

# Public Document Pack

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**Direct dial** 0115 914 8511  
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**Our reference:**  
**Your reference:**  
**Date:** 15 November 2023

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 23 November 2023 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

This meeting will be accessible and open to the public via the live stream on YouTube and viewed via the link: <https://www.youtube.com/user/RushcliffeBC>  
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Yours sincerely



Gemma Dennis  
Monitoring Officer

## AGENDA

1. Apologies for Absence
2. Declarations of Interest  
[Link to further information in the Council's Constitution](#)
3. Minutes of the Meeting held on 28 September 2023 (Pages 1 - 10)
4. Internal Audit Progress Report Q2 (Pages 11 - 28)  
Report of the Director – Finance and Corporate Services
5. External Audit Completion Report (Pages 29 - 74)  
Report of the Director – Finance and Corporate Services
6. Statement of Accounts (Pages 75 - 202)  
Report of the Director – Finance and Corporate Services



Rushcliffe Borough  
Council Customer  
Service Centre

Fountain Court  
Gordon Road  
West Bridgford  
Nottingham  
NG2 5LN

**Email:**  
customerservices  
@rushcliffe.gov.uk

**Telephone:**  
0115 981 9911

[www.rushcliffe.gov.uk](http://www.rushcliffe.gov.uk)

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

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



7. Capital and Investment Strategy Monitoring Q2 (Pages 203 - 214)  
Report of the Director – Finance and Corporate Services
8. Review of Regulation of Investigatory Powers Act Policy (Pages 215 - 248)  
Report of the Monitoring Officer
9. Amendments to the Constitution (Pages 249 - 262)  
Report of the Monitoring Officer
10. Work Programme (Pages 263 - 264)  
Report of the Director – Finance and Corporate Services

### Membership

Chair: Councillor A Edyvean

Vice-Chair: Councillor P Gowland

Councillors: T Birch, S Calvert, H Om, N Regan, D Simms, C Thomas and G Wheeler

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

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

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**Microphones:** When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.

<b>Recording at Meetings</b>
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The Openness of Local Government Bodies Regulations 2014 allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Rushcliffe Borough Council is committed to being open and transparent in its decision making. As such, the Council will undertake audio recording of meetings

which are open to the public, except where it is resolved that the public be excluded, as the information being discussed is confidential or otherwise exempt.



**MINUTES  
OF THE MEETING OF THE  
GOVERNANCE SCRUTINY GROUP  
THURSDAY, 28 SEPTEMBER 2023**

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

and live streamed on [Rushcliffe Borough Council's YouTube channel](#)

**PRESENT:**

Councillors A Edyvean (Chair), P Gowland (Vice-Chair), T Birch, R Butler,  
S Calvert, H Om, H Parekh, D Simms and C Thomas

**ALSO IN ATTENDANCE:**

Mr G Dulay	BDO (Council's Internal Auditors)
Mr M Armstrong	BDO (Council's Internal Auditors)

**OFFICERS IN ATTENDANCE:**

S Whittaker	Service Manager – Finance
M Heald	Finance Business Partner
C Caven-Atack	Service Manager - Corporate Services
G Dennis	Monitoring Officer
E Richardson	Democratic Services Officer

**13 Apologies for Absence**

Councillor G Wheeler

**14 Declarations of Interest**

There were no declarations of interest.

**15 Minutes of the Meeting held on 29 June 2023**

The minutes of the meeting held on 29 June 2023 were approved as a true record and were signed by the Chair.

The Service Manager Financial Services updated on actions from the last meeting, confirming that:

- The Council ensured that DBS checks were completed for all leisure centre staff, with a three year renewal process in place. The Leisure Centre contract manager carried out annual audits and random checks of staff.
- The Council was still expecting to meet its net zero targets by 2030 and was focussing on its property assets and transport and fleet sector. The Council was planning decarbonisation works at Cotgrave leisure which

would remove more than 300 tonnes of co2 per annum, was working on decarbonisation plans for non-leisure property assets and had a decarbonisation strategy in place for transport and fleet.

## 16 **Internal Audit Progress Report Q1**

Mr Dulay from BDO, the Council's internal auditors, presented the first report for this financial year, including a summary of the three reviews completed. He drew the Committees attention to the proposed change to the plan, as agreed with management, for the Air Pollution and Fleet Management review to focus solely on Fleet Management

Mr Dulay confirmed that the Internal Audit Plan for 2022/23 was now complete with a summary provided for each of the opinions. He detailed the findings as follows:

### **Project Management – Hybrid Mail**

The review looked at the implementation and ongoing management of the hybrid mail project. A substantial assurance rating on the design control was given with a moderate rating for effectiveness, a medium finding around the retention of documents and two low findings, one regarding evaluation of the project trial period and one regarding tracking of mail to delivery.

### **Main Financial Systems**

This is a cyclical review, focussed on treasury management for this financial year, looking at the controls in place rather than the effectiveness of the strategy. A substantial assurance was given for both design and controls, with only one, low, finding related to the retention of evidence for the reconciliation between the counterparty monthly statement and the bank statement.

### **Markets – Income**

This review looked at the process for charging market traders and the collection and banking of that income. A substantial assurance was given for both the design and effectiveness of the controls, with only one low finding related to a minor discrepancy between the cash collections spreadsheet and the bank statement. Much good practice was noted.

In addition, Mr Dulay informed the Group that the Government had launched a new Sports Strategy which aimed to get an additional 3.5 million adults and children active by 2030.

Members of the Group referred to air pollution being removed from the fleet review and asked for an explanation as to what was classified as air pollution. Mr Dulay said that air pollution related to air quality, including as part of the County wide air quality strategy. He said that the proposal to remove air pollution was to enable a focus on fleet management controls and said that air pollution was incorporated as part of the Council's carbon management action plan review of environmentally friendly vehicle replacement options. The

Service Manager Finance said that air pollution had been audited as part of the environment audit and had received a high level of assurance.

Members of the Group referred to the market income being cash based and asked whether alternatives such as electronic payments or a combination of both would reduce processing costs and provide greater due diligence, whilst also needing to consider what worked best for the market community. Mr Dulay said that there was a general trend towards becoming cashless but that markets often lent themselves towards being more cash based and that the sums of money involved were relatively low. He said that it was not for BDO to advise the Council as to whether it should make the market cashless as that was a decision for the Council. He explained that BDO's role was to review the controls that the Council had in place.

Members of the Group referred to the hybrid mail scheme and documents not being filed by a staff member and Mr Dulay said that he could not comment on individuals. He said that it was for management to decide whether retrospective documentation was required and that the process going forward was to have a clear filing structure in place. He said that for the other project management review a moderate and substantial opinion for design and effectiveness had been given.

The Group asked for information about how many email attachments were opened and why they were password protected. The Monitoring Officer said that she would provide an update to the Group.

It was **RESOLVED** that the Governance Scrutiny Group considers the quarter 1 progress report for 2023/24 (Appendix A) prepared by the Council's Internal Auditor and the recommended change to the Plan.

## 17 Risk Management

The Service Manager Corporate Services presented the Risk Management report which highlighted changes in the Council's risk register and risk management activity in the period since the last report.

The Service Manager Corporate Services said that there were currently 38 corporate risks and 27 operational risks but that the number fluctuated as risk management activity took place. She noted that two risks had been removed, one about the Local Development Order, which had now been agreed, and one about Rushcliffe Oaks Crematorium, which had now opened. She noted that two risks had increased, one in relation to the Transformation Strategy and one regarding ICT loss or failure of service.

The Service Manager Corporate Services said that six risk ratings had reduced and two risks had been reduced.

Members of the Group asked about the Council's mitigation against cyber attack and the Service Manager Corporate Services said that the ICT Manager regularly attended training and conferences and had put measures in place to ensure that the Council was very well protected. She said that risk increase did not necessarily represent concern about an attack but rather an acceptance

there was an increased risk of attack.

In relation to the Council's risk appetite, she referred members to the Council's Risk Management Strategy which included information about the Council's risk profile and said that she would provide more information as part of the review of the Risk Management Strategy which was scheduled to come to the February Governance Scrutiny Group meeting.

The Group referred to risk related to a lack of qualified staff and asked if this related to the Planning Team. The Service Manager Corporate Services confirmed that it had originally and that the Planning Team was now fully staffed and had a contract in place with an external supplier to enable it to manage any peaks in applications going forward. She said, however, that there were also difficulties with recruiting to other sectors, such as Environmental Health, and as such the risk remained.

Councillor Thomas suggested adding an opportunity risk related to the affordable housing capital in the budget and the Service Manager Corporate Services agreed to refer the suggestion back to the Risk Management Group.

In response to queries about specific risks, the Service Manager Corporate Services said that DEG01 Opportunity provided by Rushcliffe Oaks, related to the facility having only recently opened and as such it needed time to realise its full potential. In relation to CRR\_NS09 Unforeseen incidents happening at public events, the Service Manager Corporate Services said that the risk had reduced as the Council believed it had sufficient mitigating actions and risk management in place. She confirmed that mental health was included as part of OR\_CED03 Risk to staff health due to their work. In relation to CED02 Insufficient staff capacity - skills, knowledge, and availability, she said that this related to the resources of the Council and deficiencies in certain areas where it struggled to recruit staff, such as Planning and Environmental Health, which could impact its ability to provide services.

The Service Manager Corporate Services said that she would provide an update to the Group about NS28a Increasing number of developments and greater opportunity for affordable housing.

It was **RESOLVED** that Governance Scrutiny Group:

- a) scrutinises the content of this report; and
- b) considers and makes recommendations on risks that have red alert status.

## 18 **Changes to the Constitution – Planning Committee Working Group**

The Monitoring Officer presented the Changes to the Constitution – Creation of a Member Working Group report and explained that this followed on from discussions at the last Governance Scrutiny Group meeting. She said that as the Group had not reached a consensus on some of the proposed changes relating to planning matters, a Working Group had been set up to review those outstanding changes.

The Monitoring Officer said that it was suggested that membership of the Working Group consist of the Portfolio Holder, the Chair and Vice Chair of Planning Committee and two members of Governance Scrutiny Group. She referred to proportionality of group membership and said that the two outstanding places could be a Labour Councillor and another.

The Chair suggested that Councillors closer to Planning Committee would best fit to sit on the Working Group and Members of the Group agreed for their representatives to be Councillor Calvert and Councillor Thomas.

The Monitoring Officer clarified that the Working Group would report back to the Governance Scrutiny Group and then report to Full Council.

It was RESOLVED that Governance Scrutiny Group:

- a) Notes the decision to create a Member Working Group to finalise the proposed changes to the Constitution in relation to Planning
- b) Nominates two members of the group to sit on the Member Working Group.

## 19 **Going Concern**

The Service Manager Finance presented the Going Concern report which provided an update on the Council's current financial position, projected financial position, governance arrangements and the regulatory and control environment applicable to the Council as a local authority.

The Service Manager Finance informed the Group that the Council's financial outturn position for 2022/23 showed efficiency savings of £570k which constituted 3.8% of net spend, with £19.6m in reserves which was a slight reduction due to the release of the Collection Fund reserve, and £2.6m in general fund reserves. Of those reserves, the Service Manager Finance said that £46.4m were held in cash or short-term investments.

The Service Manager Finance informed the Group that the Council's capital programme at year-end totalled £21m, with £5.4m of that carried forward into 2023/24, mostly in relation to Bingham Arena and Rushcliffe Oaks Crematorium. She said that the Council's net worth was £106.3m, including fixed assets, and had been affected by pension fund volatility.

The Service Manager Finance explained that the Council's medium term financial strategy reflected a five-year assessment of the Council's spending plans and associated funding. She said that when set in 2023 it allowed for net spending of around £14.7m with a council tax increase of 2.00%, a Transformation Programme requirement of £622k in 2023/24, rising to £1.539m by 2027/28 and that the Council proposed to use £1.3m from the New Homes Bonus reserve to offset the impact of Minimum Revenue Provision. The Service Manager Finance said that the Council expected to use its reserves over the medium term. She confirmed that the Council had sufficient reserves

to meet pay pressures at circa £400k from national living wage negotiations and pay awards.

The Service Manager Finance referred the Group to Appendix A which included data comparing the Council's financial position with other local authorities, Appendix B for the Cipfa early warning system and the Council's balance sheet at 2022/23 at Appendix C.

The Service Manager Finance confirmed that the Council had a well-established and robust corporate governance framework with an overview reported to this Group annually as part of the Governance Statement. She said that the Council operated within a highly legislated and controlled environment, including external audit, but noted that there were a number of local authorities issuing S141 notices or reporting difficulty in balancing their books, but said it unlikely that Government would allow the local authorities to fail.

The Service Manager Finance confirmed that the S151 Officer's opinion was that the Council's remained a going concern.

Members of the Group referred to Appendix A and the two Council Tax revenue matrices and the Service Manager Finance said that they were based on different measures and that Council Tax matrix related to the total Council Tax charge and not specifically the Rushcliffe element of that. The Group noted that the Council did not have control over the precepts set by the other organisations. The Group asked about the property profile of the Borough in relation to Council Tax and the Service Manager Finance said that she would provide an update.

The Chair reminded Members of Group that the purpose of the Group was to scrutinise the actions of Rushcliffe Borough Council and not those of other organisations and to conduct that scrutiny without making party political points.

It was **RESOLVED** 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 2022/23.

## 20 **Capital and Investment Strategy Monitoring Q1**

The Finance Business Partner presented the Capital and Investment Strategy Q1 report.

In relation to the economic forecast, the Finance Business Partner said that the economic outlook was more positive with inflations falling from 11.1% in October 2022 to 6.8% in July 2023 and forecast to be around 5% by the end of the year. She said that interest rates were expected to remain higher for longer and that the Council's Treasury Advisors predicted that interest rates had peaked at 5.25%, with a first cut predicted in Q3 2024 and further cuts to 3.75% in 2025. She said that unemployment had increased in recent months to 4.3% but would likely need to reach 5% before it impacted on growth and wages.

The Finance Business Partner referred to Investment Income and said that the



Council had budgeted for £1.36m in interest receipts this year and broadly expected to achieve this. She said that the council had assumed interest rates of 4.5% and most short-term investments, particularly the money market, were exceeding this. The long-term diversified funds had not been as positively affected but overall the Council had achieved an average interest rate of 4.78% in Q1 compared with SONIA at 4.37%.

The Finance Business Partner referred to Appendix C which showed the list of investments held by the Council at the end of June and Appendix A which highlighted the fluctuations in value of diversified funds and the current £1.3m drop in value since purchase. She explained that the funds were volatile and needed to be held long-term and that the Council would not look to sell them at this time and so would not realise the loss.

In relation to Capital Expenditure and Financing, the Finance Business Partner informed the Group that the Council projected an underspend of around £6m, with savings on Bingham Arena and the Crematorium and the need to reprofile the provision for support for Registered Housing Providers to future years. She said that Council's underlying need to borrow for capital expenditure was forecast to reduce from £13.26m in 2022/23 to £10.9m in 2023/24.

In relation to Borrowing and Prudential Indicators, the Finance Business Partner took the Group through Appendix B which listed the Prudential and Treasury Indicators and noted that the Liability Benchmark reflected that the Council had no need to borrow over the medium term.

In relation to Commercial Investments, the Group were informed that it was important that local authorities avoided over reliance on speculative activity and as such the Council had set a target that this should not exceed 30% with the current position at around 15%.

In conclusion, the Group were informed that Treasury Management continued to be fraught with difficulty and whilst the UK economy was recovering inflationary pressures remained. If inflation did not reduce then interest rates would likely increase and whilst this would have a positive effect on investment returns, uncertainty in the economy was having a negative impact on the capital value of some of the Council's investments.

Councillor Om referred to the green rated investments in Appendix C and the Finance Business Partner explained that the interest rates on these varied daily and that the Council generally sought to keep balances low.

Councillor Birch asked about lending to other local authorities and the Service Manager Finance explained that whilst the Council's Treasury Advisors provided credit ratings for non local authority investments, these were not available for local authorities. As such, the Council would conduct its own due diligence alongside advice from its Treasury Advisors. In relation to security of investment, she noted the Government would normally step in if a local authority experienced financial difficulty meaning that any investment would not be at risk.

The Group referred to diversified funds and the Service Manager Finance said

that it was expected that these would increase over the long term and were currently being impacted by the current volatility. The Finance Business Partner said that as the Council did not intend to sell them, it had not realised a loss and that this was only shown as a paper loss.

Councillor Thomas asked whether the Council charged itself interest on internal loans and the Service Manager Finance explained that the Council did recognise a loss of investment opportunity on the loan income but did not charge itself interest.

Members of the Group referred to the £5m loan to the East Midlands Combined Authority and the Service Manager Finance confirmed that this had been repaid and would update the Group about who managed the funds for the Combined Authority.

It was **RESOLVED** that the Group considers the Capital and Investment Strategy update position as of 30 June 2023.

## 21 **Governance Scrutiny Work Programme**

The Service Manager Finance explained that there was a delay to the External Audit as part of the Statement of Accounts which was scheduled to report to the next Governance Scrutiny Group meeting in November.

The Service Manager Finance said that she would confirm when the Working Group would report back to Governance Scrutiny and that this would be included in the Work Programme.

