---|---|---|---|
| **FIXED ASSETS** | | | | | |
| Tangible assets | 4 | | 338,598 | | 313,247 |
| **CURRENT ASSETS** | | | | | |
| Stocks | | 48,489 | | 49,480 | |
| Debtors: amounts falling due within one year | 5 | 415,832 | | 683,281 | |
| Debtors: amounts falling due after more than one year | 5 | 955,000 | | 955,000 | |
| Cash at bank and in hand | | 467,647 | | 498,324 | |
| | | 1,886,968 | | 2,186,085 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 6 | 588,293 | | 690,711 | |
| **NET CURRENT ASSETS** | | | 1,298,675 | | 1,495,374 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 1,637,273 | | 1,808,621 |
| **CREDITORS** | | | | | |
| Amounts falling due after more than one year | 7 | | (177,588) | | (300,984) |
| **PENSION LIABILITY** | 11 | | (1,506,000) | | (1,817,000) |
| **NET LIABILITIES** | | | (46,315) | | (309,363) |
| **RESERVES** | | | | | |
| Retained earnings | 10 | | (46,315) | | (309,363) |
| **MEMBERS' FUNDS** | | | (46,315) | | (309,363) |

The Company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 March 2022.

The members have not required the Company to obtain an audit of its financial statements for the year ended 31 March 2022 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

(a) ensuring that the Company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and

(b) preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the Company.

The notes on pages 4 to 12 form part of these financial statements


continued...

**STREETWISE ENVIRONMENTAL LIMITED (REGISTERED NUMBER: 09042551)**

**STATEMENT OF FINANCIAL POSITION - continued**
**31 MARCH 2022**

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2022 and were signed on its behalf by:

N Carter - Director

K T F Daniell - Director

The notes on pages 4 to 12 form part of these financial statements

## 1. STATUTORY INFORMATION

Streetwise Environmental Limited is a private company, limited by guarantee, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

## 2. ACCOUNTING POLICIES

**Basis of preparing the financial statements**
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Going concern**
The financial statements have been prepared on a going concern basis. The directors have considered the impact of the COVID-19 pandemic on the company from both a financial and economic perspective and do not believe that COVID-19 will have any material or adverse impact on the company's ability to continue as a going concern.

**Turnover**
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes in accordance with the company's principal activity.

In respect of service contracts turnover represents the value of work done and services performed in the period.

**Tangible fixed assets**
Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

| | | |
|---|---|---|
| Plant and machinery | - | 33% on reducing balance, 25% on reducing balance and 20% on reducing balance |
| Motor vehicles | - | 33% on reducing balance and 25% on reducing balance |
| Computer equipment | - | 33% on cost |

**Stocks and work in progress**
Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

**Taxation**
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

**Deferred tax**
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Pension costs and other post-retirement benefits**
The company participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit scheme based on career average re-valued salary and length of service on retirement.

The company also operates a defined contribution pension scheme. Contributions payable to the company's defined contribution pension scheme are charged to the profit and loss account in the period to which they relate. The pension scheme is operated by People's Pension and it is available for employees that do not qualify for the LGPS.



continued...

## 2. ACCOUNTING POLICIES - continued

**Government grants**
Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the company will comply with conditions attaching to them and the grants will be received using the accrual model.

Grants relating to revenue are recognised in profit and loss on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are received in respect of expenses or losses already incurred by the company are recognised in profit and loss in the period when the grant becomes receivable.

**Financial assets**
Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assetÆs original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**Financial liabilities**
Basic financial liabilities, including trade and other payables and loans from connected companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## 3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was 56 (2021 - 64).



continued...

## 4. TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Motor vehicles £ | Computer equipment £ | Totals £ |
|---|---|---|---|---|
| **COST** | | | | |
| At 1 April 2021 | 321,534 | 287,660 | 13,897 | 623,091 |
| Additions | 112,383 | 40,767 | - | 153,150 |
| Disposals | (26,350) | (125,243) | - | (151,593) |
| At 31 March 2022 | 407,567 | 203,184 | 13,897 | 624,648 |
| **DEPRECIATION** | | | | |
| At 1 April 2021 | 124,388 | 171,884 | 13,572 | 309,844 |
| Charge for year | 58,419 | 15,115 | 163 | 73,697 |
| Eliminated on disposal | (8,381) | (89,110) | - | (97,491) |
| At 31 March 2022 | 174,426 | 97,889 | 13,735 | 286,050 |
| **NET BOOK VALUE** | | | | |
| At 31 March 2022 | 233,141 | 105,295 | 162 | 338,598 |
| At 31 March 2021 | 197,146 | 115,776 | 325 | 313,247 |

## 5. DEBTORS

| | 31/3/22 £ | 31/3/21 £ |
|---|---|---|
| Amounts falling due within one year: | | |
| Trade debtors | 111,999 | 243,288 |
| Amounts owed by group undertakings | 110,149 | 162,110 |
| Other debtors | 6,858 | 11,287 |
| Tax | 18,551 | 22,986 |
| Deferred tax asset | 113,239 | 174,942 |
| Prepayments and accrued income | 55,036 | 68,668 |
| | 415,832 | 683,281 |
| Amounts falling due after more than one year: | | |
| Amount due from Rushcliffe Borough Council in respect of Pension Deficit | 955,000 | 955,000 |
| | 955,000 | 955,000 |
| Aggregate amounts | 1,370,832 | 1,638,281 |

## 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31/3/22 £ | 31/3/21 £ |
|---|---|---|
| Other loans (see note 8) | 123,396 | 127,179 |
| Trade creditors | 182,379 | 185,570 |
| Social security and other taxes | 79,879 | 175,404 |
| Other creditors | 9,156 | 10,108 |
| Amount due to Rushcliffe Borough Council | 175,247 | 173,929 |
| Accruals | 18,236 | 18,521 |
| | 588,293 | 690,711 |



continued...

## 7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31/3/22 | 31/3/21 |
|---|---|---|
| | £ | £ |
| Other loans (see note 8) | 177,588 | 300,984 |

## 8. LOANS

An analysis of the maturity of loans is given below:

| | 31/3/22 | 31/3/21 |
|---|---|---|
| | £ | £ |
| Amounts falling due within one year or on demand: | | |
| RBC Loan | 123,396 | 127,179 |
| | | |
| Amounts falling due between one and two years: | | |
| RBC Loan - Amount falling due between one and two years | 118,396 | 123,396 |
| | 118,396 | 123,396 |
| | | |
| Amounts falling due between two and five years: | | |
| RBC Loan - Amount falling due between two and five years | 59,192 | 177,588 |
| | 59,192 | 177,588 |

The RBC loan is unsecured and interest is charged at a rate of 4.25% per annum.

## 9. DEFERRED TAX

| | £ |
|---|---|
| Balance at 1 April 2021 | (174,942) |
| Provided during year | 4,817 |
| Tax charge/(credit) on pension liability movements | 59,090 |
| Tax credit on losses carried forward | (2,204) |
| Balance at 31 March 2022 | (113,239) |

## 10. RESERVES

| | Retained earnings £ |
|---|---|
| At 1 April 2021 | (309,363) |
| Deficit for the year | (61,762) |
| Actuarial Gains and Losses arising on changes in assumptions | 249,000 |
| Return on Pension Plan Assets | 152,000 |
| Deferred tax on Pension Liability | (76,190) |
| At 31 March 2022 | (46,315) |



continued...

## 11. EMPLOYEE BENEFIT OBLIGATIONS

**Participation in Pension Schemes**

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

On 31 August 2014, the pension deficit in relation to the employees that were transferred from Rushcliffe Borough Council to the Company was £583,000 and this amount is reflected as both an opening pension deficit liability (see below) and as an amount due after more than one year (see note 8). During the year ended 31 March 2021 a further pension deficit liability of £372,000 was transferred from RBC to the Company relating to employees transferred to the Company from RBC in the previous financial year. These amounts are underwritten by Rushcliffe Borough Council.

The Company participates in two post employment schemes:

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

Arrangements for the award of discretionary post retirement benefits upon early retirement, is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due.

**The principal risks to the Company of the scheme are:**

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

***** Interest rate risk. The FundÆs liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

***** Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.

***** Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

***** Statutory changes to the scheme.

***** Structural changes to the scheme (ie large-scale withdrawals from the scheme)

***** In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

**Transactions relating to retirement benefits.**
The liabilities of the fund are valued using a discount rate based on corporate bond yields that match the duration of the employerÆs liabilities and the Merrill Lynch AA-rated corporate bond yield curve. As a result of this approach, the company reports an actuarial gain of £249k reported in the 2021/22 accounts (2020/21: loss of £1,043k).

The return on assets reported in the accounts is a gain of £108k (2020/21: gain of £401k).


continued...