It was **RESOLVED** that Governance Scrutiny Group approve the Work Programme as follows, with the report of the Working Group to be added:

### **23 November 2023**

- Internal Audit Progress Report
- Annual Audit Completion Report 2022/23
- Statement of Accounts
- Capital and Investment Strategy Update
- Asset Management Plan
- RIPA Review
- Work Programme

### **22 February 2024**

- Internal Audit Progress Report
- Internal Audit Strategy
- Risk Management Strategy
- Risk Management – Update
- Capital and Investment Strategy Update
- External Annual Audit Plan
- Annual Audit Letter and Value for Money Conclusion
- Capital and Investment Strategy 2024/25
- Work Programme Page 77
- Agenda Item 9

## xx June 2024

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Outturn
- Constitution Update
- Code of Conduct
- Work Programme

## Actions – 28 September 2023

Min No	Action	Officer Responsible
16	In relation to hybrid main, the Group asked for information about how many email attachments were opened and why they were password protected	Monitoring Officer
17	In relation to risk management, Councillor Thomas suggested adding an opportunity risk related to the affordable housing capital in the budget.	Service Manager Corporate Services agreed to refer the suggestion back to the Risk Management Group.
17	The Group asked what the risk was for NS28a Increasing number of developments and greater opportunity for affordable housing	Service Manager Corporate Services
19	In relation to Appendix A of the Going Concern report, the Group asked for information about the property profile of the Borough in relation to Council Tax	Service Manager Finance
20	In relation to Appendix C of the Capital and Investment Strategy report, Members of the Group referred to the £5m loan to the East Midlands Combined Authority and asked who managed the funds at the Combined Authority.	Service Manager Finance
21	The Group asked when the Working Group would report back to Governance Scrutiny Group for inclusion in the Work Programme	Monitoring Officer / Service Manager Finance

The meeting closed at 8:28pm.

CHAIR

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**Governance Scrutiny Group**

**Thursday, 23 November 2023**

**Internal Audit Progress Report Quarter 2**

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

### **1. Purpose of report**

The attached report has been prepared by the Council's internal auditors BDO and is the second report for this financial year. It reflects the progress made for the year against the annual Internal Audit programme, any recommended changes to the 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 considers the quarter 2 progress report for 2023/24 (**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 2023/24 was approved by the Governance Scrutiny Group at its meeting on 23 February 2023 and includes ten planned reviews.
- 4.2. The attached report highlights the completion and issuing of one report from the 2023/24 Internal Audit Annual Plan. In terms of findings:
  - The Reconciliations audit received a substantial rating for Design and a Moderate rating for Effectiveness with one medium and two low level recommendations
  - No limited assurance reports have been issued
  - Management actions have been agreed for all recommendations.
- 4.3. The audit plan is on target for completion in line with the plan.
- 4.4. There are two questions to assist the Group in their consideration of the audit plan. These are:

- Is the Group satisfied that there is sufficient assurance given for the audit completed to Q2?
- Is the Group satisfied with the progress made to date and to ensure completion of the plan?

## 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. There are no direct legal implications identified in this report.

### 6.3. Equalities Implications

There are no equalities implications identified for this report.

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

There are Section 17 implications identified for this report.

### 6.5. Biodiversity Net Gain

There are no bio-diversity implications associated with this report.

## 7. Link to Corporate Priorities

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

## 8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group considers the quarter 2 progress report for 2023/24 (**Appendix A**) prepared by the Council's Internal Auditor.

<b>For more information contact:</b>	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
<b>Background papers available for Inspection:</b>	Internal Audit Plan 2023/24 Governance Scrutiny Group 2 February 2023 Internal Audit Progress Q1 Governance Scrutiny Group 28 September 2023
<b>List of appendices:</b>	Appendix A - Internal Audit Progress Report – BDO

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# INTERNAL AUDIT PROGRESS REPORT

RUSHCLIFFE BOROUGH COUNCIL

NOVEMBER 2023

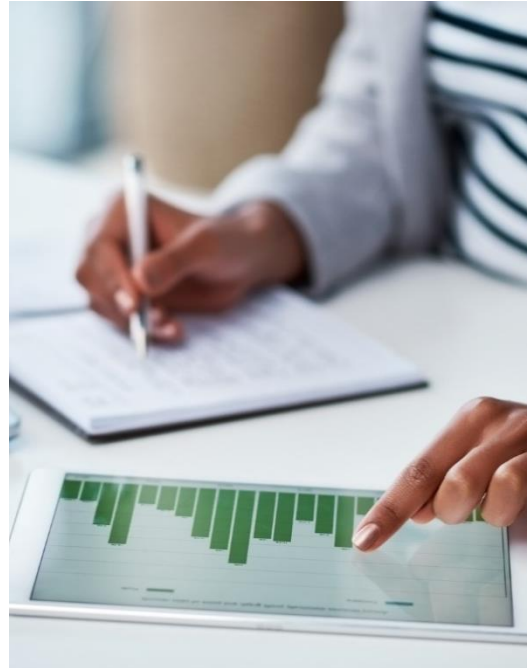
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# SUMMARY OF INTERNAL AUDIT WORK

## INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group of the progress against the 2023/24 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.

## 2023/2024 INTERNAL AUDIT PLAN

As part of the 2023/24 internal audit plan we have completed and are pleased to present the following report to the Governance Scrutiny Group:

- ▶ Reconciliations

We have commenced our scoping and planning of audits for 2023/24 reviews and expect to present the following reports the next Governance Scrutiny Group meeting:

- ▶ Governance of Partnership Arrangements
- ▶ Country Parks - Income
- ▶ Fleet Management.






# REVIEW OF 2023/2024 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELDWORK	REPORTING	DESIGN	EFFECTIVENESS
Country Parks Income	February 2024	✓				
Fleet Management	February 2024	✓				
Fraud Report	June 2023	✓	✓	✓	N/A	N/A
Governance of Partnership Arrangements	February 2024	✓	✓	✓	Draft	Draft
IT General Controls	June 2024	✓				
Main Financial Systems	September 2023	✓	✓	✓	S	S
Markets - Income	September 2023	✓	✓	✓	S	S
Reconciliations	November 2023	✓	✓	✓	S	M
Rushcliffe Oaks Crematorium - Income	June 2024	✓				



# RECONCILIATIONS

## CRR REFERENCE: 11 - FAILURE TO PREVENT OR DETECT FRAUD AND CORRUPTION

Design Opinion	 Substantial	Design Effectiveness	 Moderate
Recommendations	 0	 1	 2



### SCOPE

#### BACKGROUND

- ▶ Reconciliations between the Rushcliffe Borough Council's (the Council's) financial system, E-Financial system, and other systems provide assurance that data held on systems is accurate and consistent. Discrepancies between systems should be investigated to identify errors or fraudulent transactions
- ▶ There are a range of systems that feed into the E-Financial system, including: the licensing system; Academy (revenue and benefits system); garden waste system; planning portal; land charges system, facility hire system and car loan system. These are uploaded by Finance Technicians daily or monthly, and the E-Financial system automatically fails to upload the reports if there are errors in the data, which the officers have to investigate. Other critical systems such as Civica (payment system), Resources Link (payroll system) and the HSBC Bank File have been reviewed as part of the Main Financial Systems audit which is undertaken annually
- ▶ The Council have a Finance Team which are responsible for processing monthly finance reconciliations, which are reviewed by a separate, senior officer. Reconciliations with third party systems are the responsibility of the relevant department. We have previously reviewed the Council's processes for bank, payroll, accounts receivables and other key balance sheet accounts as part of the Main Financial Systems audits, with only minor issues around the timeliness of payroll reconciliations identified.

#### AREAS REVIEWED

As part of the scope of this audit the following areas were reviewed:

- ▶ Policies and procedures in place to support staff in completing reconciliations to assess whether these were adequate, up-to-date and accessible to staff
- ▶ A walkthrough of the reconciliation process for control accounts to assess whether these had been performed in a timely manner following the month-end, and that discrepancies were investigated in a timely manner
- ▶ Reconciliations between April and June 2023 between E-Financials and the following systems to ascertain whether these are completed accurately and with a separation of duties -
  - Uniform - licensing system
  - Planning portal
  - Land charges system - Total Land Charges (TLC)
  - Booking for sports facilities (Pitchbooking system), rooms and halls (Switch system) and payment collection system (Stripe)
  - Annual payment schedule for car loans
  - Garden waste income
  - Control account reconciliations.

As each reconciliations follows a different process, we have outlined the process for each reconciliation below.

#### Planning Portal

The Planning Portal receives payments for planning applications submitted to the Council. A daily report is automatically sent to the Business Support Unit (BSU) to code payments to the appropriate cost centre. The report is then sent to the Finance Team to upload the payment receipt numbers on the report, before returning it to the BSU to clarify any payments that do not have a corresponding receipt number. The Uniform system is used to match receipt numbers and payments.

#### Land Charges

The Council use the TLC system to manage land searches. Land search requests are logged on spreadsheet with the address of the requestor, fees paid, date of payment, payment type and receipt number (which is generated on the TLC system when it is processed). The Council use four external organisations to complete the searches (National Land Information Service, InfoTrack, Quantas and TM Search). The Finance Business Partner reconciles the income receipts from the spreadsheet completed by the BSU and the E-Financials system. This is reviewed and signed off by the Land Charges Team.

#### Facilities Charges

The Council's sport facilities and events spaces can be booked by members of the public via Pitchbooking. Additionally, the Council allows its rooms to be hired for meetings/conferences, weddings, parties or other events. These are booked through the Switch online system. Electronic payments received through these platforms are processed through Stripe and directly remitted into the Council's bank accounts. The transactions from the Switch and Pitchbooking systems are downloaded and each payment is uniquely coded and allocated to the relevant facility, separating the VAT charge. The payment from the suspense account (through Stripe) is then reconciled to the cost codes on E-Financials that the bookings are allocated to.

#### Licensing

The Council provide licensing for taxis, private vehicle hire, alcohol and gambling premises, among other areas. Applicants must register for a license via the Council's website and pay a registration fee. The Licensing Team record applications/licenses on the Uniform system. The payment receipt is recorded automatically through E-Financials, with a semi-automatic reconciliation between the payment receipt number in E-Financials and Uniform.

#### Car Loans

A car loan scheme is available to staff that have a designated driver role as part of their employment. Repayment deductions are processed through the employee's payroll. Employee deductions are recorded on the repayment schedule which splits the principal loan payment and the interest payment for each staff member from their monthly pay. This is reconciled to the E-Financials system following the processing of the payroll each month.

#### Garden Waste

The Council charges residents £40 per annum for the fortnightly collection of the garden waste bin. There is an additional £25 charge for any additional garden waste bins for each household. Residents join the Garden Waste Scheme via the Council's website with an online payment. Most payments are received through the Civica payments system. Some payments are received through AllPay, using the bar codes on letters issued to residents by the Council. A daily report is automatically run from Civica at 11pm and checked by the Customer Services Team the following day to ensure the balance agrees with the balance in the suspense account.



### AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The car loan reconciliation process was robust with detailed narrative and screenshots showing the system inputs into the reconciliations. Furthermore, evidence of the review and approval of the reconciliations was clearly documented, providing a robust audit trail
- ▶ Procedure guidance has been developed for each reconciliation, recognising the nuance of each process. These were up-to-date and accessible to staff, ensuring that there is clear support available on how to prepare the reconciliation, minimising inconsistent or inaccurate processes
- ▶ Variances were broadly investigated and amended for the reconciliations reviewed in this audit. While we noted the exception around investigating 'immaterial' variances (see Finding 2),

sufficient evidence was obtained to explain variances, ensuring the accuracy of information between systems


- ▶ There were robust procedure notes in place for the control account reconciliations, clearly outlining the monthly process. This includes saving reports for the control accounts in the shared Teams folder to provide an audit trail. We had a walkthrough of the monthly process which was clear. Furthermore, our review of the creditor and debtor reconciliations were completed within a reasonable timescale of the month-end with adequate documentation in place for each stage of the process.



## AREAS OF CONCERN

Finding	Recommendation and Management Response
<p>Most of the third-party system reconciliations were not performed monthly by system owners. Rather, they were prepared in blocks of three to five months which could lead to delays in identifying and addressing variances (Finding 1 - Medium)</p>	<p>a. System Owners (supported by Finance Business Partners) should complete reconciliations within two weeks of the month-end to which they relate. This could be incorporated as standard practice into a centralised policy or the Financial Regulations</p> <p>b. All variances should be investigated prior to the reviewer's sign off with evidence and explanations for the variances recorded on the reconciliation.</p> <p><u>Management Response</u></p> <p>The Service Manager Finance will incorporate the reconciliation requirements into the Financial Regulations to include completion dates, separation of duty, authorisation process, process note requirements and level of toleration of variances (zero). This will be communicated to system owners and checks incorporated into the budget monitoring process. However, this remains the responsibility of the System Owner supported by the Finance Business Partners.</p> <p>Target date: 30 November 2023</p>
<p>Variances on the licensing system reconciliations (between Uniform and E-Financials) were not investigated as they were considered immaterial. While this is reasonable, the Council have not defined 'immaterial' in terms of the value of variances and not reconciling immaterial variances could lead to a failure to identify reporting errors or fraud (Finding 2 - Low)</p>	<p>The Council should develop a policy statement that clearly outlines how variances should be managed and recorded in the reconciliation process. This policy should outline thresholds for immateriality.</p> <p><u>Management Response</u></p> <p>Note that this finding is only applicable to the licensing reconciliation. All other reconciliations that the Council undertakes all variances are investigated. As per response for Finding 1, this will be incorporated into the Financial Regulations with a zero threshold for immateriality.</p> <p>Target date: 30 November 2023</p>
<p>There is a lack of evidence retained for a separation of duties between the officers preparing and reviewing the reconciliations (Finding 3 - Low).</p>	<p>a. The Council should formally document in a reconciliation policy the requirement for a separation of duties. This should be incorporated into the process notes for each reconciliation</p> <p>b. Evidence of the review of reconciliations should be recorded either on the document or via email, with the date the reconciliation was prepared and approved.</p> <p><u>Management Response</u></p> <p>a. See response for Finding 1.</p>

		<p>b. System Owners will be reminded that reconciliations should be countersigned by a senior manager and this should be incorporated into the procedure notes.</p> <p>Target date: 30 November 2023</p>
--	--	--

 <p><b>CONCLUSION</b></p>	<p>Overall, the Council had substantial controls in place to support the management of reconciliations between E-Financials and third-party systems, and the reconciliation of control accounts.</p> <p>Each reconciliation was supported by a reconciliation procedure note to explain the process. However, we noted that third-party system reconciliations were consistently completed in blocks of three to five months, rather than monthly, leading to delays in investigating variances. Although, there were not any significant variances identified from our testing. The reconciliations of car loans and control accounts were the exception to this, with reconciliation undertaken in a timely manner of the month-end.</p> <p>Furthermore, for third-party system reconciliations, evidence of the preparer and reviewer of the reconciliation was rarely documented. This leads us to conclude that the control effectiveness was Moderate, driven by the non-timeliness of the reconciliations.</p>
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## 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 management and Members.

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### AUTUMN STATEMENT

The Government is due to announce its Autumn Statement on 22 November 2023 with challenges continuing to face the UK economy, notably that interest rates remain more than three times the Bank of England's consumer price index target of 2%. Consistent interest rate increases since 2021 have supplemented this and the Bank of England have forecast zero growth in the UK economy until 2025.

The Local Government Association wrote to the Chancellor of the Exchequer on 13 October 2023 to warn of the intense financial pressures facing councils. In its letter it identifies three priorities where it consider Government action to be vital:

- ▶ Addressing funding sufficiency and certainty issues faced by councils
- ▶ Taking steps to strengthen the local government workforce
- ▶ Strengthening councils' role in key national policy areas such as housing and net zero.

We will provide an update to the Governance Scrutiny Group on key announcements in the Autumn Statement that may affect local authorities.

[Autumn Statement 2023: LGA submission](#)

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#### FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

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### LEVELLING-UP AND REGENERATION ACT

The Levelling-Up and Regeneration Act received the Royal Assent in October 2023 supporting communities and local authorities to transform their local areas, putting local residents at the heart of development and building more homes in a way that works for the community. The Act will also seek to boost local services by placing additional requirements on developers to deliver vital infrastructure when building homes.

Among other powers, the Act creates new laws that will transform town centres by giving councils the powers to work directly with landlords to bring empty buildings back into use by local businesses and community groups, breathing life back into empty high streets. It also gives councils the powers to apply a council tax premium of up to 100% on second homes and homes that have been empty for more than one year, a reduction from two years currently.

The Secretary of State for Levelling Up, Housing and Communities, the Rt Hon Michael Gove MP, said in response to the Act receiving its Royal Assent "Our landmark Levelling-Up and Regeneration Act will deliver more homes for communities across the country and unleash levelling up in left-behind places. It will deliver revitalised high streets and town centres. A faster and less bureaucratic planning system with developers held to account. More beautiful homes built alongside GP surgeries, schools and transport links, and environmental enhancement. Communities taking back control of their future with new powers to shape their local area. And our long-term levelling up missions enshrined in law".

Alongside these changes, the Government expect to publish its response to the National Planning Policy Framework consultation undertaken in December 2022 which will outline how planning policies in England are expected to be applied to deliver right homes in the right places.

[The Levelling-up and Regeneration Bill becomes law from 26 October 2023](#)

#### FOR INFORMATION

For the Governance Scrutiny Group and Executive Directors

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## BEST VALUE STANDARDS AND INTERVENTIONS

In July 2023 the Government established the Office for Local Government (Oflog) as a new performance body for local government, as part of the Department for Levelling Up, Housing and Communities. Oflog have published a Best Value Standards and Intervention Guide to advise local authorities on best and worst practice against a range of key areas. This guidance identifies seven best value themes which demonstrate effective arrangements. These are summarised as:

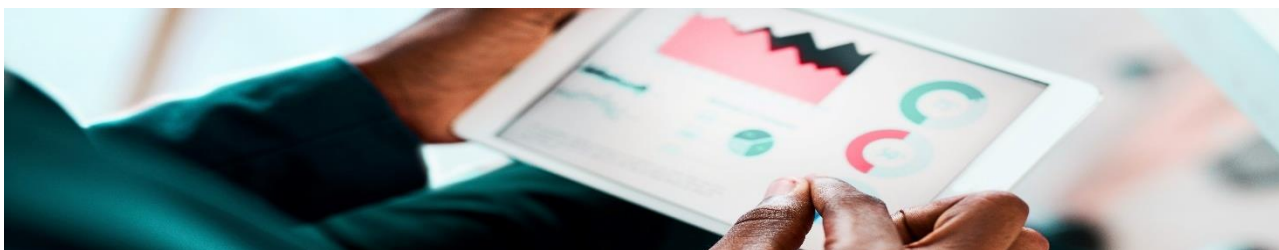
- ▶ Striving for continuous improvement, including external challenge from peers and a collective responsibility to improve performance across the sector
- ▶ Effective political and administrative leadership demonstrated by a clear corporate vision, strong financial management and positive behaviours
- ▶ Robust decision-making and scrutiny functions to ensure decision-makers are accountable and consider risk in all its decisions
- ▶ A commitment to promoting transparency, cooperation and trust, and the highest ethical standards underpin the organisation's culture
- ▶ A strong internal control environment to ensure effective deployment of resources, supported by clear and transparent financial reporting and accountability of budgets. Organisation should also consider its skills and capacity before entering into higher risk projects or companies arrangements
- ▶ Effective service delivery that complies with statutory requirements with transparent and regular reporting to management
- ▶ Collaborative engagement with partners and local communities (including residents) to improve efficiencies and support a co-design of services provided by the organisation.

The guidance provides examples of characteristics employed by best value and worst value local authorities.





Department for Levelling Up, Housing and Communities: Best Value Framework

### FOR INFORMATION

For the Governance Scrutiny Group 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.	
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.	
Quality of Work	We have received two survey responses for 23/24 with scores of 4/5 on both for the overall audit experience. We also received individual scores of 5/5 for the added value from the report and the constructiveness of our recommendations. We will continue to send surveys out to officers with final report.	
Completion of audit plan	We are in line with our schedule for the 23/24. Five of the nine reviews for 23/24 are either finalised or at the reporting stage, with the remaining four review fully scoped and set to commence later in the year.	

# APPENDIX I

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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:**

**GURPREET DULAY**

Gurpreet.Dulay@bdo.co.uk

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**Governance Scrutiny Group**

**Thursday, 23 November 2023**

**Audit Completion Report 2022/23**

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

### **1. Purpose of report**

- 1.1. This report presents the attached Audit Completion Report (Appendix A) and Management Representation Letter (Appendix B). This document reports to those charged with Governance the key conclusions in the audit process for the 2022/23 financial year and also comments upon the Statement of Accounts and their quality.
- 1.2. The issuing of the Audit Completion Report did not make the September deadline, as with last year, there were issues linked to delays in the outcome of the Pension Fund audit which feeds into Rushcliffe's (and the other Nottinghamshire authorities) accounts, this was outside of the Council's and Mazars' control.
- 1.3. Mazars have substantially completed the audit in respect of the financial statements for the year ended 31 March 2023. Matters which remain outstanding are outlined in section two of the Audit Completion Report although these are not expected to require modification of the audit opinion. Mazars will provide a verbal update in relation to these at the scrutiny meeting and where necessary by a follow up letter to this Group.
- 1.4. Mazars are also required to report their Value for Money conclusion within 90 days of the Audit Completion and this will therefore be reported to this Group in February 2024 in their Auditor's Annual Report.

### **2. Recommendation**

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the findings of Mazars Audit Completion Report (**Appendix A**)
- b) Approve the Management Representation Letter (**Appendix B**).

### **3. Reasons for Recommendation**

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

### **4. Supporting Information**

- 4.1. The Audit Completion Report is attached at Appendix A, the Management Representation Letter at Appendix B.
- 4.2. Value for Money (VFM) findings are reported by exception where significant weaknesses are identified in VFM arrangements. Section 7 of the report refers to the Value for Money process and at the time of writing Mazars confirm they have not identified any significant weaknesses in arrangements. Work is ongoing and Mazars will provide commentary on the Council's VFM arrangements in their Annual Audit Letter to be presented to this Group in February 2024.
- 4.3. Section 4 details significant findings and risks addressed. Discussions were held with management on significant matters; the balance of S106 of £40.137m (conditions not met at the balance sheet date) and the loss in fair value of the pooled investment funds, currently £1.234m. As has been reported to this Group, Corporate Overview Group (COG) and Cabinet, the Council has created a new reserve which will mitigate the risk of crystallised losses in capital value of the pooled investments. The current balance stands at £0.973m with a further £0.2m planned this year bringing the total balance to £1.173m.
- 4.4. Section 5 details findings regarding Related Party transactions where two declarations were not received from Councillors who had served during 2022/23 although the Councillors in question did not stand again. The Council does not consider this a systemic problem and ordinarily Related Party Declarations of Interest are received from all Councillors.
- 4.5. Section 6 (page 23) of the Audit Completion Report identifies unadjusted misstatements totalling £0.807m (£0.299m net). However, it should be noted that whilst this figure includes £0.268m of 'expenditure not accrued for' the true value of the omitted accrual is £33k. The £0.268m is an extrapolated figure based on the £33k identified error and the sample size of the testing. Mazars will explain this further at the scrutiny meeting. Page 24 details an adjustment to the Business Rates Pool accrual following confirmation of the amount to be distributed from the Pool lead. There were a number of minor disclosure amendments made and these are detailed on page 25.
- 4.6. There remain significant challenges in the audit environment due to increased audit and resource demands. The Council thanks Mazars for their work in completing the audit this far. The statutory deadline for audit of the accounts



was again not met for the fourth year due to delays in the auditors gaining assurance from the Pension Fund Accounts.

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

## **5. Risks and Uncertainties**

- 5.1. There are no issues arising from this report.

## **6. Implications**

### **6.1. Financial Implications**

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

### **6.2. Legal Implications**

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

### **6.3. Equalities Implications**

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

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

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

### **6.5. Biodiversity Net Gain Implications**

There are no Biodiversity Net Gain implications connected to the recommendations of this report.

## **7. Link to Corporate Priorities**

Quality of Life	The Council's financial statements and financial information impacts upon all Council Corporate Priorities.
Efficient Services	
Sustainable Growth	
The Environment	

## **8. Recommendations**

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the findings of Mazars Audit Completion Report (**Appendix A**)
- b) Approve the Management Representation Letter (**Appendix B**).

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

# Audit Completion Report

Rushcliffe Borough Council - Year ended  
31 March 2023

November 2023  
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- 06 [Summary of misstatements](#)
- 07 [Value for Money](#)

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[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Governance Scrutiny Group  
Rushcliffe Borough Council  
Rushcliffe Arena  
Rugby Road  
Nottinghamshire  
NG2 7YG

23 November 2023

Dear Governance Scrutiny Group Members

## **Audit Completion Report – Year ended 31 March 2023**

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 29 June 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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

If you would like to discuss any matters in more detail then please do not hesitate to contact me at [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk).

Yours faithfully

Mark Surridge

Mazars LLP

Mazars LLP  
2 Chamberlain Square  
Birmingham  
B3 3AX

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of controls;
- Net defined benefit liability valuation;
- Valuation of Property, Plant and Equipment, and Investment Properties; and
- Sourcing of Streetwise

## Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £807k (gross) with a net impact on the CIES and balance sheet of £299k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.



### Audit opinion

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



### Value for Money

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



### Whole of Government Accounts (WGA)

We have received partial group instructions from the National Audit Office. We anticipate reporting that the WGA submission is consistent with the audited financial statements. However, we are unable to issue our certificate until full group audit instructions are received which confirm if the Council have been sampled to undergo additional audit procedures.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

# 02

Section 02:








## Status of the audit

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# 2. Status of the audit

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

Audit area	Status	Description of the outstanding matters	
Related Parties		We have an outstanding query around the council's process for identifying related party transactions	 Likely to result in material adjustment or significant change to disclosures within the financial statements.
Pensions		Awaiting a response to our request for assurance from the pension fund auditors	
Evidence review and evaluation		We need to finalise our documentation in relation to: <ul style="list-style-type: none"> <li>• Business Rates income</li> <li>• Creditors</li> <li>• Reserves</li> </ul>	 Potential to result in material adjustment or significant change to disclosures within the financial statements.
Completion procedures		Procedures such as our quality control, review for post balance sheet events, and management representations are ongoing, and will remain as such, through to the date of issuing the auditor's report.	 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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# 03

## Section 03: **Audit approach**

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# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £880k using a benchmark of 2% of gross operating expenditure. No changes to the materiality level set at the planning stage have been made.

## Reliance on internal audit

No reliance has been placed on internal audit for the 2022/23 financial audit. Enquiries have been undertaken to aid our understanding of the overarching control environment at the Council.

## Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. No changes to those outlined in our ASM.

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

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach. There have been no changes to our approach since we issued our ASM.

Items of account	Service organisation	Audit approach
Payroll Costs	<b>Gedling Borough Council</b>  The payroll entries that form part of the Council's financial statements are material and are derived from the processing of monthly payrolls. The payroll processing is undertaken and administered by Gedling Borough Council on behalf of the Council.	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation.  In addition, we will undertake substantive based procedures for payroll costs included within the financial statements

# 04

## Section 04: **Significant findings**

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# 4. Significant findings

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

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

## Significant risks

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**Management override of controls**

**Description of the risk**

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

**How we addressed this risk**

- We addressed this risk through performing audit work over:
- Accounting estimates impacting amounts included in the financial statements;
  - Consideration of identified significant transactions outside the normal course of business; and
  - Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

**Audit conclusion**

No issues have been identified, that need to be brought to the attention of members.

# 4. Significant findings

## Significant risks continued

<b>Net defined benefit liability valuation</b>	<b>Description of the risk</b> The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area
	<b>How we addressed this risk</b> We addressed this risk by: <ul style="list-style-type: none"><li>• Critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary;</li><li>• Liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;</li><li>• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by PWC and consulting actuary engaged by the National Audit Office;</li><li>• Agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements; and</li><li>• Considering the impact of IFRIC14 regarding pension fund surpluses.</li></ul>
	<b>Audit conclusion</b> Through the work completed to date, no issues have been identified that need to be brought to the attention of members. However, our work is ongoing in this area as we have not yet received the assurance required from the Pension Fund auditor.

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# 4. Significant findings

## Significant risks continued

<b>Valuation of land and buildings and investment properties</b>	<p><b>Description of the risk</b></p> <p>Property related assets are a significant balance on the Council's balance sheet. The valuation of land and buildings is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"> <li>• Critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>• Considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>• Assessing whether valuation movements are in line with market expectations by using third party information provided by Montagu Evans to provide information on regional valuation trends;</li> <li>• Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2022/23 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers</li> </ul>
	<p><b>Audit conclusion</b></p> <p>Our work in this area is complete. We have identified 2 misstatements, which are included on page 23. As these are immaterial, they remain unadjusted in the 2022/23 accounts, but the Council are correcting these for 2023/24.</p> <p>No other issues have been identified, that need to be brought to the attention of members.</p>

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# 4. Significant findings

## Other key areas of management judgement and enhanced risks

<b>Insourcing of streetwise</b>	<p><b>Description of the risk</b></p> <p>In February 2022, Cabinet took the decision to insource its wholly-owned grounds maintenance and street cleansing companies Streetwise Environmental Limited and Streetwise Environmental trading Limited with effect from 1 September 2022. The Council will therefore need to consider the accounting treatment for the change in group structure and incorporate relevant assets, liabilities, income and expenditure into the financial statements for 2022/23.</p> <hr/> <p><b>How we addressed this risk</b></p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"><li>• Reviewing the proposed accounting treatment to bring services back in house</li><li>• Evaluating the impact on our testing approach of income, expenditure, assets and liabilities for 2022/23.</li></ul> <hr/> <p><b>Audit conclusion</b></p> <p>No issues have been identified, that need to be brought to the attention of members.</p>
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## 4. Significant findings

### Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances, with the exception of the following item:

- Two large construction projects were completed in year - Bingham Hub, and Rushcliffe Oaks Crematorium. These assets were correctly transferred from Assets Under Construction to Operational Land and Buildings, however the transfer value was the capital expenditure up to the end of 21/22, with any subsequent 22/23 expenditure capitalised as Operational Land and Buildings despite the projects not being complete until 28<sup>th</sup> February 2023, and 31<sup>st</sup> March 2023 respectively. Therefore, in the PPE disclosure, the transfer value was understated and in year additions were misclassified. We confirm though, that this has no impact on the closing balance or classification of the assets and therefore no impact on the Balance Sheet.

Draft accounts were received from the Council's on 31st May, some minor adjustments were identified by management, and we received revised draft accounts on 4<sup>th</sup> August.

## 4. Significant findings

### Significant matters discussed with management

In addition to the ongoing impact of the statutory override in accounting for infrastructure assets, during our audit we discussed the following significant matters with management:

- The accounts include £40.137m for S106 contributions not yet recognised as income due to conditions not yet being met. £1.025m of contributions are currently unallocated with a repayment clause within the next 12 months. We discussed the Council's process which is to write to the organisations who requested the contribution, as well as contacting beneficiaries where a contribution is nearing an expiry date, to encourage project submission. They also have frequent updates with the County Council (as one of the major beneficiaries) to establish any priorities for project submission/funding release. They have made no repayments to developers due to expiry periods on contributions.
- The Council holds £13.766m of pooled investments. In 2018, a Statutory Override on IFRS9 was introduced to allow local authorities to move the impact of gains and losses on pooled investment funds into an unusable reserve rather than impact the general fund. The Override was initially due to end in March 2023, but this was extended to March 2025. The table below sets out the Council's balance sheet position over the past three years. Whilst the council has made a commitment to hold these funds over the long-term, as seen by the below, they have fallen in value by £1.234m. Had the override ended when originally intended (31 March 2023), the Council would have had to build in the recovery of this unusable reserve in 2023/24, via the General Fund or by re-purposing Earmarked Reserves. The extent of financial risk associated with current and future investments needs to be monitored, and alongside updates to the capital financing regime and Minimum Revenue Provision, we would encourage the Governance Scrutiny Group to seek assurance and ensure it understands the relevance and potential impact to the Council. We are aware that the Council are monitoring the risks closely, and have provided regular updates to the group, through their treasury management updates.

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	20/21	21/22	22/23
Fair value of investments	13.050m	15.222m	13.766m
Pooled Funds Adjustment Account balance (Unusable Reserve)	0.050m	0.223m	-1.234m
General Fund balance	2.604m	2.604m	2.604m
Earmarked Revenue Reserves	22.365m	23.575m	19.673m

- Through our discussions with the council, we also understand the accounts include a Treasury Capital Depreciation Reserve, to provide funding to reduce the impact on the general fund from reductions in the capital value of treasury investments, in line with the above bullet point. The additions to this reserve in year are £973k. The current net loss on value of the pooled investments is £1.4m and this will be crystallised if the Council redeem their investment whilst they are holding a fair value loss. They have therefore appropriated funds into a reserve to mitigate the risk of the capital loss against the general fund.

	18/19	19/20	20/21	21/22	22/23	Total
Net gain/ loss on pooled investments	0.024m	-1.238m	1.143m	0.173m	-1.457m	-1.355m
Treasury Capital Depreciation Reserve balance	-	-	-	-	0.973m	

## 4. Significant findings

### Significant matters discussed with management (continued)

- The Council's financial position, including development of the medium-term financial plan: During the year, we have met with officers to discuss the Council's financial position and budget setting process and pressures to enable us to reflect on the Council's financial resilience and sustainability, and to conclude whether the going concern basis of accounting in the preparation of the financial statements is appropriate.
- IAS19 Pension Surpluses: Each year employers within the Local Government Pension Scheme receive an actuarial accounting report prepared in accordance with IAS19 Employee Benefits. The report sets out the movement in the employers' interest in the LGPS assets and liabilities during the year, and their share of assets and liabilities at the year end. At 31 March 2023 some employers have, for the first time in many years, a net IAS19 pension asset (surplus). When an employer has a net pension liability, the liability is included in the financial statements in full. Where there is a surplus, there are circumstances under which the surplus is not recognised in full in the financial statements. Where bodies can access the economic benefit arising from the asset in terms of reduced contributions or a refund, they should recognise the net defined benefit as an asset. The net defined benefit asset recognised should be the surplus, adjusted for the effect of any asset ceiling. At 31<sup>st</sup> March 2023, the Council recorded a liability, and no evidence has come to light to suggest the asset had been capped. This issue therefore didn't impact Rushcliffe Borough Council.
- ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. This has involved enhanced risk identification and assessment; greater emphasis on understanding IT; and Increased focus on controls. We have needed to make additional enquires in these areas to enable us to meet these audit requirements.