**Value of scheme assets and liabilities**

| | 31/3/22 | 31/03/21 |
|---|---|---|
| | £ | £ |
| **Market value of assets comprise:** | | |
| Equities | 1,636,000 | 1,659,000 |
| Gilts | 80,000 | 86,000 |
| Other Bonds | 184,000 | 175,000 |
| Property | 347,000 | 261,000 |
| Cash | 151,000 | 116,000 |
| Inflation-linked pooled fund | 142,000 | 124,000 |
| Infrastructure | 160,000 | 138,000 |
| Market value of assets | 2,700,000 | 2,559,000 |

| | 31/3/22 | 31/03/21 |
|---|---|---|
| | £ | £ |
| Market value of assets | 2,700,000 | 2,559,000 |
| Present value of scheme liabilities | (4,206,000) | (4,376,000) |
| Net pension liability | (1,506,000) | (1,817,000) |

**Movement in deficit during the year**

| | 31/3/22 | 31/03/21 |
|---|---|---|
| | £ | £ |
| Deficit in scheme at start of year | (1,817,000) | (1,116,000) |
| Current service cost | (97,000) | (83,000) |
| Contributions | 43,000 | 51,000 |
| Net interest expense | (35,000) | (26,000) |
| Administration expense | (1,000) | (1,000) |
| Return on plan assets | 152,000 | 401,000 |
| Actuarial (loss)/gain | 249,000 | (1,077,000) |
| Change in demographic assumptions | - | 34,000 |
| Deficit in scheme at end of year | (1,506,000) | (1,817,000) |

**Other finance costs as reported in the Income Statement comprise:**

| | 31/3/22 | 31/03/21 |
|---|---|---|
| | £ | £ |
| Current service cost | 96,802 | 82,956 |
| Net interest expense | 35,000 | 26,000 |
| Administration expense | 1,000 | 1,000 |
| Other finance costs | 132,802 | 109,956 |



continued...

From the information we have received from the administering authority, we understand that;

Of the Equities allocation, 37.5% are UK investments, 62.5% are overseas investments
100.0% of the above are listed in a market..
Of the Gilts allocation above, 100% are UK fixed interest Gilts
Of the Other Bonds allocation above, 28.6% are UK corporates, 71.4% are overseas corporates
Of the Property and Cash allocations 100% are unquoted
Of the Inflation linked pooled fund 100% were listed in an active market This was included in equities.

**Basis for Estimating Assets & Liabilities**
Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years that is dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the actuary have been:

| | LGPS & Disc. Benefits | |
|---|---|---|
| | **31/3/22** | **31/3/21** |
| **Mortality Assumptions** | | |
| Longevity at 65 for current pensioners | | |
| Men | 21.6 | 21.6 |
| Women | 24.3 | 24.3 |
| Longevity at 65 for future pensioners | | |
| Men | 23.0 | 22.9 |
| Women | 25.8 | 25.7 |
| Rates of Inflation | | |
| CPI (Real) | -0.25% | -0.35% |
| CPI (Per Annum) | 3.20% | 2.85% |
| RPI (Per Annum) | 3.45% | 3.20% |
| Rate of Increase in Salaries | | |
| (Per Annum) | 4.20% | 3.85% |
| (Real) | 0.75% | 0.65% |
| Rate of Increase in Pensions | | |
| (Per Annum) | 3.20% | 2.85% |
| (Real) | -0.25% | -0.35% |
| Rate for Discounting Scheme Liabilities | | |
| (Per Annum) | 2.60% | 2.00% |
| (Real) | -0.75% | -1.20% |



continued...

**Additional Assumptions**
***** Members will exchange half of their commutable pension for cash at retirement.
***** Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age.
***** 10% of active members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

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

**Impact on the Defined Benefit Obligation in the Scheme**

| | **Increase in Assumption £'000** | **Decrease in Assumption £'000** |
|---|---|---|
| Longevity (increase or decrease in 1 year) | 169 | (162) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 15 | (15) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 79 | (77) |
| Rate for discounting scheme liabilities (increase or decrease by 0.1%) | (92) | 94 |

**Impact on the Cash Flows**
The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The employer contribution rate for 2021/22 is 20.6% (2020/21 20.6%) and the Company anticipates paying £43,000 in expected contributions to the scheme in 2022/23. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated duration of the defined benefit obligation for scheme members is 23 years (2021 - 23 years).

**Projected Pension Expense for the Year to 31 March 2023**

| | **£'000** |
|---|---|
| Service cost | 88 |
| Net Interest on the defined liability (asset) | 39 |
| Administration Expenses | 1 |
| **Totaláá** | **128** |
| Employer contributionsá | 43 |

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

These projections are based on the assumptions as at 31 March 2022, as described in the Barnett Waddington actuary report.

## 12. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.



continued...

13. **POST BALANCE SHEET EVENTS**

On 8 February 2022, the ultimate controlling party, Rushcliffe Borough Council, approved the transfer of the prime contract for grounds maintenance and cleansing services that was awarded to the company in 2014 back to the Council with effect from 1 September 2022. It is intended that all property and assets belonging to the company will also be transferred to Rushcliffe Borough Council on this date.

Further, it is intended that with effect from 1 September 2022 the company will cease to trade and, as soon as practicable after this date, the directors will take the necessary steps to formally wind up the company.

14. **ULTIMATE CONTROLLING PARTY**

The Members of the Rushcliffe Borough Council are the ultimate controlling party. The Company is a subsidiary undertaking of Rushcliffe Enterprises Limited which is in turn a subsidiary undertaking of Rushcliffe Borough Council which operates from the Rushcliffe Arena, Rugby Road, West Bridgford, Nottingham, NG2 7YG. The accounts for Rushcliffe Borough Council can be viewed on their website at www.rushcliffe.gov.uk.

15. **LIMITED BY GUARANTEE**

The company is limited by guarantee. The amount guaranteed is £1.

# UNAUDITED FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MARCH 2022

# FOR

# STREETWISE ENVIRONMENTAL TRADING LIMITED

**STREETWISE ENVIRONMENTAL TRADING LIMITED**

**CONTENTS OF THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 MARCH 2022**

**STREETWISE ENVIRONMENTAL TRADING LIMITED**

**COMPANY INFORMATION**
**FOR THE YEAR ENDED 31 MARCH 2022**

| | |
|---|---|
| **DIRECTORS:** | N Carter<br>K T F Daniell<br>Mrs K Marriott<br>Rushcliffe Borough Council |
| **REGISTERED OFFICE:** | Rushcliffe Arena<br>Rugby Road<br>West Bridgford<br>Nottingham<br>NG2 7YG |
| **REGISTERED NUMBER:** | 11360352 (England and Wales) |
| **ACCOUNTANTS:** | Ashtree Accountants<br>The Pavilion<br>Strelley Hall<br>Nottingham<br>Nottinghamshire<br>NG8 6PE |

**STREETWISE ENVIRONMENTAL TRADING LIMITED (REGISTERED NUMBER: 11360352)**

**STATEMENT OF FINANCIAL POSITION**
**31 MARCH 2022**

| | | 31/3/22 | | 31/3/21 | |
|---|---|---|---|---|---|
| | Notes | £ | £ | £ | £ |
| **FIXED ASSETS** | | | | | |
| Intangible assets | 4 | | 62,241 | | 84,754 |
| Tangible assets | 5 | | 201,998 | | 234,468 |
| | | | 264,239 | | 319,222 |
| **CURRENT ASSETS** | | | | | |
| Stocks | | 14,204 | | - | |
| Debtors | 6 | 36,367 | | 56,766 | |
| | | 50,571 | | 56,766 | |
| **CREDITORS** | | | | | |
| Amounts falling due within one year | 7 | 151,475 | | 233,215 | |
| **NET CURRENT LIABILITIES** | | | (100,904) | | (176,449) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | | 163,335 | | 142,773 |
| **CREDITORS** | | | | | |
| Amounts falling due after more than one year | 8 | | (7,711) | | - |
| **PROVISIONS FOR LIABILITIES** | 9 | | (22,387) | | (27,108) |
| **NET ASSETS** | | | 133,237 | | 115,665 |
| **CAPITAL AND RESERVES** | | | | | |
| Called up share capital | 10 | | 100 | | 100 |
| Retained earnings | 11 | | 133,137 | | 115,565 |
| **SHAREHOLDERS' FUNDS** | | | 133,237 | | 115,665 |

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 March 2022.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 March 2022 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:
(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The notes form part of these financial statements



continued...

**STATEMENT OF FINANCIAL POSITION - continued**
**31 MARCH 2022**

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 31 May 2022 and were signed on its behalf by:

N Carter - Director

K T F Daniell - Director

The notes form part of these financial statements

## 1. STATUTORY INFORMATION

Streetwise Environmental Trading Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

## 2. ACCOUNTING POLICIES

**Basis of preparing the financial statements**
These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Going concern**
The financial statements have been prepared on a going concern basis. The directors have considered the impact of the COVID-19 pandemic on the company from both a financial and economic perspective and do not believe that COVID-19 will have any material or adverse impact on the company's ability to continue as a going concern.

**Turnover**
Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes in accordance with the company's principal activity.

In respect of service contracts turnover represents the value of work done and services performed in the period.

**Goodwill**
Goodwill, being the amount paid in connection with the acquisition of a business in 2019, is being amortised evenly over its estimated useful life of five years. After initial recognition, goodwill is measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Business combinations**
Business combinations are accounted for under the purchase method.

**Tangible fixed assets**
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | | |
|---|---|---|
| Plant and machinery | - | 50% on reducing balance, 25% on reducing balance and 15% on reducing balance |

**Stocks**
Work in progress is valued at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

**Taxation**
Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

**Deferred tax**
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Pension costs and other post-retirement benefits**
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.


continued...

## 2. ACCOUNTING POLICIES - continued

**Financial assets**
Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assetÆs original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**Financial liabilities**
Basic financial liabilities, including trade and other payables and loans from connected companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

## 3. EMPLOYEES AND DIRECTORS

The average number of employees during the year was NIL (2021 - NIL).

## 4. INTANGIBLE FIXED ASSETS

| | Goodwill £ |
|---|---|
| **COST** | |
| At 1 April 2021 | 113,754 |
| Reversal of impairments | 238 |
| At 31 March 2022 | 113,992 |
| **AMORTISATION** | |
| At 1 April 2021 | 29,000 |
| Amortisation for year | 22,751 |
| At 31 March 2022 | 51,751 |
| **NET BOOK VALUE** | |
| At 31 March 2022 | 62,241 |
| At 31 March 2021 | 84,754 |



continued...

## 5. TANGIBLE FIXED ASSETS

| | Plant and machinery £ |
|---|---|
| **COST** | |
| At 1 April 2021 | 323,579 |
| Additions | 47,760 |
| Disposals | (33,708) |
| At 31 March 2022 | 337,631 |
| **DEPRECIATION** | |
| At 1 April 2021 | 89,111 |
| Charge for year | 55,312 |
| Eliminated on disposal | (8,790) |
| At 31 March 2022 | 135,633 |
| **NET BOOK VALUE** | |
| At 31 March 2022 | 201,998 |
| At 31 March 2021 | 234,468 |

## 6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31/3/22 £ | 31/3/21 £ |
|---|---|---|
| Trade debtors | 33,828 | 56,666 |
| Other debtors | 2,539 | 100 |
| | 36,367 | 56,766 |

## 7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31/3/22 £ | 31/3/21 £ |
|---|---|---|
| Hire purchase contracts | 9,253 | - |
| Trade creditors | 10,581 | 13,022 |
| Amounts owed to group undertakings | 110,149 | 162,110 |
| Social security and other taxes | 9,141 | 23,787 |
| Other creditors | 10,541 | 31,136 |
| Accruals and deferred income | 1,810 | 3,160 |
| | 151,475 | 233,215 |

## 8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31/3/22 £ | 31/3/21 £ |
|---|---|---|
| Hire purchase contracts | 7,711 | - |

## 9. PROVISIONS FOR LIABILITIES

| | 31/3/22 £ | 31/3/21 £ |
|---|---|---|
| Deferred tax | | |
| Accelerated capital allowances | 38,380 | 44,549 |
| Deferred tax on taxable losses c/f in the year | (15,993) | (17,441) |
| | 22,387 | 27,108 |



continued...

9. **PROVISIONS FOR LIABILITIES - continued**

| | Deferred tax £ |
|---|---|
| Balance at 1 April 2021 | 27,108 |
| Accelerated capital allowances | (6,169) |
| Deferred tax on taxable losses c/f in the year | 1,448 |
| Balance at 31 March 2022 | 22,387 |

10. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31/3/22 £ | 31/3/21 £ |
|---|---|---|---|---|
| 100 | Ordinary | £1 | 100 | 100 |

11. **RESERVES**

| | Retained earnings £ |
|---|---|
| At 1 April 2021 | 115,565 |
| Profit for the year | 17,572 |
| At 31 March 2022 | 133,137 |

12. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

13. **ULTIMATE CONTROLLING PARTY**

The Members of the Rushcliffe Borough Council are the ultimate controlling party. The Company is a subsidiary undertaking of Rushcliffe Enterprises Limited which is in turn a subsidiary undertaking of Rushcliffe Borough Council which operates from the Rushcliffe Arena, Rugby Road, West Bridgford, Nottingham, NG2 7YG. The accounts for Rushcliffe Borough Council can be viewed on their website at www.rushcliffe.gov.uk.

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Appendix C

Commentary on Company Performance from the Company Secretary and the Contracts Management Team

## 1. Governance Arrangements

1.1. The companies are managed by a joint board, which until 31 May 2022 comprised, an external non-executive director (Chairman) and the Managing Director. The Streetwise Board reports to the Oversight Board.

1.2. In 2021 the Governance Scrutiny Group was established, and the 2021 annual report was subsequently presented to them in November 2021 for scrutiny with a satisfactory outcome. The report was also considered by Cabinet.

1.3. As you would expect the Articles of Association for the companies set out the governance arrangements. Appointment of the Directors is determined by Rushcliffe Borough Council as owner. The Articles also contain “Reserved Matters” which means that key decisions are always referred to the Oversight Board ensuring that RBC retains key strategic control over all such decisions.

1.4. In terms of mitigating risk, the Reserved Matters require Oversight Board approval of the annual Business Plan, plus key matters such as acquisitions and mergers, entering into financial commitments exceeding £20k, changing bank arrangements, and entering into significant contracts.

## 2. External Accreditations

2.1. Over the last three years Streetwise has pursued and been successful in gaining and retaining a number of nationally recognised accreditations, including: UKAS accredited ISO9001 and ISO 14001 (Environmental Management); the Contractors’ Health and Safety Assessment premium scheme (CHAS); Construction Line Gold status; and the Considerate Constructors Scheme.

2.2. These are important not only to show that Streetwise has been externally validated and recognised but also crucially to enable the business to win and retain contracts. Without these accreditations the opportunity to work for such companies as Barratt Homes, Wates and G F Tomlinson and other developers would not be possible.

## 3. Environmental credentials

3.1. Streetwise has continued to improve its environmental credentials in line with the Carbon Reduction Plan which was implemented during 2020 and 2021.

3.2. For example, the renewal and updating of the vehicle fleet by moving towards alternative low emission fuel, hybrid and electric vehicles; battery powered tools is having a positive impact in reducing Streetwise’s carbon footprint; and the installation of trackers in all vehicles has improved route efficiency and driver behaviour.

3.3. In addition, Streetwise has been able to support a number of community groups throughout the year. It was particularly pleasing to see an increase in the number of individuals and groups volunteering to undertake litter picking. There are now around 500 active volunteers.

3.4. Streetwise also sponsored the Environmental Project and Volunteer category at the recent Celebrating Rushcliffe Awards. It was a brilliant event and so inspiring to see all the great work taking place in our communities.

**4. Ability to win contracts – Business Development**

4.1. Business development is reviewed at SEL monthly Board meetings. Sales targets from the 2021/22 Business Plan have been monitored. Despite the loss of the Metropolitan contract sales targets were on the whole achieved resulting in a combined turnover of £3.1m.

4.2. Segmented market analysis is undertaken. Marketing and business development is tailored for each segment. This ranges from basic advertising, flyers, social media, targeted visits, and relationship management through to monitoring tender portals for the identification and submission of larger tenders.

4.3. Grounds maintenance is a mature and competitive market. However, it is a large market and Streetwise is competitive with small to medium contracts (sub £50K).

4.4. A new website was launched in 2020/21 aimed at commercial and domestic markets. Traffic and enquires have continued to be received from this source for new work.

4.5. Despite the challenging conditions Streetwise has continued to win contracts and develop positive relationships with developers and clients. Year on year an average of approximately 7% growth has been achieved with 8.7% actually achieved in 2021/22 (after the loss of the Metropolitan contract).

**5. Ability to deliver against contracts awarded – Performance Monitoring**

5.1. The RBC contract is monitored by service users and the central RBC client hub. A framework of performance indicators is measured and monitored on a monthly basis. The framework includes a monthly review with the client hub team and quarterly meetings with the service users. In addition, the SEL Board continues to monitor contract performance at its monthly meetings.

5.2. Some key points regarding performance during 2021/22 are as follows:

**a) Grounds Maintenance:**

- Generally, a good performance on grounds maintenance work.

**b) Community Development**

- Good work at Rushcliffe Country Park.
- Parks & Nature had a difficult 3 months where Streetwise incorrectly managed meadow, sustainable and Green Line sites. This has been an ongoing pattern of performance for the last couple of years.
- General management of sport pitch sites (e.g., litter and cleansing services) were managed well although sport pitch restoration still needs to be undertaken

**c) Neighbourhoods**

- The services were very well managed, either at excellent or good for the majority of the year.

**d) Events**

- Streetwise provided a good support service for the RBC event team.

**e) Hound Lodge**

- An excellent service was provided through the whole year.