### Significant difficulties during the audit

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

### Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2022/23 audit.

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

# 05

## Section 05: **Internal control recommendations**

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# 5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

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

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

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

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

# 5. Internal control recommendations

## Other deficiencies in internal control – Level 2

### Description of deficiency

There were 2 councillors for which no declaration of interests' form was available. The councillors are no longer serving councillors, however they were during 2022/23 so a declaration for the 2022/23 year should have been made.

### Potential effects

Missing declarations of interest could result in the Council omitting a required related party disclosure from their financial statements

### Recommendation

We recommend that management implement robust processes for ensuring that all councillors and senior officers complete declaration of interests' forms.

### Management response

TBC

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# 5. Internal control recommendations

## Follow up on previous internal control points

### Description of deficiency

A journal posting in relation to the Council's bank process was made incorrectly.

### Potential effects

Year end balances could be misstated due to incorrect postings.

### Recommendation

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

### 2022/23 update

We did not encounter any significant issues with the bank process, however we identified a trivial variance outstanding on the bank reconciliation, as a result of a brought forward error that has not yet been corrected. This is being corrected in 2023/24.

### Description of deficiency

The Council have incorrectly accounted for a material balance in the prior period, resulting in an understatement of debtors and income.

### Potential effects

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

### Recommendation

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

### 2022/23 update

We have not encountered any similar issues in 2022/23.

# 06

Section 06:

## Summary of misstatements

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## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £26k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

### Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr VAT	110			
	Cr PPE (Vehicles, Plant, Equipment)				110
	Being a capital invoice incorrectly capitalised gross of VAT				
2	Dr Other service expenses	268			
	Cr accruals				268
	Being the extrapolated error for 22/23 expenditure that had not been accrued for				
3	Dr Investment Properties			254	
	Cr Gain on Revaluation		254		
	Being the understatement of investment properties due to arithmetic error in valuer's calculations				
4	Dr Loss on Revaluation	175			
	Cr PPE (Land and Buildings)				175
	<b>Total unadjusted misstatements</b>	<b>553</b>	<b>254</b>	<b>254</b>	<b>553</b>

# 6. Summary of misstatements

## Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr NNDR pool creditor			101	
	Cr Business Rates income		101		
	Management adjustment to correct initial draft accounts figures which were based on estimate				
	<b>Total adjusted misstatements</b>		101	101	

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## 6. Summary of misstatements

### Disclosure amendments

We identified a number of disclosure amendments during our audit, all of which have been corrected. These include:

- Amendment of the debtors and creditors values in the financial instruments disclosure
- Correction of a misclassification between debtors and investments in the cash flow statement
- Amendment to pensions disclosure to ensure consistent with actuary report
- Amendment of a casting error on EFA
- Amendment to senior officer pay bandings to ensure bandings are more transparent for the reader
- Correction of estimated sales proceeds of investment properties held for sale in note 11
- Removal of audit fees payable to auditors other than the Council's appointed auditor, to ensure compliance with the Code requirements
- Reclassification of investment property rental income from fees and charges to investment income in note 2
- Reclassification of agency staff costs from other service expenses to employee benefits expense in note 2
- Update narrative in relation to bad debt provision, which is now allowance for expected credit loss in accordance with IFRS 9

In addition, there were some disclosures where we asked the Council to revise the narrative, in order to improve clarity and quality of the disclosures for the reader. This included the narrative in Note 34 Contingent Assets.

# 07

## Section 07: **Value for Money**

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# 7. Value for Money

## Approach to Value for Money

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

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

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

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report by January 2024.

## Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report by January 2024.

# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

Mazars LLP  
First floor,  
Two Chamberlain Square,  
Birmingham  
B3 3AX

Dear Mark

## Rushcliffe Borough Council - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and applicable law.

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

### My responsibility for the financial statements and accounting information

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

### My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

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

### Accounting records

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

### Accounting policies

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

### Accounting estimates, including those measured at fair value

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

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

### Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

# Appendix A: Draft management representation letter

## Laws and regulations

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

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

## Fraud and error

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

I have disclosed to you:

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

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

## Related party transactions

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

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

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the potential risk of RAAC as well as the impact of Covid-19 on the Council's

Investment Properties. An impairment review is therefore not considered necessary.

## Charges on assets

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

## Future commitments

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

## Subsequent events

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

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

## Brexit

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

## Ukraine

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

## Current banking crisis

We confirm that we have assessed the impact on Rushcliffe Borough Council of the on-going Global Banking challenges, in particular whether there is any impact on the council's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.



# Appendix A: Draft management representation letter

**Going concern**

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

**Annual Governance Statement**

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

**Narrative report**

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

**Unadjusted misstatements and internal control recommendations**

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

Yours faithfully

Section 151 Officer

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# Appendix B: Draft audit report (subject to finalisation)

## Independent auditor’s report to the members of Rushcliffe Borough Council

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of Rushcliffe Borough Council (“the Council) for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Collection Fund statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31<sup>st</sup> March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

#### Other information

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

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

We have nothing to report in this regard.

# Appendix B: Draft audit report

## Responsibilities of the Director of Finance and Corporate Services for the financial statements

As explained more fully in the Statement of the Director of Finance and Corporate Services' Responsibilities, the Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance and Corporate Services is also responsible for such internal control as the Director of Finance and Corporate Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance and Corporate Services is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance Scrutiny Group, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

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

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

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

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

We are also required to conclude on whether the Director of Resources and Corporate Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

# Appendix B: Draft audit report

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

### Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

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

### Responsibilities of the Accounting Officer

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;

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

We have nothing to report in these respects.

### Use of the audit report

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

### Delay in certification of completion of the audit

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

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

[Signature]

Mark Surridge, Key Audit Partner  
For and on behalf of Mazars LLP

2 Chamberlain Square, Birmingham, B3 3AX





[Insert date]

# Appendix C: Independence



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

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

# Appendix D: Other communications

Other communication	Response
 <p><b>Compliance with Laws and Regulations</b></p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p><b>External confirmations</b></p>	<p>We had delays in receiving one of the external confirmations from the counterparty, despite being chased by both the finance team and audit. However, we have now received all external confirmations.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 68</p>  <p><b>Related parties</b></p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework</li> </ul>
 <p><b>Going concern</b></p>	<p>We have not identified any evidence to cause us to disagree with the Director of Finance and Corporate services that Rushcliffe Borough Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

# Appendix D: Other communications

Other communication	Response
 <b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 69</p>  <b>Matters related to fraud</b>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged With Governance, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

## Mark Surridge - Partner

### Mazars

2 Chamberlain Square  
Birmingham  
B3 3AX

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

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Mazars LLP  
First floor,  
Two Chamberlain Square,  
Birmingham  
B3 3AX

Dear Mark,

**Rushcliffe Borough Council - Audit for Year Ended 31 March 2023**

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) and applicable law.

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

**My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

**My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

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

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

**Accounting records**

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

### **Accounting policies**

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

### **Accounting estimates**

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

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

### **Contingencies**

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

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

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

There are no contingent gains which should be disclosed.

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

### **Laws and regulations**

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

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

### **Fraud and error**

I acknowledge my responsibility as Director of Finance and Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

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

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

### **Related party transactions**

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

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

### **Impairment review**

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

### **Future commitments**

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Charges on assets**

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

### **Subsequent events**

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

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

**Brexit**

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

**Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report fairly reflects that assessment.

**Current banking crisis**

We confirm that we have assessed the impact on Rushcliffe Borough Council of the on-going Global Banking challenges, in particular whether there is any impact on the Council's ability to continue as a going concern, and on the post balance sheet events disclosures.

We confirm that our exposure where applicable (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.

**Going concern**


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

**Unadjusted misstatements**

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Director of Finance and Corporate Services / s151 officer

 <p><b>Rushcliffe</b> Borough Council</p>	<p><b>Governance Scrutiny Group</b></p> <p><b>Thursday, 23 November 2023</b></p> <p><b>Approval of the Statement of Accounts 2022/23</b></p>
--	--

## Report of the Director – Finance and Corporate Services

### 1. Purpose of Report

- 1.1 This report presents the Council's statutory Statement of Accounts (Appendix A) for the financial year 2022/23 to be approved by the Governance Scrutiny Group.
- 1.2 The Council's external auditors have provided their audit completion report which is considered as a separate item on this agenda. The Annual Audit Letter and Value for Money Conclusion will be presented to this Group in February 2024.
- 1.3 There was a delay in submitting the Statement of Accounts for approval due to a delay in pension assurances (for the fourth year) which is completely outside the Council's and Mazars control.

### 2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the Statement of Accounts for 2022/23 (**Appendix A**) including the Annual Governance Statement at Section B page XXIX.
- b) Delegate authority to the Director of Finance and Corporate Services to make any changes necessary resulting from the matters outstanding on the accounts and advise both the Chair of Governance Scrutiny Group and Finance Portfolio Holder accordingly, such changes to be reported to the Governance Scrutiny Group.

### 3 Reasons for Recommendation

- 3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') and various other legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

## **4 Supporting Information**

- 4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.
- 4.2 As part of the final accounts process Mazars, as the Council's appointed auditor, provide a detailed report on the conduct of the audit of the final accounts alongside representations on specific matters such as the Council's financial standing and whether the transactions with the accounts are legal and unaffected by fraud. These issues are addressed in the Audit Completion Report which is considered as a separate item on this agenda.
- 4.3 The Statement of Accounts 2022/23 is included at Appendix A. This includes the Council's Annual Governance Statement (AGS) at section B page XXIX which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group, 30 September 2023.
- 4.4 There have been no significant issues arising from the audit regarding the work undertaken by officers. This year there has been a hybrid approach with both teams working together at the Council offices and virtually which improved the process for testing and speed of resolving enquiries. We appreciate the flexibility that the Mazars team have shown during the audit and thank them for their work. Members should not underestimate the work undertaken by primarily the Finance Team (and other officers) in not just preparing the accounts and supporting working papers, but in managing the audit process which has taken a period of six months. Going forward we hope that, working with Mazars, the process will be much more streamlined.
- 4.5 There was an increase to the level of review work undertaken on defined benefit pensions (the Pension Fund Accounts where Nottinghamshire County Council are the accountable body) and Property Plant & Equipment (PPE) this year (as with last two years) due to a combination of requirements by the Financial Reporting Council (FRC) and the impact of the current economic uncertainty on asset values.
- 4.6 The Audit Completion Report details unadjusted misstatements as identified by Mazars during the audit. These misstatements total £0.807m (although this is a net £0.299m impact on the accounts). Management have chosen not to amend the accounts on the grounds of these not being material (as defined by Mazars in the Audit Plan) and Mazars have agreed to this approach. The draft accounts (as published at 31 May 2023) were also adjusted following confirmation from the Nottinghamshire Business Rates Pool of the surplus to be distributed to the Council, which amounted to £0.1m.
- 4.7 A summary of salient points from the Statement of Accounts 2022/23 is provided below:

- Net Revenue surplus of £0.57m with the impact of utilities increases not as significant as expected.
- Net Transfer from reserves £2.659m net of capital transfer the overall transfer is £3.902m. Most significantly relating to release of the collection fund reserve £3.707m to offset the deficit from previous years.
- £4.866m transferred to reserves, £1.587m was New Homes Bonus (NHB) and £1.108m to the Organisation Stabilisation (OS) Reserve to meet carry forwards and reserve appropriations. Creation of the Treasury Capital Depreciation Reserve £0.973m
- £8.767m use of Reserves was to release to the collection fund for the deficit arising from 2020/21 and 2021/22 (£3.707m), the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of the Arena and Cotgrave Masterplan (£1.017m); and planned transfers to meet revenue commitments
- Overall Net Budget Variance of £2.081m surplus including pool surplus and Business Rates growth
- Council overall Net Worth has increased by £59.423m (to £106.271m) mostly from the movement in the value of the pension fund (£43m)
- Investments held at 31 March 2023 totalled £60.125m (down from £67.785m)
- Overall Earmarked Reserves balance at 31 March 2023 of £19.673m (reduced from £23.575m) mostly in relation to release of collection fund reserve to offset the deficit position arising from reliefs administered in previous years
- General Fund balance remains at £2.604m
- Main areas of Capital Expenditure were Operational Land and Buildings including Bingham Hub £5.982m, Crematorium £4.016m; Other grants and contributions Local Authority Delivery Grants (LAD2, LAD3) and Home Upgrade Grants (HUG1) Green Energy Grants £1.304m and Disabled Facilities and Better Care Funding Grants £0.859m; Vehicle, Plant and Equipment - £2.134m including Cremator Plant £0.810m. Capital Expenditure in the year was mostly funded by internal borrowing, capital receipts and grants (no external borrowing)
- Business Rates position for the entire fund as at 31 March 2023 is £0.102m surplus and for Council Tax £2.019m deficit. The Council's liability is £41k and £0.204m respectively.
- Major Service Developments include the Freeport and Development Corporation, Bingham Hub, Crematorium (opening delayed to April) and Carbon Reduction measures.

- Removal of Group Accounts as Streetwise was brought back in-house in September 2022
- Under continuing financial challenges the Council has maintained its focus on achieving a viable MTFS, securing Value for Money and delivering and growing services. The Council's reserve balances remain healthy ensuring the Council is a good position to both respond to unexpected financial shocks and maintain service delivery.

## **5 Risk and Uncertainties**

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

## **6 Implications**

### **6.1 Financial Implications**

The annual fee scale for cost of audit in 2022/23 is £40,626. Additional fees for new accounting standards, additional testing and new value for money approach are not yet confirmed. These fees will be met from existing resources although members should note the rising costs of audit due to both demands in the sector, inflationary pressures and more exacting audit standards.

### **6.2 Legal Implications**

There are no legal implications identified for this report.

### **6.3 Equalities Implications**

There are no equalities implications identified for this report.

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

There are no Crime and Disorder implications identified for this report.

### **6.5 Biodiversity Net Gain Implications**

There are no Biodiversity Net Gain Implications identified for this report.

## **7 Link to Corporate Priorities**

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



## 8 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

- a) Approve the Statement of Accounts for 2022/23 (**Appendix A**) including the Annual Governance Statement at Section B page XXIX.
- b) Delegate authority to the Director of Finance and Corporate Services to make any changes necessary resulting from the matters outstanding on the accounts and advise both the Chair of Governance Scrutiny Group and Finance Portfolio Holder accordingly, such changes to be reported to the Governance Scrutiny Group.

<b>For more information contact:</b>	Peter Linfield Director - Finance and Corporate Services 0115 914 8439 <a href="mailto:plinfield@rushcliffe.gov.uk">plinfield@rushcliffe.gov.uk</a>
<b>Background papers Available for Inspection:</b>	
<b>List of appendices (if any):</b>	Appendix A – Statement of Accounts 2022/23

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# Statement of Accounts

2022 - 2023





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## **A. NARRATIVE STATEMENT**

### **Welcome to the Statement of Accounts**

#### **Introduction**

As the Council's Chief Finance Officer, I have pleasure in presenting the Narrative Statement to Rushcliffe's 2022/23 Statement of Accounts. The Statement of Accounts is required by law and provides statutory and other information in line with professional best practice. In doing so, the Financial Statements continue to accord with International Financial Reporting Standards (IFRS) ensuring consistency with accounts produced by organisations in other sectors of the economy.