**f) RBC Satisfaction with Streetwise**

- Variable client satisfaction with Streetwise performance and communication this year due to the difficulties with their managing of sport pitches and nature/sustainable sites.

## 6. Financial standing

6.1 The final Statutory Accounts for 2021/2022 for both SEL and SETL are attached. The accounts were approved and signed off by the Board on 31 May 2022 and will be submitted to Companies House by 31 December 2022.

6.2 Turnover for SEL amounted to £2.8m for the year down from £3.1m in the previous year, a decrease of 9.7%. Cost of sales was £1.9m (2021: £2.3m) representing a decrease of 17.4%. The main reason for this is the loss of the Metropolitan contract in September 2021 which accounted for only £300k turnover in 2021/22 compared to £750K in 2021, a decrease of £450K.

6.3 This means that core turnover (ignoring Metropolitan) actually grew from £2.3m in 2021 to £2.5m in 2022, an increase of 8.7%. This is down to the hard work and professionalism of the Streetwise team.

6.4 Margins have been pressurised again this year due to the competitiveness of the market and significant increases in costs have been experienced, especially fuel costs, the majority of which Streetwise has had to absorb. Despite this, turnover and financial performance exceeded expectations with an underlying profit for the eighth consecutive year prior to accounting adjustments for the Local Government Pension Scheme.

6.5 The accounting adjustments to comply with IAS19 (International Accounting Standard) in relation to the Local Government Pension Scheme once again have had a significant impact on the accounts. For example, the pension charge (including the accrued element) to the accounts for the year is £133k (2021: £110k) with an overall net pension liability of £1.5m (2021: £1.3m).

6.6 The cashflow position at the end of the financial year remained positive with £467K (2021: £498k) cash at bank and in hand as at 31 March 2022.

6.7 Members' Funds are £46k deficit (2021: £309K), an increase of £263k, which is very positive. The movement is actually represented by movements in the net pension liability less the loss after tax and pensions for the year of £62k.

6.8 The post balance sheet event note on page 12 explains the impact of the decision made by RBC cabinet on 8 February 2022 to transfer the prime contract back to RBC and for SEL to cease trading after the year end on 31 August 2022.

6.9 SETL turnover for 2022 was £340K (2021: £374K), a decrease of £34k. Part of the reason for this was poor ground conditions between December and March when certain grounds work could not be carried out.

6.10 Overall, operating profit, after taxation, amounted to £18k (2021: £76k). This is relatively small when compared to overall company turnover.

6.11 Consolidating the two companies' accounts results in a combined turnover of £3.1m and a total comprehensive profit for the financial year, after tax, of £280k (2021: £257k loss). This is an improvement during the year on the overall financial position compared to the previous year although a profit over the 2 years of £23k (albeit in a difficult operating environment given Covid).

## 7. Key Financial performance indicators

7.1 The key financial performance indicators for the consolidated position include:

| | 2022 | 2021 |
|---|---|---|
| **Key Profitability** | | |
| • Turnover | £3.1m | £3.5m |
| • Operating profit/(loss) | £82k | (£14k) |
| • Pension costs | £146k | £125k |
| • Tax | (£20K) | (£29k) |
| • Net profit/(loss) after tax (after pension costs) | (£44k) | (£109K) |
| • Gross Profit % | 32.0% | 27.5% |
| • Operating Profit as a % of sales | 2.6% | (0.4)% |
| • Net Profit as a % of sales (after pension costs) | (1.4)% | (3.1)% |
| • Monthly turnover breakeven point | £262k | £280k |
| | | |
| **Key Liquidity** | | |
| • Current asset ratio | 1.9 | 1.8 |
| • Acid Test ratio | 1.5 | 1.1 |
| • Cash at bank | £466k | £498K |

**Governance Scrutiny Group**

**Tuesday, 1 November 2022**

**Risk Management Progress Report**

Rushcliffe
Borough Council

**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 3 February 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; and a focus on high rated risks.

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 21 June 2022 and 16 August 2022, in order to review risks on the register and to make recommendations.

4.2. Risk Management Audit

A risk management audit was carried out in June/July by BDO, our Internal Auditors. Pleasingly, we have received a substantial rating (as reported in the Internal Audit Progress update on this agenda).

4.3. Risk Management Training

Risk management refresher training was provided by Zurich, the Council's insurer on Thursday 21 July. This was delivered to attendees of the Leadership Forum. An additional training session on opportunity risk will be delivered on 6 October 2022 for Service Managers. Zurich have also provided training on 15 September 2022 for members of Governance Scrutiny Group.

4.4. Risk Management Strategy

The Risk Management Strategy is due for review in 2022-23 and will be discussed at Governance Scrutiny Group in February 2023.

4.5. There are currently 41 corporate risks and 28 operational risks on the risk register. 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 Register containing corporate and operational risks. Appendix B shows the four risks in the opportunity risk register. There are seven new risks and fifteen have been removed as a result of recent reviews. Risks that have decreased or increased risk ratings are summarised as follows:

**Risk Increased**

**CRR_FCS21** Potential inflationary pressures, with volatility over prediction for budget: the likelihood has increased from 2 to 3 as a result of anticipate pay increases and rising energy costs and the knock-on effect to other supplies and services.

**CRR_NS19** Failure to safeguard children and vulnerable adults: the likelihood has increased from 1 to 2 until staff have completed their refresher training.

**OR_NS25** Failure to deliver mandatory DFG grant due to insufficient staffing: the likelihood increased from 2 to 3 and impact increased from 1 to 4 in May 2022 due to insufficient funding (note, the description changed from insufficient staffing to funding at this time). This has now been reduced due to mitigation put in place following a report to Cabinet on 12 July 2022, see Appendix A.

**Risk reduced**

**CRR_NS09** Unforeseen incidents happening at public events: the likelihood has been reduced from 2 to 1 as the current control are considered to be effective.

**OR_CED05** Failure to meet major statutory duties or take on board new legislation and **OR_CED06** Inadvertent illegal activity, taking illegal decisions:

risk score have been reduced following successful recruitment Service Manager and Monitoring Officer position.

**OR_CED07** Ability of the Borough Council to maintain frontline services in the event of a future wave of Covid-19: the likelihood has reduced from 3 to 2 due to previous 2 years' experience of COVID where we've continued to deliver services throughout the peaks of waves of infections.

**OR_NS28a** Increasing number of developments and greater opportunity for affordable housing: the likelihood reduced from 4 to 3 due to the removal of OR_NS28b Capital resources are utilised to support Affordable Housing (new 3.6m of s106 grant).

4.7. There are seven new risks that have been added to the registers:

**CRR_DEG07** Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area

**CRR_DEG08** Failure to secure the Local Development Order for the Ratcliffe on Soar site

**CRR_FCS31** Increases in interest rates which potentially increases the burden if the Council has to borrow

**CRR_NS22** Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance (funding & community cohesion)

**CRR_NS23** Failure to deliver the Carbon management plan objectives

**OPP_FCS01** Increases in interest rates leading to higher interest income on cash balances that are invested

**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.

4.8. Fifteen risks have been removed. This is mostly a result of an evaluation of the reduced threat from Covid-19 to the Council's strategic and operational activities.

CRR_FCS10 Inflationary pressures, particularly utility costs

**CRR_NS12a** Failure to deliver statutory services due to impact of Coronavirus on staffing levels

**CRR_NS12b** Failure to deliver statutory services due to impact of Coronavirus on the community

**CRR_NS14** Failure to manage a local lockdown

**CRR_NS15** Ability of high streets to implement the necessary safety measures to reopen following lockdown and operate under Covid-secure measures

**CRR_NS16** Ongoing impact of Covid19 on the Borough's leisure facilities whilst operating within the Covid-secure guidelines for the leisure industry

**CRR_NS17** Impact of Covid-19 on the Borough's leisure facilities and their ability to recover

**CRR_NS20** Impact of Covid19 on the Council's budget, and ability to secure external funding for Carbon Management schemes and the availability of staff required to assist with the delivery of this new corporate priority

**OR_DEG05** Impact of Covid-19 on the Borough's high streets and their ability to recover following initial lockdown (March to June 2020) and any further local lockdowns

**OR_FCS09** Loss of capital/lower interest earned on investments, due to current economic climate

**CRR_FCS10** Inflationary pressures, particularly utility costs: (duplicated with FCS21).

**OR_NS06** Lack of knowledge of contaminated land

**OR_NS28b** Capital resources are utilised to support Affordable Housing (new 3.6m of s106 grant)

**OR_NS32** Increased risk of domestic violence, abuse, or neglect as a result of increased periods of time at home, limited school provision, reduced income and employment volatility

**OR_NS33** Increased risk of Anti-Social Behaviour as a result of enforced periods of lockdown, limited 'allowable' social activities and free use of outdoor spaces

4.9 Appendix C provides a focus on the current high-level risks at red status. The mitigation and financial impact have been reviewed and updated since these were reported in September 2021.

## 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.

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 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 and Operational Risks<br>Appendix B – Opportunity Risk Register<br>Appendix C – High Rated Risks Update |

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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 |
| CRR_DEG07 Failure to deliver the new core strategy in partnership with Greater Nottingham Housing Market area | | 2 | 3 | 6 |
| **NEW** added June 2022<br>Mitigation:<br>• Maintaining good relationships with Councillors and officers of the other local planning authorities preparing the Greater Nottingham Strategic Plan.<br>• Ensure the Planning Policy team has sufficient resources to progress plan-making in a timely manner.<br>• Close work with Rushcliffe Councillors throughout plan preparation, including updates to the LDF group and Cabinet. | | | | |
| CRR_DEG08 Failure to secure the Local Development Order for the Ratcliffe on Soar site | | 3 | 3 | 9 |
| **NEW** added June 2022<br>Mitigation:<br>• The Council is working closely with Uniper to help shape and inform the LDO. Councillors are being kept informed as the work progresses with updates to Cabinet and the LDF Group. | | | | |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| 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 |
| 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 | to | 2 to 3 | 2 to 3 | 4 to 9 |
| Impact and Likelihood increased from 2 to 3 as a result of continued rise in anticipated pay and energy costs and their knock-on effect. | | | | |
| 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 | 2 | 6 |
| 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 |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| 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 |
| **NEW** – added August 2022 - Replaces OR_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate<br>Mitigation:<br>Budget setting, budget monitoring and use of TM advisors, application for certainty rate | | | | |
| CRR_NS08 Failure of internal health and safety compliance or enforcement of health and safety | | 3 | 1 | 3 |
| CRR_NS09 Unforeseen incidents happening at public events | to | 4 | 2 to 1 | 8 to 4 |
| Likelihood has been reduced from 2 to 1 | | | | |
| 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 | 4 |
| CRR_NS19 Failure to safeguard children and vulnerable adults | to | 3 | 1 to 2 | 3 to 6 |
| Likelihood increased from 1 to 2 until staff have completed their refresher training | | | | |
| 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 | 1 | 2 |
| **NEW** added June 2022<br>Mitigation: | | | | |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| • Operate in accordance with national guidance and in partnership with NCC | | | | |
| CRR_NS23 Failure to deliver the Carbon management plan objectives | | 3 | 2 | 6 |
| **NEW** added April 2022<br>Mitigation:<br>• Delivery of the actions set out in the Carbon Management Action Plan | | | | |

## Operational Risks

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OR_CED01 Threat of violence to staff | | 2 | 3 | 6 |
| 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 | to | 3 to 2 | 2 | 6 to 4 |
| Impact reduced from 3 to 2 following successful recruitment Service Manager and Monitoring Officer position | | | | |
| OR_CED06 Inadvertent illegal activity, taking illegal decisions | to | 3 to 2 | 2 to 1 | 6 to 2 |
| Impact reduced from 3 to 2 following successful recruitment Service Manager and Monitoring Officer position | | | | |
| OR_CED07 Ability of the Borough Council to maintain frontline services in the event of a future wave of Covid-19 | to | 3 to 2 | 3 | 9 to 6 |
| Reduced impact to minor based on previous 2 years' experience of COVID where we've continued to deliver services throughout the peaks of waves of infections | | | | |
| 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 | 6 |
| OR_FCS06 Failure to manage and monitor budget | | 2 | 2 | 4 |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OR_FCS07 Lack of implementation of financial controls | | 2 | 2 | 4 |
| 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 | to | 2 to 3 | 1 to 2 | 2 to 6 |

Risk score was increased to 12 in May 2022 (impact 3 and likelihood 4). This has now been reduced due to mitigation put in place following a report to Cabinet on 12 July 2022:

- Calls upon partner authorities in the County to explore transformational change to support a more equitable distribution of the Better Care Fund (BCF) which will assist in meeting local need and align with the aspirations to progress a County deal project with pooled resources.
- Transfer £500,000 from the Support for Registered Housing Providers (RHP) budget (funded through the receipts set-aside from Large Scale Voluntary Transfer (LSVT) of housing stock) to support DFG costs.
- Develop and implement an operational waiting list to prioritise applications in line with budget provision
- Amend the current Council DFG policy to suspend the use of discretionary DFG funding until a review of the national formula is undertaken or the adoption of an alternative county model to administer DFG applications
- Ensure an assessment is undertaken to consider the likely future demand and impact on the Medium-Term Financial Strategy (MTFS) and capital resources. The MTFS to be updated for 2023/24
- Make representations to the Department for Levelling Up, Housing and Communities (DLUC) to review the Better Care Fund and national DFG formula to achieve a more equitable distribution of resources based on updated health and social care needs to achieve better health and wellbeing outcomes

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OR_NS28a Increasing number of developments and greater opportunity for affordable housing | | 2 | 4 to 3 | 8 to 6 |

Likelihood decreased from 4 to 2 in February, however the removal of OR_NS28b Capital resources are utilised to support Affordable Housing (new 3.6m of s106 grant) has resulted in the review of this risk and the likelihood has increased from 2 to 3.

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| OR_NS29 Lack of or inappropriate monitoring of the Council's contracts in place | | 3 | 1 | 3 |

| Risk Code & Title | RAG Status | Impact | Likelihood | Current Rating |
|---|---|---|---|---|
| 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 |

## 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 |
| **NEW** August 2022<br>Mitigation:<br>Budget monitoring, monitoring of interest rates | | | | |
| 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 |
| **NEW** June 2022<br>Mitigation:<br>• Monthly budget meetings, marketing, opportunity for business development post in any new structure post Sept 2022 | | | | |

Risk Threat and Opportunity Matrix

| | | **Risk – Threats** | | | | **Risk - Opportunities** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Likelihood** | Likely 4 | 4 | 8 | 12 | 16 | 16 | 12 | 8 | 4 | Likely 4 | **Likelihood** |
| | 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** | | | | | |

**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 |

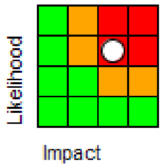
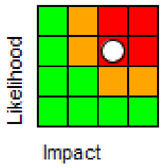
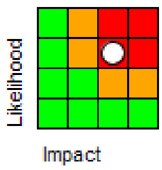
**Table 2 Likelihood / Probability of Occurrence**
This measures the chance of the risk or opportunity occurring

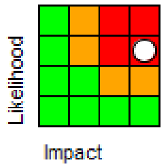
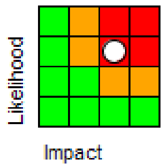
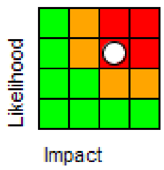
| **Risk - Threats** | | **Risk - Opportunities** | |
|---|---|---|---|
| **Likelihood** | **Thresholds and Description** | **Likelihood** | **Thresholds and Description** |
| 1 – Rare | Unlikely | 1 – Rare | Opportunity has not been fully investigated but considered extremely unlikely to materialise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

**Appendix C**

# Focus on Risks at Alert Level (red status)

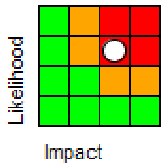
Corporate Risks

<table>
<tr><th>Risk Code & Title</th><th>Impact</th><th>Likelihood</th><th>Current Rating</th><th>Matrix</th></tr>
<tr><td>CRR_CED02 Insufficient staff capacity - skills, knowledge etc</td><td>3</td><td>3</td><td>9</td><td>
</td></tr>
<tr><td colspan="5">Internal Controls (Mitigation)
<ul>
<li>Four-year plan programme and reviews</li>
<li>Recruitment policy</li>
<li>Corporate Strategy setting priorities</li>
<li>Transformation programme</li>
<li>Training and development plan / talent pool</li>
<li>People Strategy 2021-26.</li>
</ul>
Financial Impact
<ul>
<li>Potential increase in staffing costs if agency staff are required to maintain key services safely; for example, refuse crews. Vacant posts in some areas are proving difficult to fill eg Planning, Finance and ICT across the local government sector.</li>
</ul></td></tr>
<tr><td>CRR_DEG08 Failure to secure the Local Development Order for the Ratcliffe on Soar site</td><td>3</td><td>3</td><td>9</td><td>
</td></tr>
<tr><td colspan="5">Internal Controls (Mitigation)<br>The Council is working closely with Uniper to help shape and inform the Local Development Order. Councillors are being kept informed as the work progresses with updates to Cabinet and the LDF Group.<br><br>Financial Impact
<ul>
<li>This creates demands on planning services which the Council is looking to offset working with Uniper.</li>
</ul></td></tr>
<tr><td>CRR_FCS02 Reduction in Government funding linked to New Homes Bonus</td><td>3</td><td>3</td><td>9</td><td>
</td></tr>
<tr><td colspan="5">Internal Controls (Mitigation)
<ul>
<li>Budget process</li>
<li>Four-year plan</li>
<li>Budget monitoring</li>
<li>Horizon scanning</li>
</ul></td></tr>
</table>