The Narrative Statement reports on the accounts by summarising key events and their financial impact as well as non-financial performance indicators against key corporate priorities and commentary on key risks. It also provides additional context on some of the issues and challenges that have faced the Council during the year. I hope that this Narrative Statement, and the information that follows, gives a clear picture of how Council Tax and our other sources of income are used to deliver a wide range of services. The Narrative Statement, along with the Annual Governance Statement and the Auditor's report, are outside the scope of the Statement of Accounts, but all of the documents, as one, constitute the Council's Financial Report for 2022/23

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

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

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

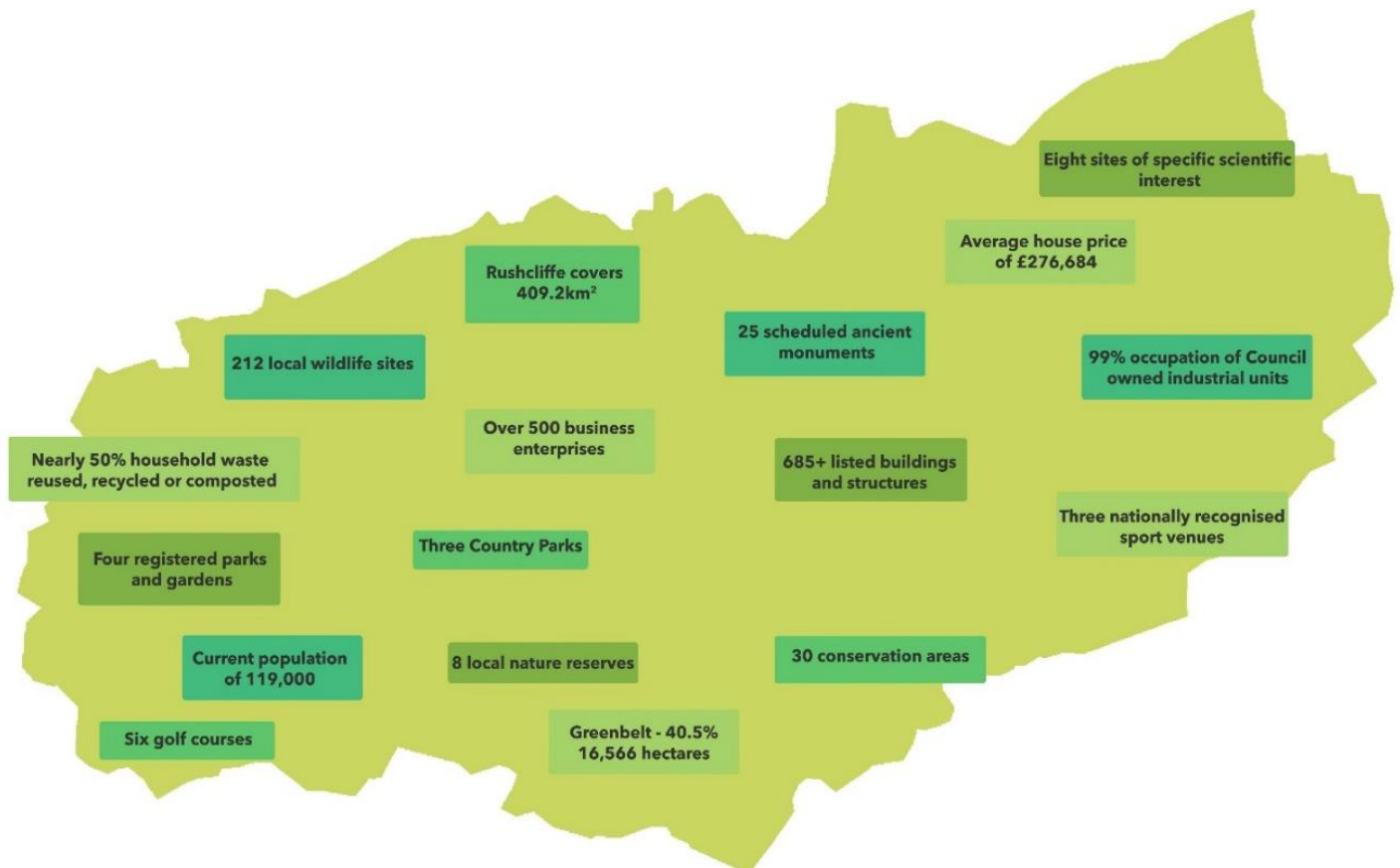
**Peter Linfield**  
**Director - Finance and Corporate Services**

## 1. The Statement of Accounts

The Director (Finance and Corporate Services) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Finance Officer or S151 Officer). He is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Finance Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. His Statement of Assurance for 2022/23 (known as the Statement of Responsibilities for the Statement of Accounts) appears on Page 1 of the Statement of Accounts.

The Statement of Accounts has been produced in accordance with The Code of Practice on Local Authority Accounting ('the Code') developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Accounting Policies, which are written to take into account the Code, and are outlined on pages 49 to 67 of the Statement of Accounts.

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





## 2. Delivery of the Corporate Strategy

The delivery of the Corporate Strategy 2019-23 is reported quarterly to the Council's Corporate Overview Group. A new Corporate Strategy will be approved in winter 2023.

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

Supporting economic growth to ensure a sustainable, prosperous and thriving local economy

Maintaining and enhancing our residents' quality of life

Transforming the Council to enable delivery of efficient high-quality services

Playing our part in protecting the environment today and enhancing it for future generations.

Here are some examples of what we achieved:



**BINGHAM ARENA**

We opened our £20m Bingham Arena and Enterprise Centre, a major project which includes a 5500sqm leisure centre development with adjacent offices. It operates a 78% carbon emission reduction compared to similar centres.



**RUSHCLIFFE OAKS**

Our Rushcliffe Oaks crematorium is now open. The environmentally conscious facility and community space uses renewable energy sources and is one of the first in the country to invest in innovative all-electric technologies.



**GREEN INITIATIVES**

Distributed over 10,000 trees to residents, towns and parishes since our Free Tree Scheme began.



**CARBON CLEVER**

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



**REACH RUSHCLIFFE**

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



**FREEPORT AND DEVELOPMENT CORPORATION**

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



**RUSHCLIFFE COUNTRY PARK DEVELOPMENTS**

We've refurbished our visitor and education centre, conference facilities, café 'Cake by the Lake' and toilet facilities at Rushcliffe Country Park.



**FINANCE AND REVENUES**

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



**EMAIL SUBSCRIPTION SERVICE**

Our GovDelivery email subscription service gives over 4,400 residents weekly updates on our services.



**COTGRAVE**

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



**HOME ALARMS SERVICE SATISFACTION**

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



**ABBAY ROAD DEVELOPMENT**

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

As well as achieving all of this, we also:



Emptied **3.3 million** bins



Kept over **25,000** followers updated on social media



Helped **269** individuals who were at risk of becoming homeless to find somewhere to live, preventing homelessness in the Borough



Answered over **88,000** calls from our residents



Dealt with over **20,000** enquiries to our Customer Services team



Helped over **800** local businesses access training, [advice](#) and grants and NNDR of **over £12m**



Supported **over 1,000** elderly or vulnerable people to live independently with one of our home alarms. This service also has a **100%** satisfaction rate



Conducted over **500** food hygiene inspections, keeping you safe when eating out in the Borough



Successfully kept our Council Tax rates for Band D properties lower than **75%** of all local authorities in the country

### 3. Risk Management

The Council's Risk Management Strategy was refreshed and updated in April 2023 to ensure that it reflects the current operational structure. Reports to Governance Scrutiny Group contain updates on the risk management arrangements, and the Group's responsibility is "to oversee and scrutinise the effective management of risk by officers". The strategy is reviewed every three years by the Risk Management Group and Governance Scrutiny Group provides scrutiny of risk registers.

The Executive Management Team has met as the Council's Risk Management Group (RMG) in order to oversee the management of risk across the organisation and review, where necessary, strategic, operational and opportunity risk. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken.

Changing pressures facing local government and the proactive work of managers to identify risks as they emerge, will continue to influence new risks added to the register. This demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification. There are currently 40 corporate risks, 27 operational risks and 4 opportunity risks. Risks are reviewed each year as part of the Service Planning process and changes to risks are referred to RMG for approval.

Examples of risks that have been added or removed in 2022-23 are:

#### **Risks removed:**

- Corporate and operational risks introduced to mitigate the impact of the Covid-19 pandemic
- CRR\_DEG05 Ability to deliver Bingham Arena and Enterprise Centre project on time and within budget
- OR\_FCS09 Loss of capital/lower interest earned on investments, due to current economic climate

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

- CRR\_DEG08 Failure to secure a Local Development Order (LDO ) for Ratcliffe on Soar
- CRR\_NS22 Ensure the Homes for Ukraine Scheme is supported in accordance with national guidance
- 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

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

Risk	Likelihood	Impact	Action
The Council is unable to balance its budget and the budget is not sustainable in the longer term as a result of increased inflation and government funding reductions with uncertainty due to one year settlement	Low	High	Going concern report presented to Governance Group to confirm that the Council has sufficient reserves to withstand the short-term financial shocks. Inflation factored in to the budget and further plans for the transformation strategy to mitigate risk over the longer term. Reserves sufficient level.
Fluctuation in Business Rates linked to changes in the local economy (e.g., Power station closure) and revaluation.	High	Medium	<p>Actively involved in Freeport working Groups.</p> <p>Budgeting at Safety Net position for future years, a prudent approach.</p> <p>Utilising NNDR1 for business rates forecast for next year which takes into account valuations.</p> <p>Continued monitoring of the collection rates and appeals for business rates.</p> <p>Use of reserves as necessary to mitigate 'one-off shocks'</p>

Risk	Likelihood	Impact	Action
<p>Central Government policy changes e.g., Fairer Funding, changes to NHB and Business Rates reset leading to reduced revenue.</p> <p>Environmental policy changes with regards to waste likely to create future financial risk. For example, Extended Producer Responsibility (EPR) is mentioned as a potential new funding stream for waste collection authorities</p>	High	Medium	<p>Engagement in consultation in policy creation and communicating to senior management and members the financial impact of changes via the MTFS.</p> <p>Budget at safety net position for business rates in years of uncertainty.</p> <p>Engage in proposals for Extended Producer Responsibility (EPR) income, there is considerable uncertainty about the amount of funding that may be available; and how far packaging producers would agree to any surplus income being used as a general subsidy for local government in lieu of grant/other financial support.</p>
Insufficient staff capacity – skills, knowledge, and availability etc	Medium	Medium	Ensuring market rates are being paid, internal staff development and promotion. If necessary, use of agency support
Increased costs due to adherence to the National Minimum Living Wage. Pay rises are linked to the outcome of national negotiations and whether they are adopted locally.	Medium	Low	Budget reporting processes and use of budget efficiencies and reserves. Budget set to include latest assumptions on inflationary increases.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action</b>
Rising leisure management contract costs: reduction in management fee as a result of increased costs (utility and wages) and reduced usage as a result of inflation on household spending; Delays in the opening of Bingham Arena achieving the Leisure Strategy in accordance with planned timetable; and the continued costs of alternative provision at the Toothill site.	Medium	Medium	Close working and monitoring of costs with the provider. Use of contingency if required to mitigate financial impact.  Reporting through usual financial reporting arrangements and budget monitoring.
Environmental Agenda leading to rising or reducing revenue and capital budgets.	High	Medium	Creation of Climate Change Action Reserve £1m ongoing review of significant projects and outcome of scrutiny review. A vehicle replacement reserve which will help fund, for example, electric vehicles.  Sourcing external funding to improve leisure energy usage.
Efficiency savings performance improvements from the Streetwise transfer in-house are not achieved	Medium	Medium	Monitor and project manage. Update reports to Cabinet through usual financial reporting arrangements. Updated MTFS for 2023/24 incorporating targets. (To be monitored in the Transformation Plan)
Increased demand in relation to homelessness and migration issues	High	Medium	Additional government funding and internal resources provided.
Reducing demand as a result of a contracting economy, higher inflation and reduced personal disposable incomes. For example, less housing being built and bought, impacting on planning income	Medium	Medium	Performance indicators and current financial due diligence via quarterly reporting to Cabinet and COG.  Adjusting cost base as necessary.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Action</b>
Traveller's site located to accord with the Local Plan and avoid unplanned traveller pitches throughout the Borough	Medium	High	Site identification, financial implications to be determined and reported in further Cabinet reports, £1m in Capital Programme. Further resource in capital reserves if required and approved.
Risk of increased capital programme costs due to either increased demand (e.g., DFGs) or inflation.	High	High	Further capital reserve funding provided and engagement with Government at a national level. Working with Nott's authorities on a more equitable distribution of resources.
Insufficient capital resources to fund the capital programme	Low	High	Ongoing cashflow management.  The Council has the ultimate recourse to borrow (which it is trying to avoid). We are dependent on the timing of capital receipts and issues like the Flintham CPO being a relatively seamless transaction.
Opportunity for additional business rates from the Freeport/DevCo or risk of liabilities if either does not progress	Medium	Medium	Continue to monitor progress and inform business rate assumptions through Officer working Groups/Board



#### 4. Revenue Expenditure and Income

During 2022/23, the Council supported the local community with various government funded grant schemes. This included grants on Energy Rebates (including discretionary), Energy Bills Support Scheme (EBSS) and Alternate Fuel Payments (AFP) to support residents in the current cost-of-living crisis. The treatment of grants within the Statement of Accounts varies dependent upon the criteria of each grant. Grants for which the Council had no discretion over value and eligibility criteria have been accounted for on the Balance Sheet with balances at the year-end held as Creditors. Where the Council could exercise some discretion over eligibility and amount awarded, the grants and corresponding expenditure have been recognised in the CIES. Outstanding balances at the year-end are either shown in the Balance Sheet as a receipt in advance or included in the net cost of services and carried forward into 2022/23.

Total grant expenditure in 2022/23 is shown below:

Grant type	Number of grants awarded	Total payments (£)
Energy Rebate	36,755	£5,513,250
Discretionary Energy Rebate	4,713	£130,950
EBSS	345	£138,000
AFP	168	£33,600

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

When setting the budget for 2022/23 an estimated increase for inflation and pay was included however, it was not anticipated that inflation levels would peak at 11.1% and that consequently this would result in a higher than anticipated pay award. Revenue budget efficiencies from 2021/22 were carried forward to support these cost pressures and during 2022/23 the Council has continued to closely monitor the budget position, particularly on utilities and where possible identify efficiencies that may help in balancing the increased costs.

Along with in-year efficiencies the position on utilities wasn't as significant as anticipated and has resulted a net efficiency position in 2022/23. There is a net transfer from reserves of £2.659m (originally planned to be a transfer from reserves of £3.465m (adjusted to £4.740m to reflect carry forward commitments and MRP) a net reduction of £2.081m. Consequently there is an overall net transfer from reserves of £3.902m made up of £2.659 from revenue and £1.243m from capital.

Of the £4.866m transferred to reserves, £1.587m was New Homes Bonus (NHB) and £1.108m to the Organisation Stabilisation (OS) Reserve to meet carry forwards and reserve appropriations. Much of the £8.767m use of Reserves was to release to the collection fund for the deficit arising from 2020/21 and 2021/22 (£3.707m), the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of the Arena and Cotgrave Masterplan (£1.017m); and planned transfers to meet revenue commitments. Reserves are available to meet future cost pressures (£2.466m), thus:

- Enabling delivery of the transformation programme by which the Council will balance future budgets and continue to deliver high quality services;
- Smoothing saving requirements between financial years;
- Enabling the Council to deal with the volatility from changes to central government funding methodology (such as Fairer Funding Review and retained business rates which have been further delayed);
- Enabling the Council to minimise the impact of Government Policy such as the Extended Producer Responsibility for Packaging and the Environment Act;
- Funding capital expenditure including enhancement of property, plant and equipment and vehicle replacement;
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services;
- Ensuring the Council is equipped to deal with unforeseen reductions in income or increased spending pressures such as the current cost of living crisis linked to the war in Ukraine; and
- Allowing the Council to facilitate growth and pursue opportunities such as the Development Corporation and Freeport.

The Movement in Reserves Statement (page 4) demonstrates prudent financial management throughout the year, with the Council having had few reasons to call on its reserves. The majority of the transfer from reserves was to meet MRP repayments (£1.017m) and collection fund deficit (£3.707m). The General Fund Reserve Balance therefore remains unchanged from 2021/22 at £2.604m. Earmarked reserves have decreased by £3.902m (£2.65m Revenue plus Capital £1.243m), from £23.575m to £19.673m, (see Note 4). The majority of the revenue movement relating to the release of collection fund reserve to offset the deficit position arising from reliefs administered in previous years. A healthy level of reserves is essential for the Council to withstand any future financial pressures whilst enabling the Council to develop and grow the borough and deliver the Council's corporate priorities.

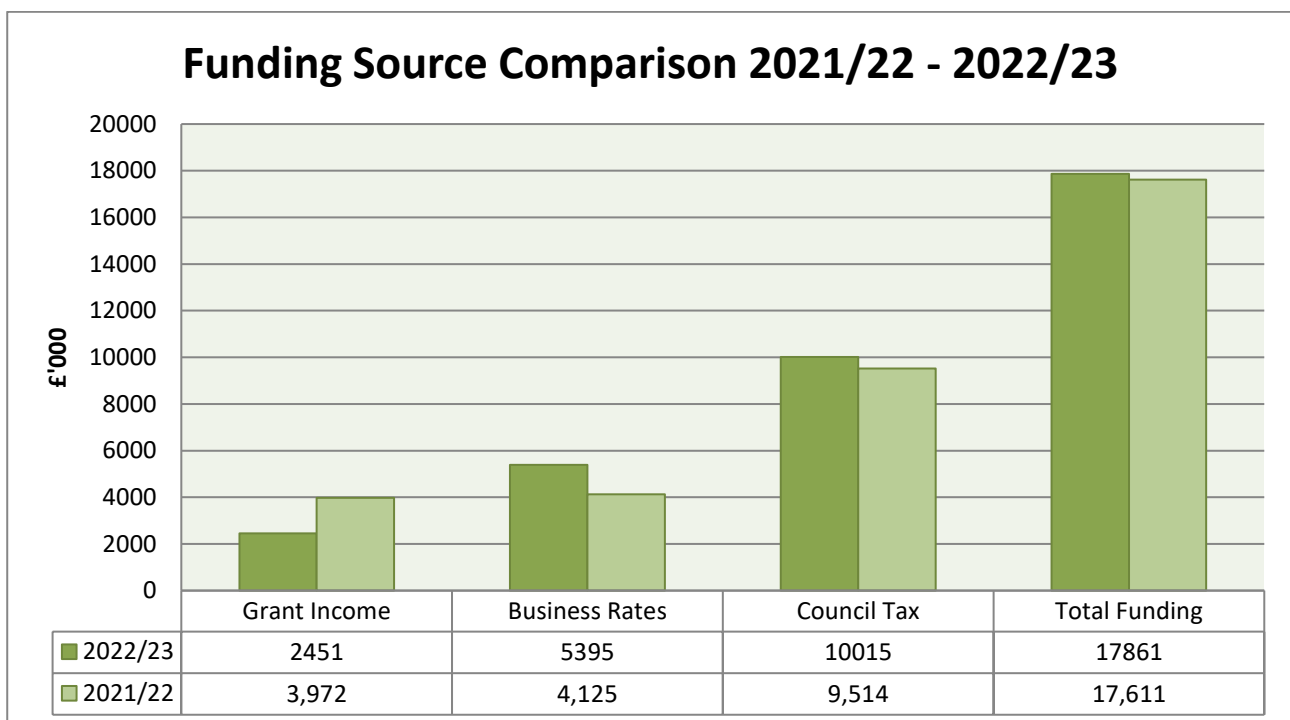
The following table demonstrates where money was spent in 2022/23, showing a net underspend on direct costs of £0.57m against budget:

	Original Budget Excluding Recharges £'000	Revised Budget £'000	Revised Outturn £'000	Revised Variance £'000
<b>Chief Executive</b>	2,021	2,137	2,136	(1)
<b>Development and Economic Growth</b>	(112)	638	418	(220)
<b>Finance &amp; Corporate</b>	4,330	4,204	3,546	(658)
<b>Neighbourhoods</b>	6,949	7,759	8,068	309
<b>Total</b>	13,188	14,738	14,168	(570)

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

The position on the collection fund has now reduced from a deficit of £5m at 31 March 2022 to £ 0.04m at 31 March 2023 as the majority has now been recovered from Rushcliffe Borough Council and the major preceptors (offset by a release from reserve as detailed above). A proportion of the in-year efficiency has been appropriated to the Treasury Capital Deprecation Reserve along with £0.2m from 2020/21 efficiencies and the remaining surplus is to be used for schemes that are to be carried forward into 2023/24 such as Ukrainian Rehousing Scheme and to meet expected pay and other inflationary pressures.