<table>
<tr><td colspan="5">Financial Impact<br>New Homes Bonus (NHB) is due to cease in 2024/25. The Council has budgeted £1.587m in 2022/23 and projected to reduce to zero in 2023/24. NHB is currently primarily used to fund the Minimum Revenue Provision (MRP) in the revenue budget and once the NHB reserve is exhausted, MRP will become a cost to the revenue budget.</td></tr>
<tr><td>CRR_FCS05 Revaluation of major business rate payer ie the impact of Ratcliffe on Soar Power Station closure</td><td>4</td><td>3</td><td>12</td><td></td></tr>
<tr><td colspan="5">Internal Controls (Mitigation)<ul><li>Ongoing reporting of business rate valuations through performance clinic and membership of the Nottinghamshire Pool to mitigate downside risk. Assumptions on reducing business rates in the MTFS.</li></ul>Financial Impact<ul><li>Business rates is an important source of funds for the Council. We retain 40% of any amount billed to pay for other services. Rushcliffe have several large business properties (for example the power station is £2.94m, 8.3% of the total collectable debit for 2021/22) and any change to the charge due on these properties would have a large effect on the finances of the Council.</li><li>We do make a provision for known appeals, but we may not be aware of the full outcome of any decisions.</li><li>There is a safety net in place which will cap losses, none the less, less revenue will be generated in the short term when the power station does close. The Freeport and DevCo provides an opportunity for further business and employment growth.</li></ul></td></tr>
<tr><td>CRR_FCS07 Central Government policy changes</td><td>3</td><td>3</td><td>9</td><td></td></tr>
<tr><td colspan="5">Internal Controls (Mitigation)<ul><li>Continue to monitor as part of budgetary process</li></ul>Financial Impact<ul><li>Continuous horizon scanning and S151 officer and other Director’s involvement in peer groups ensures that emerging issues are identified and reported. The Council continue to lobby government on key issues and participate in consultations where appropriate. The most obvious current risk is planned legislation changes to waste collection and further detail is awaited.</li></ul></td></tr>
<tr><td>CRR_FCS21 Potential inflationary pressures, with volatility over prediction for budget</td><td>3</td><td>3</td><td>9</td><td></td></tr>
<tr><td colspan="5">Internal Controls (Mitigation)</td></tr>
</table>

- To monitor budgets and reports any overspends at performance clinics, ongoing negotiation of contracts
- Budgets for contracts reflect inflation projections increase in contingency budgets
- General contingency increased and allocation from 21/22 efficiencies

**Financial Impact**
- This continues to be assessed and reported in the Council's Financial monitoring reports to Cabinet and the MTFS to Full Council. Some reserves have been set-aside to meet anticipated rising pay and energy costs (see September 2022/23 Q1 Cabinet Report).

| | | | | |
|---|---|---|---|---|
| **CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one-year financial settlement** | 3 | 3 | 9 |  |

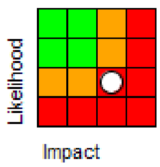
**Internal Controls (Mitigation)**
- Attending budget workshops and seminars and keeping abreast of latest developers
- Sensitivity analysis and scenario planning as part of budget modelling

**Financial Impact**
- Planned reforms such as Business Rates reform and fair funding review have been further delayed due to Covid-19. The spending review covered 2021/22 only providing certainty over funding for one year and it's likely there will be further delays into 2022/23. There is a risk that future funding could change significantly emphasising the importance of healthy reserve balances.

## Operational Risks

There are to operational risks at red status.

## Opportunity Risks

| Risk Code & Title | Impact | Likelihood | Current Rating | Matrix |
|---|---|---|---|---|
| **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 |   |

**Internal Controls (Mitigation)**

- Monthly budget meetings, marketing, opportunity for business development post in any new structure post September 2022.

**Financial Impact**

- Whilst the main service would not be affected the opportunity to charge for further servcies could see a reduction in current income.

**Governance Scrutiny Group**

**Tuesday, 1 November 2022**

**Going Concern Assessment 2021/22**

Rushcliffe
Borough Council

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

## 1. Purpose of report

1.1 This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Given potential legacy issues from Covid 19, combined with increasing inflation linked to Russia's war with Ukraine, there remains a requirement for a separate report confirming the Council's position with regards to its Going Concern status.

## 2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the Statement of Accounts 2021/22.

## 3. Reasons for Recommendation

3.1. To conform with professional standards with regards to the Local Authority Code of Accounting Practice.

## 4. Supporting Information

*The Assessment of Going Concern*

4.1. As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2021/22 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

4.2 The main factors which underpin the going concern assessment are:

- the Council's current financial position

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

These are considered in more detail below.

*The Council's current financial position*

4.3 The Council's draft financial statements 2021/22 can be viewed on the Council's website. The financial outturn position for 2021/22 showed efficiency savings of £0.211m (taking into account movements to reserves and the need for carry forward amounts to meet various service pressures and risks). This compares against a net revenue service revised budget of £14.09m (ie a 1.5% variation). As at 31 March 2022, the Council held a General Fund Balance of £2.6m. In addition, the Council held earmarked reserves of £23.6m (£22.4m in 2020/21) which are held to meet specific identified pressures, but which ultimately can be diverted to support general expenditure should the need arise. £5.15m of this balance relates specifically to the Collection Fund to be released in 2022/23 and 2023/24 (the difference between the estimated and outturn positions) to meet the deficits arising from business rates reliefs issued in response to the pandemic.

4.4 General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. I n October 2011, the Cabinet approved as part of its MTFS, the following guiding principle:

*"General Fund Balance should not fall below £1.25m and overall revenue reserves should not fall below 20% of net revenue expenditure*."

The current General Fund balance of £2.6m accords with this principle.

4.5 At 31 March 2022, the Council held £52.8m (£34m 2020/21) in the form of either cash or short term investments maturing within the next financial year. This was mainly due to additional grants and funding of reliefs in relation to Covid advanced to the Council by central government.

4.6 The year-end Capital Programme provision totalled £27.2m. Actual expenditure in relation to this provision totalled £16.3m (54% of the budget) giving rise to a variance of £10.9m. Budgets to the value of £10.7m have been carried forward into 2022/23. The Council funds its capital programme from internal borrowing, capital receipts, earmarked reserves, direct financing from revenue, government grants and partnership funding e.g. developer contributions.

*The Council's Balance Sheet as at 31 March 2022*

4.7 The balance sheet shows a net worth of £48.2m (£29.9m in 2020/21) this varies, in particular, due to pension fund volatility. There are statutory arrangements for funding the Council's pension scheme and deficit, through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. The financial position of the Council remains healthy not withstanding significant pressures in relation to both pay and energy inflation, and the 'domino effect' this creates across not only Council expenditure, but critically the ability of individuals to purchase goods and services. Other factors giving rise to the 'going concern' assessment include:

- the adequacy of risk assessed provisions for doubtful debts
- the range of reserves set aside to help manage expenditure
- an adequate risk assessed working balance to meet unforeseen expenditure.

*The Council's projected financial position*

4.8 The Council's Medium Term Financial Strategy (MTFS) is updated annually and reflects a five-year assessment of the Council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the Council's capital programme, as well as the management of debt and investments.

4.9 Full Council approved the MTFS in March 2022, including a balanced budget for 2022/23. This allows for net spending of around £9.97m (which includes adjustments to compensate for the continuing impact of Covid, transfers from reserves etc) and required a council tax increase of 2.42%, a Transformation Programme requirement of an additional £0.327m in 2022/23, rising to £1.196m by 2026/27; the use of £1.3m from the New Homes Bonus reserve to offset the impact of Minimum Revenue Provision largely in relation to the Arena; and £5.15m to be released from the Collection Fund Reserve to offset the estimated collection fund deficit in 2021/22 (see paragraph 4.3). A new reserve has been created for Vehicle Replacement of £1m (to be funded from 2021/22 in-year budget efficiencies). There is also a Climate Change Reserve created of £1m to enable the Council to meet its environmental objectives.

4.10 Since the MTFS was approved, significant risks have arisen with regards to pay and supplies and service inflation (largely driven by rising energy costs linked to the Russian-Ukraine conflict). The MTFS going forward will be amended to reflect these pressures and the Quarter 1 Finance Report to Cabinet in September 2022 also reflects these issues. The Council has sufficient to reserves to meet such pressures. The 2021/22 year-end outturn reports to both Corporate Overview Group and Cabinet referenced the need to provide additional funding in relation to pay and rising energy costs. Prudently the Council has therefore earmarked £0.45m to be utilised from the Council's Organisation Stabilisation Reserve. Ongoing budget reports and the MTFS will continue to evaluate such risks.

*The Council's governance arrangements*

4.11 The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

4.12 An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts and was presented to the Governance Scrutiny Group on 30 June 2022. This includes a detailed review of the effectiveness of the Council's governance arrangements.

*The external regulatory and control environment*

4.13 As a local authority, the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control, there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

4.14 Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. In the last two years, some councils have been adversely impacted because of the pandemic, with s114 Notices issued by the s151 Officer. Due to good financial management by the Borough Council, we are not in such a position but we cannot be complacent given the risks that prevail in the wider economy.

*Conclusions*

4.15 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a going concern.

## 5. Risks and Uncertainties

5.1. Covid 19 and inflationary pressures continue to present some financial risks to the Council, however such risks have been incorporated into the balanced budget for 2022/23 and use of budget efficiencies from 2021/22. Such risks continue to be monitored regularly.

## 6. Implications

### 6.1. Financial Implications

There are no direct financial implications arising from this report.

### 6.2. Legal Implications

6.2.1 Section 25 of the 2003 Local Government Act requires the authority's Section 151 Officer to comment on the robustness of the estimates and the adequacy of reserves. A report was considered as part of its budget determination by Full Council in March 2022.

6.2.2 Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Section 151 Officer to report certain matters to the authority. The duty of the Section 151 Officer to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure a course of action is unlawful and is likely to cause a loss or deficiency an entry of account is unlawful.

6.2.3 Likewise, the Section 151 Officer must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the Council has considered the report. As per this report this is not a significant risk at this time.

### 6.3. Equalities Implications

There are no direct equalities implications.

### 6.4. Section 17 Implications

There are no direct Section 17 implications.

## 7. Link to Corporate Priorities

| | |
|---|---|
| Quality of Life | The Budget resources the Corporate Strategy and therefore resources all corporate objectives. |
| Efficient Services | |
| Sustainable Growth | |
| The Environment | |

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a going concern for the purposes of the statement of accounts 2021/22.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director of Finance and Corporate Services<br>0115 914 8439<br>plinfield@rushcliffe.gov.uk |
| **Background papers available for Inspection:** | Draft Statement of Accounts 2021/22 – Council website |
| **List of appendices:** | None |

**Governance Scrutiny Group**

**Tuesday, 1 November 2022**

**Capital and Investment Strategy – Quarter 1 2022/23**

Rushcliffe
Borough Council

**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 30 June 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 Governance Scrutiny Group notes the Capital and Investment Strategy up-date position as of 30 June 2022.

## 3. Reasons for Recommendation

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

3.2 The main changes in the Treasury Management Code besides more frequent monitoring are that there should be specific training for members involved in scrutiny and broader training for members who sit on full council, and the introduction of a Liability Benchmark to manage debt. RBC will shortly be conducting a skills audit to identify specific training needs in line with the code. Together with changes in the Prudential Code there is a greater focus on climate and environmental, social and governance risks when making financial decisions.

## 4. Supporting Information

### Economic Forecast

4.1. The UK is currently experiencing a deteriorating economic outlook with prices currently rising 9.4% a year and the Bank of England warning 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 increasing the base rate from 1% to 1.25% in June, followed by a further 0.5% increase in August, and the latest 0.5% increase in September taking the base rate to its current level of 2.25%.

4.3. Link Group (the Council's Treasury Advisors) reacted to this by revising its interest rate forecast through a series of stepped increases. They were forecasting a further 1.5% increase over the next 9 months, peaking at 2.75% March 23. In light of the September increase in base rate Link are now forecasting interest rates to increase to 4% by Christmas and 5% by March 23.

4.4. Overall, the short-term outlook for the economy looks uncertain. The new prime minister is facing soaring inflation with consumers and businesses paying a higher price for Russia's invasion of the Ukraine, and there is heightened risk of a recession across Europe and America.

### Investment Income

4.5. Based on Link's base rate forecast of 0.5% at the time, the Council budgeted to receive £673,300 in investment income in 2022/23 compared with £462,100 in 2021/22. Actual interest earned to 30 June 2022 totalled £349,100 with total receipts for the year now expected to be approximately £1.192m (£676,742 in 2020/21). Interest receipts are higher than estimated due to higher 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.

4.7. The table below highlights the level of investment activity and the rates obtained as at 30 June 2022. Investments were made in line with Link's approved counterparty list.

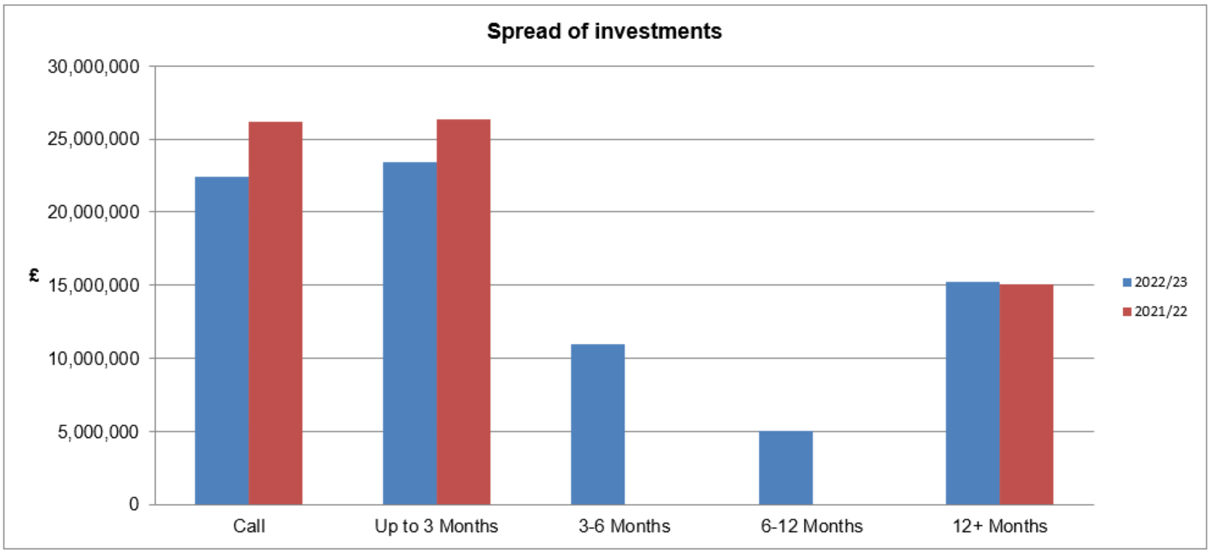
| Financial Institution | Amount £ | Length of Investment | Interest |
|---|---|---|---|
| Goldman Sachs Asset Management | 5,000,000 | 183 days | 2.15% |
| Standard Chartered | 3,000,000 | 185 days | 1.44% |
| Close Brothers | 5,000,000 | 179 days | 0.40% |
| Blackpool | 5,000,000 | 196 days | 1.15% |
| South Somerset | 3,000,000 | 212 days | 0.85% |
| Wrexham | 5,000,000 | 61 days | 0.98% |
| Blackrock | 1,233,362 | Call | 1.07% |
| CCLA -Psdf | 3,004,536 | Call | 1.02% |
| Federated | 499,943 | Call | 1.12% |
| Goldman Sachs Asset Management | 4,288,798 | Call | 1.07% |
| HSBC | 700,041 | Call | 0.01% |
| Invesco | 5,179,285 | Call | 1.12% |
| Aberdeen Asset Management | 2,990,289 | Call | 1.08% |
| Bank of Scotland | 378,376 | Call | 0.65% |
| Bank of Scotland | 4,109,111 | 32 Days | 0.15% |
| Barclays Bank | 4,364,212 | 32 Days | 0.95% |
| Handelsbanken | 901,929 | 35 Days | 0.65% |
| Santander UK | 4,147,873 | Call | 0.08% |
| Santander UK | 4,019,859 | 35 Days | 0.49% |
| Residual MMF/Call Account balances | 19,525 | Call | 0.64% |
| Royal London Cash Plus Fund | 991,193 | On-going | 1.38% |
| CCLA Property Fund | 2,416,786 | On-going | 4.58% |
| CCLA Diversified Income Fund | 2,018,480 | On-going | 4.58% |
| Aegon Diversified Income Fund | 4,976,196 | On-going | 5.01% |
| Ninety One Diversified Income Fund | 4,819,826 | On-going | 4.07% |
| **Total Investments/Average Interest Rate** | **77,059,620** | | **1.51%** |

4.8. As the table above indicates, investments as of 30 June 2022 totalled £77.059m compared with £65.516m in June 2021/22. The average rate of interest was 1.51%, higher than previous year (0.95% 2021/22). This is partly because funds available for investment exceeded those in the preceding year and partly reflects increases in interest rates. The rates achieved vary between different institutions, for different durations, dependant on when the investment was made.

4.9. 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.

4.10. It should be noted that £39.6 million of the above investments relate to funds held in relation to Section 106 and CIL Agreements that are yet to be released by the Council. As part of the agreement, interest has to be paid over once funds are released. The budget assumes interest amounts on these monies will be approximately £90,000 although with higher balances and higher interest rates current projections are £598,200.