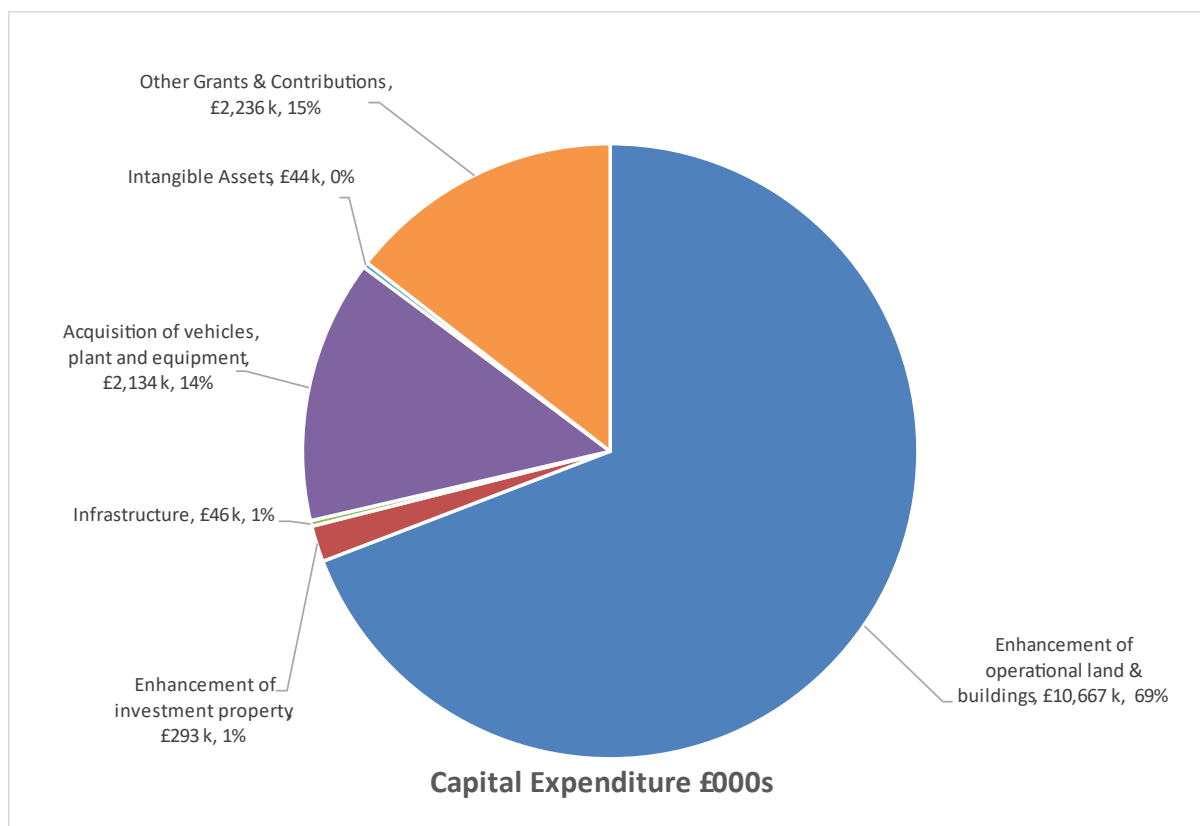
The main sources of revenue funding are detailed below. The table demonstrates the Council’s reliance on local taxation to fund net council expenditure; 56% from Council Tax (54% 2021/22), 30% from Business Rates (23% 2021/22) and 14% (23% 2021/22) from grants. The decline in grant funding relates to receipt of Covid grants which have now ceased. Of the grants funding £1.588m is New Homes Bonus largely used to finance capital expenditure. New Homes Bonus was planned to cease after 2022/23 however there has yet to be any announcement on the 2021 consultation and consequently NHB was extended for a further year with the possibility this could also be extended to 2024/25 pending any decision on a replacement scheme.



Source: Taxation and Non-Specific Grant Income - Note 7

## 5. Capital Expenditure and Income

The following chart shows the breakdown of Capital Expenditure in 2022/23:



The chart above shows the main area of capital expenditure relates to Enhancement of Operational Land and Buildings £10.667m, 69%, with the release of Capital Grants and Contributions as the next highest £2.236m, 15%. These are discussed further below.

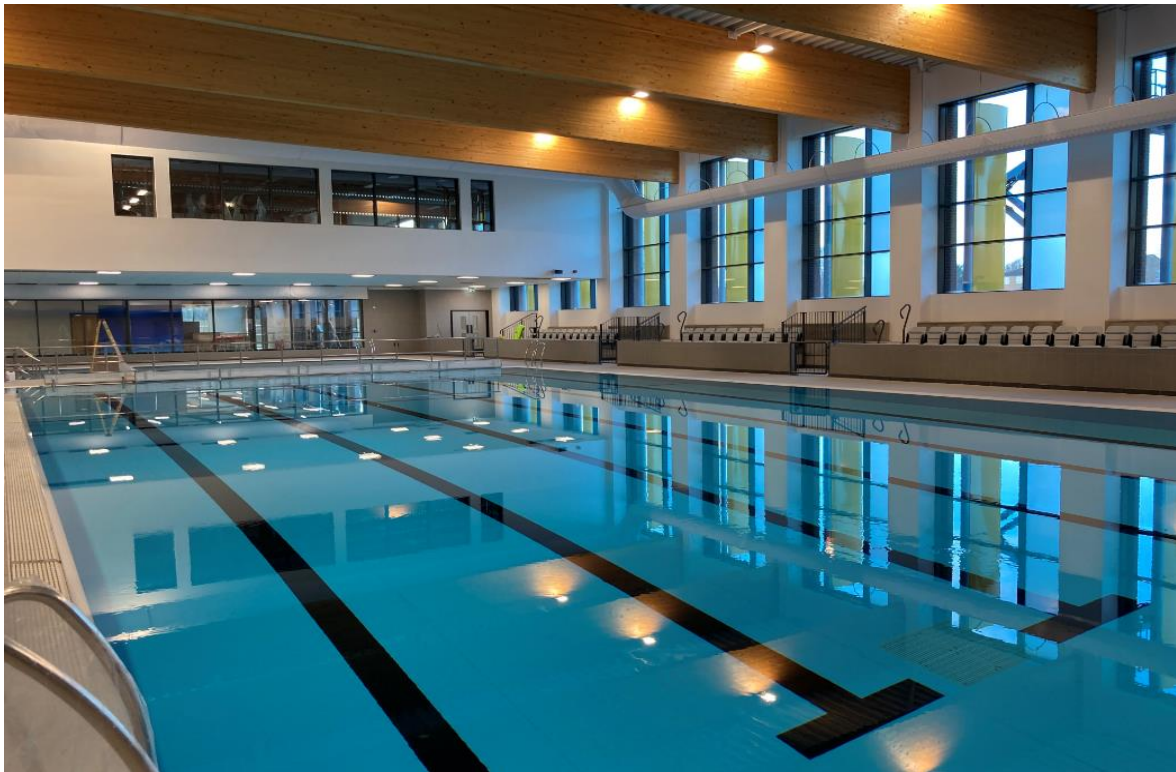
As well as delivering day to day services, the Council also spends money on capital works, creating or enhancing assets which are shown on the balance sheet primarily as Property, Plant and Equipment, or as Investment Property. Key areas of capital expenditure in 2022/23 comprise:

- Operational Land and Buildings - £10.667m. Of which, £5.982m was spent on Bingham Leisure Hub and Offices and £4.016m for The Crematorium which sees the completion of these transformational projects. In addition, £0.432m was spent on Rushcliffe Country Park Enhancements.
- Other Grants and Contributions - £2.236m. Monies released to finance capital assets owned by third parties. Primarily this expenditure was on LAD2, LAD3 and HUG1 Green Energy Grants £1.304m; and Disabled Facilities and Better Care Funding Grants £0.859m.
- Vehicle, Plant and Equipment - £2.134m. Of note are: acquisition of vehicle/plant replacements and Streetwise vehicle and plant assets £1.044m including 3 Refuse Freighters £0.586m; and Cremator Plant £0.810m.



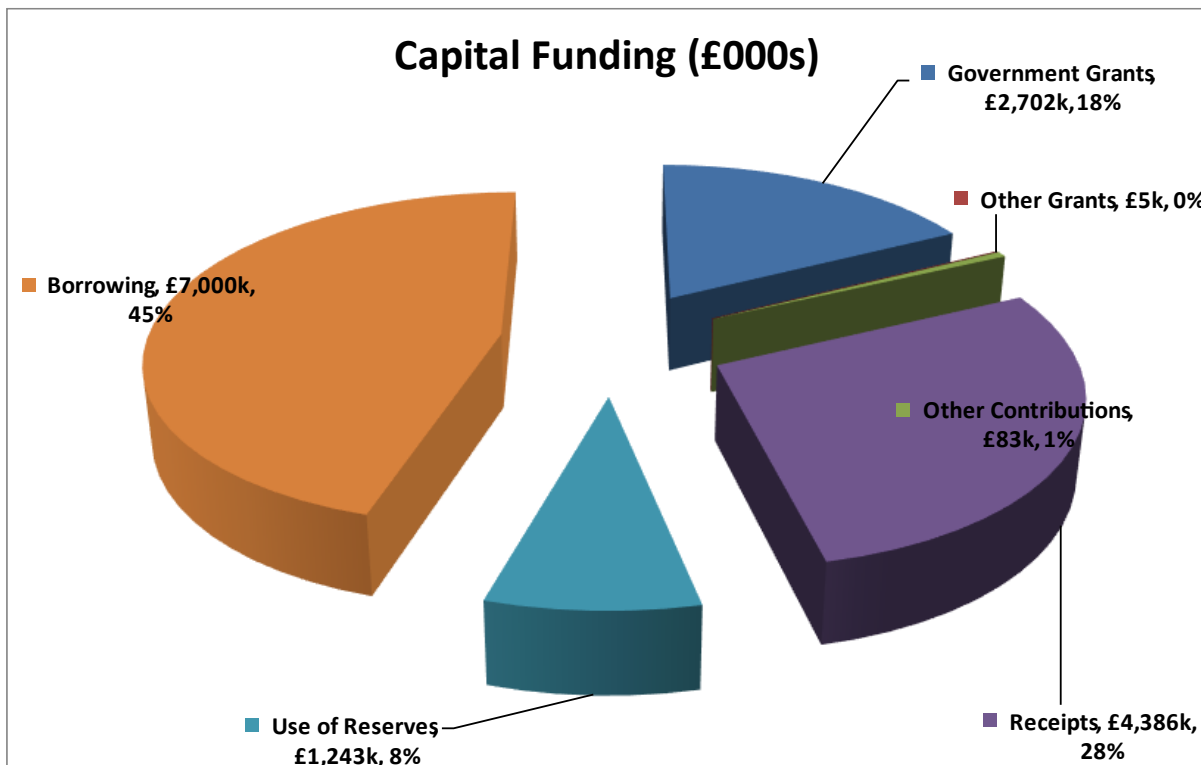
#### Rushcliffe Country Park Visitor Centre opening

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2022/23 the Council spent £15.4m compared to an overall Capital Programme of £21m giving rise to a variance of £5.6m. This is due to programme rephasing and the carry forward commitments total a net of £5.4m. The most significant of which are £1.563m for the Bingham Hub Leisure and Office scheme to meet post opening enhancements; and £1.273m for post opening enhancement works that are identified at the Crematorium.



#### Bingham Arena

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



Source: Capital Expenditure and Capital Financing- Note 29

Capital resources available in 2022/23 allowed for all capital expenditure to be met without recourse to external borrowing. The key elements of funding comprise:

- Internal Borrowing - £7m 45% of expenditure: £3m for Bingham Arena and Offices; £4m for The Crematorium. Internal borrowing increases the Capital Financing Requirement (CFR) and is repaid by Minimum Revenue Provision (MRP). Capital Receipts received in 2023/24 will be applied to the CFR to bring down the Council's underlying need to borrow and will also reduce the MRP required,
- Capital Receipts - £4.386m 28% of capital expenditure was covered by capital receipts. Significant sums are still being received from the overage agreement in place at Sharphill Wood. These sums, together with historical capital receipts, were used to fund: £2.042m of Bingham Leisure Hub; £0.550m Crematorium Costs; £0.367m RCP Enhancements; and £0.744m for vehicle acquisitions.
- Government Grants - £2.702m. Of this, £1.204m from LAD2, LAD3, and HUG1 Green Energy Grants; £0.701m awarded to the Council under the 'Better Care Funding' arrangements used specifically to fund Disabled Facilities Grants; and £0.685m came from the European Regional Development Fund to support the Office element of Bingham Hub.

In 2016/17 and 2017/18, the Council used internal resources (internal borrowing) to temporarily finance the completion of the Arena development and Cotgrave employment units. There was a need to use a further £2.5m to meet part of the capital expenditure on Bingham Leisure Hub in 2021/22 and a further £7m in 2022/23 for Bingham Leisure Hub and the

Crematorium. Where this happens, Central Government legislation requires the Council to make a charge to its revenue budget over time, to reinstate the Council's resources. The Council has chosen to make a payment of around £1m a year, until the balance of internal borrowing is recovered. (See the Capital Financing Requirement note 29). The charge (MRP) to the revenue budget has been covered by the release of New Homes Bonus reserves to wholly mitigate any impact for Taxpayers and exceeds the amount we would have to pay if it was based upon the asset lives.

At 31 March 2023, the balance in the Usable Capital Receipts Reserve stood at £1.085m (2021/22 £0.825m). The Council continues to generate resources through the planned disposal of assets deemed surplus, preserved rights to proceeds from sales of ex-Council House Stock, and the overage agreement in place for Sharphill Wood. During 2022/23 £7.614m of capital receipts were received, primarily from: overage agreement Sharphill Wood £5.911m (of which £2.968m is deferred to 2023/24); deferred receipt re Disposal of the Depot Land £1.2m; and repayment of Capital Loans £0.409m.

Looking ahead, the Council has approved an ambitious Capital Programme for 2023/24 onwards and intends to support this expenditure through the continued application of Capital Receipts, use of Reserves, Government and Other Grants and Contributions. As the available capital resources are depleted, there may be a need to undertake some further 'internal borrowing' which will potentially require an increase in the Minimum Revenue Provision (MRP). Up to 31 March 2023, the MRP charge to the revenue account was offset by a release of New Homes Bonus (NHB) to wholly mitigate the impact of the internal borrowing on the Taxpayer. The ability to continue to do this will continue to be reassessed as part of the MTFs. The future levels of 'internal borrowing' and the potential need to undertake external borrowing will be dependent upon future capital income streams and receipt of monies that can be set aside into reserves, particularly NHB versus future capital demand.



Rushcliffe Oaks

## 6. Major Service Developments and Future Challenges

Despite the legacy impact of the global pandemic still being felt when the War in Ukraine began in Spring 2022, the Council has again met the many challenges the financial year posed. It soon became evident that there were emerging cost pressures on utilities and fuel, further compounded by national living wage increases and pay negotiations.

After the successful administration of Covid grants in 2020/21 and 2021/22, Local Government were again tasked with issuing various grants and support payments relating mainly to Energy Rebates and Homes for Ukraine (H4U). The Council has absorbed these additional duties and were one of only four local authorities nationwide that declared they had paid all their energy rebates by the end of June 2022 – 36,755 grants paid out totalling £5,513,250. This again demonstrates the commitment of Council staff in delivering excellent services to their residents and for being proactive and innovative with systems, enabling the grants to be paid swiftly.

Despite additional pressures the Council have continued to focus on delivering major projects such as Bingham Hub and the Crematorium (both of which have opened to the public in spring 2023) and improvements to Rushcliffe Country Park (RCP). The Council has also been successful in applying for Salix grant funding to implement environmental improvements to the Council's Leisure Centre in Cotgrave and been awarded further grant funding to extend the work on 'green homes' improvements which is expected to be completed by September 2023.