4.11. The graph below depicts our investment spread showing the range of investments over the different time periods, balancing both cash flow risk and counterparty risk. It shows a greater spread of investments in 2022/23 as last year, Councils were sitting on larger cash balances due to Covid 19 grant funding and where not looking to borrow during the 3 to 6 months window. To ensure liquidity, RBC continues to hold considerable sums, over the short term, with a greater number of institutions. This is compliant with the Council's Capital and Investment Strategy and recommended action by the Council's Treasury advisors.




4.12 The fair value of the Council's diversified funds can fluctuate. The table below shows the current position at the end of June. These funds represent less than 20% of total cash balances but contribute over 78% of the total interest received from Treasury Management investments (generating £531,264 interest in 2021/22). These investments will continue to fluctuate in value so are intended to be held long term. Currently there is a statutory override preventing any accounting loss impacting on the revenue accounts. This is due to end next 31 March 2023, however DLUHC are consulting before deciding whether this override will be made permanent. To mitigate this risk the Council, when it can, will ensure the Organisation Stabilisation reserve is increased to meet any capital losses. It is expected the values will normalise over time and the values will rise and at this point reserves would be replenished.

| **Fair Value** | **31.03.2021** | **30.06.22** | **Difference** |
|---|---|---|---|
| **Aegon-Previously Kames** | 4,976,196 | 4,425,213 | -550,983 |
| **Ninety One-Previously Inves** | 4,819,826 | 4,538,071 | -281,755 |
| **RLAM** | 991,193 | 982,352 | -8,841 |
| **CCLA Property** | 2,416,786 | 2,543,095 | 126,309 |
| **CCLA Divesified** | 2,018,480 | 1,887,902 | -130,578 |
| | **15,222,481** | **14,376,633** | **-845,848** |

## Borrowing

4.12. In accordance with the Local Government Act 2003, the Council has a statutory duty to determine and keep under review how much it can afford to borrow. Therefore, the Council establishes 'Affordable Borrowing Limits' (or Authorised Limit) as part of the Prudential Indicators within the approved Capital and Investment Strategy Statement.

4.13. The 'authorised limit' and 'operational boundary' indicators govern the maximum level of external borrowing to fund the capital programme and short-term cash flow.

4.14. The need to borrow is anticipated to be £5.5m in 2022/23 although the Council will use internal resources as opposed to externally borrow. The Operational Boundary set for the year is £20m (see **Appendix A**). The Authorised limit is set at £25m and any change in this would require Full Council approval.

4.15. The TM Code introduces a new indicator called the Liability Benchmark which reflects the real need to borrow. This benchmark illustrates that the Council has no need to borrow over the medium term (ie existing resources exceed the underlying need to borrow).

| | 2022/23 £'000 | 2022/23 Projection | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 |
|---|---|---|---|---|---|---|
| Closing CFR | 14,933 | 11,766 | 11,548 | 11,054 | 9,717 | 8,815 |
| **Less:** | | | | | | |
| Usable Reserves | (22,701) | (23,775) | (18,598) | (19,000) | (17,446) | (16,386) |
| Working Capital | (23,149) | (40,603) | (38,603) | (36,603) | (34,603) | (32,603) |
| Plus minimum investments | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| **LIABILITY BENCHMARK** | (20,917) | (42,612) | (35,653) | (34,549) | (32,332) | (30,174) |

4.16. As part of the Capital and Investment Strategy, the Council established a range of Prudential Indicators (which also accords with professional practice) to monitor both Treasury and Capital as the two are intrinsically linked. Details of the performance against the Prudential Indicators can be found at Appendix A. Key comments to note are as follows:

(a) Capital Expenditure – The original budget for 2022/23 was £14.611m, with £10.646m carry forwards and other adjustments of £0.146 giving a current budget of £25.403m. The projected outturn is around £19.2m – resulting in an estimated underspend of £6m primarily due to Support for Registered Housing Providers not wholly committed - £1.894m; potential savings on and Bingham Hub (£1m); and agreed re-profiling of expenditure on operational land and buildings to 2023/24 £1.465m, this position is reported to both Cabinet and Corporate Overview Group.

(b) Financing costs to net revenue stream – improved position anticipated due to higher investment returns due to larger balances and higher interest rates.

(c) Expected investment position – higher due to rephasing of the capital programme and additional S106 monies.

(d) Capital Financing Requirement (CFR) – the closing position will be less than budgeted for as a result of capital programme re-phasing as mentioned at (a) above. The CFR projected end of year position is £11.766m.

**Commercial Investments**

4.17. The Council has to disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchase through the Council's Asset Investment Strategy, as well as pre-existing commercial investments.

4.18. The expected contributions from commercial investments are shown below. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the Council's income. It is estimated to be around 20% in the current year. The Council has set a target that this ratio should not exceed 30% in future years, subject to annual review.

**Commercial Investment income and costs**

| 2022/23 | Original £'000 | Current £'000 | Actual £'000 | Projected £'000 |
|---|---|---|---|---|
| **Commercial Property Income** | (1,772) | (1,772) | (447) | (1,709) |
| **Running Costs** | 616 | 617 | 179 | 617 |
| **Net Contribution to core functions** | (1,156) | (1,155) | (268) | (1,092) |
| **Interest from Commercial Loans** | (81) | (110) | (4) | (105) |
| **Total Contribution** | (1,237) | (1,265) | (272) | (1,197) |
| **Sensitivity:** | | | | |
| +/- 10% Commercial Property Income | 177 | 177 | 45 | 171 |
| **Indicator:** | | | | |
| Investment Income as a % of total Council Income | 19.5% | 22.8% | 19.0% | 19.1% |
| Total Income | 9,484 | 9,484 | 2,371 | 9,484 |

## 5 Conclusion

5.1. 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 RBC's investments. As normality returns then it is expected a positive impact on asset values will materialise. Changes in accounting codes will restrict what local authorities can do coupled with the threat of borrowing caps. Officers will continue to be vigilant and report any significant issues to the Governance Scrutiny Group.

## 6 Risk and Uncertainties

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

**7 Implications**

7.1. **Financial Implications**

Financial Implications are covered in the body of the report.

7.2. **Legal Implications**

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

7.3. **Equalities Implications**

There are no equalities implications identified for this report

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

There are no implications identified for this report

**8 Link to Corporate Priorities**

| | |
|---|---|
| Quality of Life | The recommendations in this report do not impact on or contribute to the Council's Quality of Life priority. |
| Efficient Services | Responsible income generation and maximising returns |
| Sustainable Growth | The recommendations in this report do not impact on or contribute to the Council's Sustainable Growth priority. |
| The Environment | Helping to protect the environment by consideration of carbon footprint and fossil-based investments as part of the Capital and Investment Strategy |

**9 Recommendations**

It is RECOMMENDED that the Governance Scrutiny Group notes the Capital and Investment Strategy update position at 30 June 2022.

| | |
|---|---|
| **For more information contact:** | Peter Linfield<br>Director - 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 (if any):** | Appendix A – Prudential and Treasury Indicators for 2022/23 position at 30 June 2022 |

## APPENDIX A

**Prudential and Treasury Indicators for 2022/23**
**Position at 30 June 2022**

| | 2022/23 £'000 Original Estimate | 2022/23 £'000 Projected |
|---|---|---|
| **Prudential Indicators** | | |
| **Capital Expenditure** | 14,611 | 25,403 |
| **Proportion of financing costs to net revenue streams** | 5.29% | 3.01% |
| **Expected Investment Position (at 31 March 2023)** | 30,917 | 52,612 |
| **Capital Financing requirement as at 31 March 2023** | 14,933 | 11,766 |
| **Treasury Management Indicators** | | |
| **Authorised Limit for external debt**<br>Borrowing and other long-term liabilities | 25,000 | 25,000 |
| **Operational Boundary for external debt**<br>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 | 16,900 |

**Glossary of Terms**

Money Market Funds – these funds are pooled investment vehicles consisting of money market deposits and similar instruments. They have the advantage of providing wide diversification of investment risks.

CCLA Property Fund - this a local authority property investment fund. The property fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

Covered Bonds – these investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means they are exempt from bail-in.

Pooled Funds – shares in diversified investment vehicles consisting of different investment types including banks, equity shares and property, these funds have the advantage of providing wide diversification of investment risks

LIBID – London Inter Bank Bid Rate. The rate at which banks are willing to borrow from other banks

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Rushcliffe Borough Council

**Governance Scrutiny Group**

**Tuesday, 1 November 2022**

**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.

**24 November 2022**

- Internal Audit Progress Report
- Annual Audit Report 2021/22
- Statement of Accounts
- Capital and Investment Strategy Monitoring Q2
- Asset Management Plan
- Work Programme

**23 February 2023**

- Internal Audit Progress Report
- Annual Audit Strategy Plan
- Risk Management – Update
- Capital and Investment Strategy Monitoring Q3
- Capital and Investments Strategy 2023/24
- 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. |