One of the Council's priorities is residents' **Quality of Life** and, as mentioned above, three significant projects, Bingham Hub, the Crematorium and RCP have recently been completed. The H4U scheme saw 400 Ukrainian guests welcomed by 170 sponsor homes - the largest concentration across Nottinghamshire. Council officers visited every sponsor property to ensure it was safe and suitable and we have supported sponsor rematches and community cohesion.

The authority has worked to ensure those eligible to, can vote in upcoming election, including voter identification. The Council secured "Safer Streets4" funding of over £250k over two years to tackle Neighbourhood crime, anti-social behaviour (ASB) as well as violence against women in a specific part of the Borough resulting in a range of interventions including CCTV and ASB patrols. The visitors' centre at Rushcliffe Country Park (RCP) has been upgraded with new Café and Environment Centre including interactive displays, Outdoor Shelter, environmental improvements, a 'Changing Places' toilet, PV Solar Panels, and a new Air Source Heat Pump.

Lark in the Park, Proms and a Taste of Rushcliffe attracted thousands of local residents and visitors and the Council hosted summer outdoor cinema events and work in partnership with the local Clinical Commissioning Group to deliver a number of health-related initiatives. The authority hosted the start of the Nottinghamshire stage of the Tour of Britain cycle race which again boosting the local economy by £4m. The high-profile Celebrating Rushcliffe Awards were again hosted by the Council which brings together finalists chosen from hundreds of nominations across 10 categories each sponsored by a local business with the winners announced at the event.

To support residents during the current cost-of-living crisis, it identified eligible residents who were not claiming what they are entitled. Proactive advice was provided so residents received what they were due. The Council also commissioned workshops with local voluntary organisations to support people in accessing support and benefits advice.

The Council's home alarms service has continued to provide an essential lifeline emergency call system to over 1000 elderly and vulnerable homeowners and private tenants, helping them with independence and providing reassurance. Customer satisfaction has been 100% every year for the last five years.



The Council always strives to deliver **Efficient services** and alongside issuing vital energy rebates has ensured that its services deliver value for money. It is passionate about reaching those who are not receiving all the support they are entitled to.

When setting the budget for 2022/23 an estimated increase for inflation and pay was included however, it was not anticipated that inflation levels would peak at 11.1% and that consequently this would result in a higher pay award. Revenue budget efficiencies from 2021/22 were carried forward to support these cost pressures and during 2022/23 the Council has continued to closely monitor the budget position, particularly on utilities and where possible identify efficiencies that may help in balancing the increased costs.

At the end of 2022/23 there is a net efficiency position namely from the increased interest rates on Council treasury investments (an upside to the increased inflation); funding for Ukrainian rehousing scheme which will be carried forward into 2023/24 and additional business rates income from the Nottinghamshire Pool. The efficiency position will allow creation of a reserve to mitigate potential losses arising from a decline in capital value of the Council's diversified investments (arising as a result of the economic downturn) ensuring this does not impact on taxpayers. This was approved at Full Council when the Medium-Term Financial Strategy (MTFS) was approved.

Government reforms for longer term funding have not been forthcoming and the impact of anticipated Business Rates and Fairer Funding changes are programmed in the MTFS for 2025/26. This uncertainty over funding does make financial planning challenging for the Council having received one-year financial settlements for the past 4 years and going forward at least until 2024/25. Multi-year settlements will give more financial certainty.

Nationally there continue to be staff shortages, making recruitment and retention challenging for the Council. Furthermore, increased inflation is having an adverse impact on consumer activity and presents a risk to Council income streams. Ultimately these result in pressure on the Council's budget not only on the costs of delivering Council services but also the potential reduction in fees and charges income as households cut back on discretionary spend.

The Council is continuing to monitor the situation and identify efficiencies and ultimately it can access its contingency budget to mitigate potential losses and utilise its Organisation Stabilisation Reserve.

The Council has a rolling Transformation Programme to ensure process and services are efficient and the Council cost to the taxpayer kept as low as possible. It has set a balanced budget for 2023/24 and has seen only a 5% increase in net costs over the last 12 years. Importantly going forward over the next 5 years it has relatively small projected budget deficit of circa £0.3m, which is manageable.

On 1 September 2022 the Council brought back its in-house Street Cleansing and Grounds Maintenance functions (for the past 8 years a trading company) which should deliver financial efficiencies over the coming years, as profiled in the Council's Transformation and Efficiency Programme. Market conditions and trading had become challenging, and the focus is now on delivering key frontline services to Rushcliffe residents and not a wider range of services to residents outside of the Borough.

Five Council Leisure Centres are operated, one of which is a brand-new state-of-the-art facility in Bingham and recently further funding has been secured to upgrade the Leisure Centre at Cotgrave. Working with partners, the Council secured funding to install a new full size floodlit 3G football turf pitch at Gresham, refurbishing the existing 3G pitch, upgrading existing grass pitches and installing several energy saving measures.

The Council launched a new Customer Access Strategy following COVID to enable 'channel shift' and modernise accessibility to residents. The strategy includes a commitment to retaining face-to-face services and development of a new website to improve customer interaction and facilitate further channel shift which launched in April 2023.

Audit performance remains a concern both locally and nationally with only one in six Councils having their 2021/22 accounts signed off and 71% awaiting an audit opinion. Rushcliffe's accounts were signed off in March 2022/23. A number of technical issues and increased audit requirements are causing the delay, with a perfect storm of a lack of accounting and audit resource across the sector. The temporary extension to the accounts publication deadline for Local Authorities has been removed for 2022/23 accounts which is intended to allow the auditors more time to audit the draft accounts. The implications of this are that although the draft statements will be published for 31 May 2023 the Council's 2022/23 accounts are not expected to be signed off until November 2023 (after the 30 September 2023 deadline).

Devolution is on the horizon with an elected Mayor expected in May 2024. The long-term impact on Rushcliffe of devolution remains to be seen. In the short term the expectation is it will impact upper tier authorities.

Rushcliffe continue to focus on delivering **Sustainable Growth**.

The Council have continued to support the businesses of Rushcliffe in the post Covid era and during the cost-of-living pressures by establishing retail forums, issuing shop front improvement grants and employment of a high street ambassador and town centre manager to deliver events to boost economic activity. Through the Rushcliffe Business Partnership working with the East Midlands Chamber, the Council provide free business support and advice for business owners across the borough and a free business high street advisor.

Work is ongoing on Freeport proposals for the development of East Midlands Airport, East Midlands Intermodal Park and Ratcliffe-on-Soar Power Station (decommissioning in 2024). The authority is taking a proactive approach to secure the long-term future of the site via East Midlands Development Co (DevCo), the East Midlands Freeport and through the preparation of a Local Development Order (LDO) which will grant planning permission for a range of modern industrial uses and will set the parameters for a site which is expected to provide innovative energy for the future.

The £8.5m Rushcliffe Oaks Crematorium has now opened and provides a facility that was had identified as a local need. The environmentally conscious facility uses renewable energy sources and is one of the first in the country to invest in innovative all-electric technologies. The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK government's Levelling Up agenda and a component of its support for places across the UK.

It provides £2.6 billion of capital and revenue funding for investment in local projects to be spent by March 2025. All areas of the UK will receive an allocation from the Fund. The Rural England Prosperity Fund (REPF) is additional funding to the UKSPF and is to specifically address the particular challenges rural areas face.

The funding replaces European Funding and aims to build pride in place and increase life chances across the UK over three priorities:

- Community and Place
- Supporting Local Business
- People and Skills

The Council will receive £ £2,571,462 over three years (Capital and Revenue funding) for investment in local projects and £596,193 Rural England Prosperity Fund (and this is capital only). Schemes have commenced on both communities and place and business support

projects. A grant funding pot for local organisations and local businesses was launched with application closing on 19 May for projects to be delivered by the end of March 2024.

Whilst the Council no longer has an Asset Investment Reserve (with the balance returned to the capital funds last year) it continues to review its existing assets and reported to both Cabinet and the Governance Group with reports due next in autumn/winter 2023.

One of the Council's key priorities is **The Environment**.

The Council's Climate Change reserve (created in 2020) has been utilised for a number of projects including improving low energy efficiency housing, electric car charging points LED lighting and as mentioned the Crematorium and Bingham Hub. The authority is proactively identifying suitable projects, and these will be put forward for approval for funding from the Reserve and include Photovoltaic (PV) panels on operational buildings, replacement heating plant and a fleet and infrastructure audit.

As mentioned above it has made improvements to RCP and have implemented a range of Net-Zero environmental improvements including solar panels, an air source heat pump to supply sustainable energy to the visitor centre, interactive learning centre with touchscreen technology. The Council's new crematorium and Bingham Hub have been built to the highest environmental standards with 80% and 78% less carbon respectively. It's also installed electric charging points at both Gresham Sports Park and RCP.

The Council's target is carbon neutral by 2030 for our its operations and for the whole Borough by 2050. We have a detailed action plan with the Climate Change Reserve helping achieve this target. One challenge will be the future funding of carbon reduction schemes given other competing priorities and as the Climate Change Reserve reduces. Inevitably there will be more demand for resources from such schemes and additional resources will need to be identified.

The Council's Chief Executive champions this agenda across Nottinghamshire. A Big Business Low Carbon Club has been created, to bring together the big businesses in the Borough so they can share ideas on how they are working towards net zero within their own operations. Members include British Geological Survey, Uniper and Lafarge.

In partnership with the private sector, Waste Investigations Support Limited (WISE) have enforced the full range of environmental crimes and as a result fly tipping dropped to its lowest level in four years and provided at zero cost to Council taxpayers. The Council tops the recycling and composting league in Nottinghamshire and the garden waste service continues to offer real value for money to over 30,000 subscribers.

There are also policies on No-Mow areas to act as summer pollinator sites and encourage wildlife and habitats to thrive and approved a Public Space Protection Order which ensures dog owners must carry a bag. For the fourth year, the successful free tree scheme has seen the project pass 10,000 distributed as part of the Council's strategy to provide sustainable environments.

Forthcoming changes to Environment legislation will impact on the Council such as changes to waste collection and disposal, collection of food waste and the new charging scheme Extended Producer Responsibility (EPR) for packaging. The Levelling-up bill will also introduce changes to infrastructure levy and local planning (including reporting on environmental outcomes) and proposes increases to planning fees.

What the above highlights are the significant amount of work the Council has been undertaking and the range of challenges and opportunities going forward, as well as much uncertainty and risk. As a Council we have a relatively stable financial position which gives a sound footing to enable us to meet current and future challenges.



Keyworth Skate Park Opening

## 7. Financial Statements

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

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

The Council's accounts consist of:

- **Comprehensive Income and Expenditure Statement - CIES (Page 2)** - The net cost of service has increased by £1.518m mainly due to the loss on capital value of the Council's diversified treasury investments. There has been an increase in pay and inflation, but these have been largely offset by in-year efficiencies and an increase in investment income as a result of the increase interest rates. The movement in Other Operating Expenditure (£7.195m) arises mainly from Covid grants in 2021/22 which are no longer payable (£1.2m) and £5.967m gain from disposal of Sharpill overage.
- The movement in Financing and Investment Income and Expenditure (£2.152m) is technical in nature and relates to the movement in Fair Value of Investment Properties (£1.142m) and the movement in the capital value of the Council's Treasury Investments (£1.63m) offset by increased investment income (£0.463m).

There is a downward movement in Taxation and Non-Specific Grants of £3.198m in 2022/23 owing mainly to a reduction in Capital grants and contributions where S106 contributions were released in 2021/22 in relation to Bingham Arena and Enterprise Centre and Gresham Pitch upgrades.

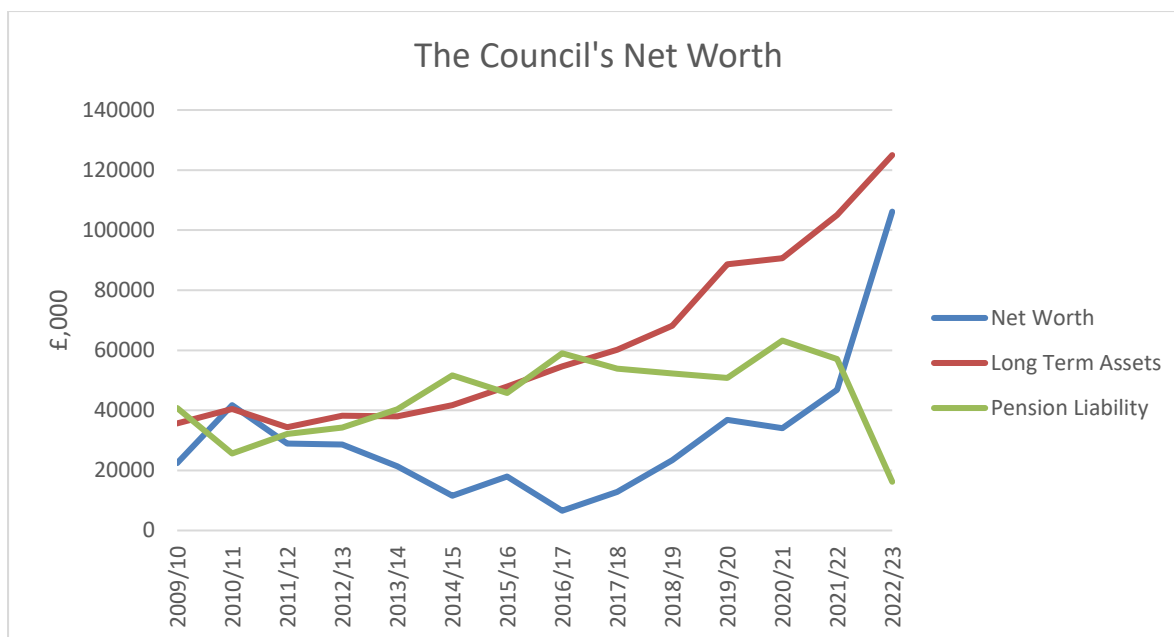
The variances above have resulted in an overall surplus on the Provision of Services of £3.268m compared to a surplus of £2.942m in 2021/22. Revaluations on non-current assets has resulted in a surplus of £11.679m. Valuations of Bingham Arena, Enterprise Centre and Crematorium, other leisure centres and Gresham Sports pitches have been affected by significant increases in build cost indices and inflation.

There have also been pension adjustments changes in actuarial assumptions (Surplus of £43.420m compared to a surplus in the previous year of £9.567m). This movement represents a decrease in liabilities due to changes in financial assumptions made.

- **Movement in Reserves Statement (Page 4)** – this shows the movement in the year of the different reserves held by the Council, analysed into ‘usable reserves’ (i.e., those that can be applied to fund expenditure) and ‘unusable reserves’ (those that an authority is not able to utilise to provide services).
- **Balance Sheet (Page 6)** – This is a snapshot of the Councils Assets, Liabilities and Reserves at the year-end date (31<sup>st</sup> March). The Council’s overall net worth has increased to £106m. In the year, the cash and cash equivalents have decreased by £25.5m mostly in relation to the decline from the previous year in additional grant payments received from government. This is partially offset by a decrease in short term creditors as balances have been repaid. Short term investments have increased from £13m to £32m mostly relating to S106 and CIL planning agreements. Long term provisions have decreased by £1.476m and relates mainly to the reversal of the Streetwise pension provision as this is now back in-house (£0.955m). The remainder relates to a reduction in the Business Rates appeals provision based on experience and expected appeals. The Pension Liability accounts reflects the valuations by the actuary and as mentioned above a change in actuarial assumptions with a net decrease of £40.838m in liabilities. Long term investments have decreased by £1.456m reflecting a decrease in the investments in the diversified funds during the year.

Property Plant and Equipment has increased by £21m primarily due to expenditure on Bingham Arena and Enterprise Centre and Crematorium and revaluation of operation Leisure buildings due to significant increases in building cost indices and inflation.

The following graph shows the change in the Council’s net worth over the past ten years. Over the last ten years there has been a positive trend of an increase in net worth (with a downward turn in 2020/21 due to the impact of the Covid-19 pandemic on pension values) the net worth has increased in 2022/23 to £106m again largely as a result of variations to pension values.



Source: Balance Sheet

- **Cash-flow Statement (Page 7)** – this shows the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- **Notes (pages 9-48)** – these provide supporting context to the above Statements.
- **Accounting Policies (Pages 49-67)** – these explain the bases of the figures presented in the accounts.

## 8. Supplementary Financial Statements

- **Collection Fund (pages 68-70)** – this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and central government. It is noted that there is now a small surplus of £0.1m on the Business Rates section of the Collection Fund, as a result of recovery of deficits from previous years and a reduction in appeals provision. The deficit on the Council Tax section has increased to £2m (from £1.6m) as proportionately precepts raised by authorities is more than the Council Tax collected.
- **Group Accounts are no longer required as Streetwise is delivered in-house**

## 9. Summary

The Council has, and continues to face, many significant financial challenges. Delayed funding settlements and unexpected financial pressures (such as Covid, the war in Ukraine and continuously high inflation) make financial planning challenging. In this volatile environment, a culture of prudence is essential, however, the Council also has ambitions to deliver initiatives focusing on investment and growth in the community (including the opportunity of the Freeport) and this will stand the Council in good stead to meet both the operational and financial challenges it now faces. The Council must ensure it is prepared to face future financial pressures but also not lose sight of its longer-term agenda to ensure the Borough remains a great place to live, work and remain healthy; and for future generations that it has a sustainable environment. The Council has committed to meeting a net zero carbon emissions target and in support of that holds a Climate Change Reserve and has created a Vehicle Replacement Reserve. A new Corporate Plan is due in 2023 and the budget will continue to resource this, ensuring the principles of sustainability, prudence and affordability are maintained.

The Council is committed to delivering the services our residents value, economic growth, and change for the Borough through the delivery of its key strategies: from leisure to transformation. The Council will continue to be innovative (under much tighter constraints), so it continues to progress and provide better value for money for taxpayers. The Council will continue to aim to provide an environment to support both businesses and the community in these most challenging of times. At the forefront of economic growth in the longer term will be the role of both the Freeport and Development Corporation and the opportunities these will create. Devolution is seen positively, viewed as an opportunity for enhanced local decision making that will support growth, improvement and to protect the vulnerable. The challenges that face Rushcliffe are ones which both members and officers of the Borough Council are determined to meet.

## 10. Further Information

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

Peter Linfield  
Director - Finance and Corporate Services  
31<sup>st</sup> May 2023

## **B. ANNUAL GOVERNANCE STATEMENT**

### **1. SCOPE AND PURPOSE**

#### **1.1 Scope of responsibility**

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

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

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

#### **1.2 The purpose of the governance framework**

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

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

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

### **2 THE GOVERNANCE FRAMEWORK**

<p><b>Principles C &amp; D</b> – <i>Defining outcomes in terms of sustainable benefits (economic, social and environmental) and determining interventions to achieve them</i></p>
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#### **2.1 Vision and priorities**

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium-term financial strategy to 2027/28 and introduce its



seventh Corporate Strategy covering the period 2019 to 2023 (to be revised in 2023). The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

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

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

The Council continues to work towards the delivery of its Transformation and Efficiency Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2027/28. The Transformation and Efficiency Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

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

## 2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. The 2023/24 Medium Term Financial Strategy (MTFS) predicts a deficit of £0.3m to 2027/28. At 0.75% of annual gross expenditure this is manageable. The impact of the Ukraine conflict continues to be felt with the pressure of rising inflation along with pay inflation and the increases in national minimum living wage. This undoubtedly presents risk to the Council's budget position. That said the Council has increased Contingency budget to £0.3m and will look to any further revenue budget efficiencies to support employee costs, given the uncertainty of future pay awards. Other pay and service pressures arise from the ability to attract and retain staff. This is likely to lead to significant additional financial pressures as staff salaries are affected and pay differentials are eroded. This may also have an impact with our external partners (e.g., Leisure contracts) who will look to address the potential of a rising cost base.

A combination of cost control and income generation and better than expected local economic performance and increased Nottinghamshire Business Rates Pool Surplus linked to prudent management of the Council's finances, resulted in a projected budget efficiency position in 2022/23 (at Quarter 3) of £1.7m (taking into account government grants and additional business rates). Much of which is committed with carry forward requests to meet service challenges and new reserves such as to manage the risk of depreciating commercial investments. Going forward there remain significant financial risks, and these are commented on below. Use of the Organisational Stabilisation reserve will ensure the Council continues to deliver its main corporate objectives. The impact of high inflation linked to rising energy costs means the trajectory of economic recovery remains uncertain and will continue to be closely monitored along with the associated changes to the Council's projected financial position.

Going forward, the Council will review the Transformation Programme including the impact of delays to both the development of the Crematorium and Bingham Leisure Hub on income streams and leisure contract savings. Streetwise has been brought

back in-house and its performance, both operational and financial, will continue to be evaluated. The Business Rates, Fair Funding and New Homes Bonus reviews continue to be delayed and it is anticipated now that these will not come to fruition until 2025/26, at the earliest and revised assumptions are reflected in the MTFS.

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

- (a) Service Efficiencies – focusing on both the customer and streamlining services;
- (b) Management budget control – challenging base budgets each year;
- (c) Transformational Projects – projects such as a new crematorium, Bingham leisure hub facilities and bringing Streetwise back in-house; and
- (d) ‘Thinking big’ reviews – the emergence of the Development Corporation and Freeport area around Ratcliffe-on-Soar power station.

To secure a medium-term financial position, the Council will maintain progress and focus on managing budget reductions where appropriate, managing inflationary pressures on its operational costs, whilst increasing income to deliver balanced budgets annually. Areas of focus in 2023 include performance of the crematorium and streetwise as in-house service; and areas of risk and opportunity such as investment returns and that income levels are maintained given the impact of the cost-of-living crisis on individuals disposable income and therefore their ability to spend on Council services. In terms of expenditure the impact of inflation on both revenue and capital budgets continues to be monitored.

The Council continues to promote a commercial culture, although the Council has taken the strategic decision to realign its financial commitments focusing on investment in significant assets such as the Bingham Leisure Hub and the crematorium and no longer investing in commercial assets for a financial return. The Council's Capital and Investment Strategy incorporates reporting on existing commercial investments. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.83m (2023/24) to £1.96m (2027/28) and performance is reported to Governance Scrutiny Group throughout the year. The Council no longer invests in assets specifically for a commercial return.

## 2.3 The Constitution

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

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

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. The Council now has a Corporate Overview Group, which manages corporate performance and

financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;

- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

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

The Constitution, as a whole, is reviewed when necessary and appropriate. The last review was in July 2022 and a further review is planned for July 2023.

## 2.4 Policies, Procedures, Laws and Regulations

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

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

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2022/23, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2022/23, the Director Finance and Corporate Services held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet members. The post holder also has direct access to the Governance Scrutiny Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium-Term Financial Strategy, annual budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.
- Internal audit services are provided to the Council by BDO. The effectiveness of this service is monitored by the Governance Scrutiny Group.
- The Chief Executive and three Directors are responsible for ensuring that legislation and policy relating to service delivery and health and safety are

implemented in practice. Oversight of these arrangements is provided by the Director Neighbourhoods.

## 2.5 Risk Management

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

The Council's risk management arrangements are regularly reviewed. In the last twelve months, the Governance Scrutiny Group reviewed the Risk Register in February, where there were 41 corporate risks and 27 operational risks on the risk register. In addition, there were 4 opportunity risks.

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

The 2022/23 Annual Report by Internal Audit is expected to provide positive assurance regarding its risk and control arrangements although this is currently outstanding at the time of writing.

This reflects well on the Council particularly given the 'cost of living crisis' and ongoing impact of the Russia-Ukraine conflict following on the heels of the economic and social impact of Covid.

## 2.6 Development and training needs

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

The Council has a cross party Member Development Group (MDG) to oversee the development and delivery of Councillor learning and training. This Group meets to review the delivery of the annual training programme and looks at the Councillors' Community Grant Scheme before each election.

Following the suspension of councillor training during 2020/21 to enable Councillors to spend additional time supporting their communities, the Council adopted a Councillors' Learning and Development Policy in July 2021. Training required for membership of regulatory committees was brought up to date and additional training for councillors was delivered in-person, virtually and via the Council's e-learning platform. Topics during 2022/23 included treasury management, code of conduct, risk management, greenbelt policy, planning, licensing, and cyber security. Councillors now have an Individual Training Record which lists the training they have done during this term of office.

During 2022/23, the Council's Member Development Group met three times to develop the Council's Become a Councillor Campaign, the 2023 Induction Programme which officers deliver following the Borough Council election in May 2023, and the training plan for 2023/24 following the induction. It is expected that the Member Development Group will meet twice during 2023/24, to evaluate the Induction Programme, and then

later in the year to evaluate the 2023/24 training programme and develop the programme for the coming year. A skills audit for Governance Scrutiny Group members is due to take place in the coming months.

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

## 2.7 Communication

**Principle B** - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council’s newsletter for residents – were circulated to over 52,000 households on each occasion and these set out details of a number of key service changes, information on community events and request customer feedback.

Further projects are evolving to respond to the three yearly resident’s survey feedback received in 2021, particularly across the Council’s digital channels to build on 84% of respondents being satisfied, or very satisfied, with their local area as a place to live, 2% higher than the Local Government Association national survey.

The Council has continued to increasingly implement the use of recognised communication techniques to keep its residents, staff and members informed operating in a more hybrid and digital driven era, including the use of social media which saw it attract hundreds more subscribers across its various channels to nearly 20,000 followers.

During 2022/23, the Council continued developing its electronic free subscription newsletter to stakeholders, another communication method that now sees thousands receive a weekly digest on council news and updates direct to their inbox.

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

## 2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, and car parking contracts. Streetwise Environmental Limited (SEL) was brought in-house from 1 September 2022. During this period and through the remainder of the year the Directors (the Council’s Chief Executive as Chair

and the Council's s151 Officer also representing RBC as a Corporate Director) have continued to meet until the formal winding-up of the business in May 2023.

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

Furthermore, the power station site is part of the proposal for the East Midlands Freeport one of 8 successful bids announced by the Chancellor from 1 June 2022 the Freeport was incorporated as a Company – East Midlands Freeport (EMF). The Leader of the Council sits on the Board as a Director. The East Midlands Freeport was approved by the Government on 30 March 2023. It will receive up to £25million in seed funding from the government to help drive investment in local businesses. Both the DevCo and Freeport present great opportunities for a world-class green and blue environmental investment programme with research and development in climate change and zero carbon technology and will enable employment opportunities and infrastructure investment.

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

## 2.9 Transparency

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

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

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

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

### **3 REVIEW OF EFFECTIVENESS**

#### **3.1 Introduction**

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

#### **3.2 The Council**

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

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

#### **3.3 The Cabinet**

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

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

#### **3.4 Scrutiny groups - Governance Scrutiny Group**

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

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts

- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution
- Receiving reports from external audit in relation to the audit arrangements
- Scrutinising the Going Concern report.

### 3.5 **Other Scrutiny Groups**

The Corporate Overview Group reviews the performance of the Council against the approved targets. Other reports are taken to this group and during the last year include the diversity annual report, annual customer survey and the health and safety reports.

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups. The first, Communities, looks at areas that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council and the WISE environmental crime enforcement update. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year for example, scrutinised reports in relation to the River Trent footbridge and cycling networks in the borough.

### 3.6 **Directors**

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

### 3.7 **Internal Audit**

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Gedling Borough Council in 2019/20, this contract was awarded to BDO until 2023/24. An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology.

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

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

At the time of writing, we are awaiting the Internal Audit report.

### 3.8 **External Audit**

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

- Preparing accounts in compliance with statutory and other relevant requirements;
- Ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice; and



- Managing performance to secure economy, efficiency and effectiveness in the use of resources.

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. This was after the 30 November deadline primarily due to the knock-on effect of delays in the pensions audit (undertaken by Grant Thornton on behalf of Notts CC) and clarification sought nationally regarding the treatment of infrastructure assets. The Council currently awaits the Value For Money conclusion from Mazars.

## 4 SIGNIFICANT GOVERNANCE ISSUES

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

#### *Covid 19 Issues*

The Council has continued to deliver its core services and many areas of income have recovered to pre-Covid levels, including car parking and planning and we have continued with services such as green waste. Whilst there have been some delays to our capital projects (e.g., Bingham Leisure Hub and the Crematorium), these are now successfully in operation. Performance will be reported via the Council's normal finance and performance governance arrangements to both Corporate Overview Group and Cabinet.

#### *Current budget position and the cost-of-living crisis*

2022/23 budgets were uplifted from 2021/22 to ensure funding was sufficient to meet expenditure pressures in relation to energy and pay inflation. We were anticipating budget efficiencies for 2022/23 of around £1.9m. This is not unexpected and will meet service pressures such as in relation to the 'homes for Ukraine' scheme and the expected temporary reduced value in pooled treasury investments (with an appropriation to an earmarked reserve); and funds to relieve any further pay pressures as well as support further climate change initiatives. One upshot of changes in the economy has meant the Council has accrued more interest income as a result of higher interest rates (amounting to additional income of around £0.6m).

#### *The CIPFA Financial Management Code*

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

We detailed the Council's self-assessment 2 years ago and nothing has changed regarding this. The approach used is to give a RAG rating and has been reviewed by the Council's Section 151 Officer. In summary, the findings of the current self-assessment against the Financial Management Standards gives a green rating against each standard. We will be asking a neighbouring authority to review the assessment with the results being reported to GSG in the AGS next year.

### Other Issues

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter. The biggest developing arrangements as already stated concern the Development Corporation and the Freeport (see Section 2.8 above). A £0.5m reserve has been created to ensure the Council supports the initial business case development and plays an active role in decisions taken by the DevCo and Freeport Boards. The Freeport has been granted approval and work is continuing to ensure that it meets its business case targets. Devolution continues with the expectation there will be a mayoral election in May 2024.

Given all of the challenges linked to Covid and the cost-of-living challenge; and other medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the authority has responded positively. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements. A combination of cost control and income generation (including fees and charges and council tax) ensures the Council's budget deficit position over the next 5 years is estimated to be £0.3m. Immediate risks are in relation to utility and pay inflation (which are key drivers for general inflation). Hopefully utility risk will reduce although pay inflation remains a live issue linked to the national minimum living wage. To help mitigate these in the short term budget efficiencies from 2022/23 will be used to support the budget in 2023/24.

Going forward, there will also be service based pressures linked to statutory changes in relation to planning and waste services. The Council will seek to ensure it maximises the use of its UK Shared Prosperity fund allocation and any other external funding streams.

The Council is still committed to having a commercial ethos and maximising value for money for the benefit of its residents. The Council has a range of income streams and manages such risks proportionately and sensibly.

The continuing regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates have been closely monitored. Positively the collection rates have maintained their high levels (despite financial pressures the community is facing). At the 31 March 2023, collection rates for Council Tax have increased by 0.1% compared to 2021/22 at 99.2%,. The collection rate for Business Rates has remained at a high 99.3%.

The planned reviews of Business Rates and Fair Funding continue to be delayed. The current expectation is that they will be delayed until at least 2025/26. New homes Bonus has already been subject to consultation in 2021, as yet there has been no feedback from Government as to its future although it is expected this year. This complex economic environment is further compounded by the impact of BREXIT.

In the past we have referenced the risk of Power station appeals given the reduction in business rates for the power station, over time, which therefore erodes this particular income stream to the Council. Business rates for the power station have reduced to around £1.6m (50% retained by central government), several years ago it was over £6m. The upside risk is that the Council's future exposure to a power station appeal will have a smaller impact and similarly when the power station is ultimately de-commissioned its financial impact will not be as greatly felt.

The Medium-Term Financial Strategy will continue to be reported as part of the Council’s normal finance and performance due diligence. The key areas of risk being its key income streams, significant levels of inflation and the ongoing ramifications of the Russian-Ukraine conflict on the global economy, staff recruitment and retention, the challenges and opportunities of both the Freeport and Development Corporation, Business Rates and Council Tax collection, the capital programme and its funding, delays to the anticipated national business rates and fair funding system and ultimately the position and sustainability of the Council’s reserves.

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

The external auditors have noted a number of risks in their Audit Strategy Memorandum 2022 (which is unlikely to be dissimilar in their 2023 Memorandum which we await), namely:

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

It is recognised that ICT threats and opportunities continue to evolve, it is imperative that the Borough Council has a clear understanding of how these impact on their day-to-day operations, particularly in the light of recent global cyber security threats.

Despite the challenging economic environment, the Council remains committed to reducing its carbon footprint and continue to deliver excellent services. The Climate Change Reserve of £1m has not been diverted to resource Covid financial pressures and pertinently a new reserve to enable vehicle replacement of £1m has been established. Plans with regards to the climate challenge and the use of resources continue to be reported to the Communities Scrutiny Group (April 2023, Carbon Management Plan). At 31.03.23, £671k of the Climate Change Reserve has been applied primarily to meet green energy elements of Bingham Leisure Hub and the Crematorium. In addition, a number of significant carbon reduction measures – green energy grants have been completed which have been fully funded by grants, or via existing budgets, with no call on the Climate Change reserve.

The Department for Environment, Food and Rural Affairs has launched the Resources and Waste Strategy setting out how the country can minimise waste, promote resource efficiency and move towards a circular economy. This potentially could have significant adverse financial implications for the Council in terms of both revenue and capital funding. The Council will, therefore, be making representation to relevant bodies and working with peers on how to mitigate this risk. Further information from Government is expected over the coming months.

Based on our review of the governance framework, the following significant issues will be addressed in 2023/24:

Issue	Reporting to	Methodology	Timescale
Review of the Financial Management Code	Governance Scrutiny Group	Report to accompany the	Report to GSG June 2024

		Annual Governance Statement in 2024	
Monitor the delivery of the Transformation Strategy and ongoing budget position covering risks and opportunities arising from, for example, inflation, the new crematorium and Streetwise insourcing	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme	Reports to Corporate Overview Group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Reports to Cabinet and Full Council	Included as part of the Medium-Term Financial Strategy reporting; update to CGG as part of the AGS	By March 2024
Monitor the position with regards to significant external opportunities - Devolution, the Development Corporation and the Freeport	Reports to Cabinet and Full Council	On-going governance reports	By March 2024

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

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

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

Signed.....

K Marriott (Chief Executive)

Date 30 September 2023

Signed.....

Councillor N Clarke (Leader)

Date 30 September 2023

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

TO BE ADDED

# Statement of Accounts

2022 - 2023

## **D. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **THE COUNCIL'S RESPONSIBILITIES**

The Council is required to:

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

### **THE DIRECTOR (FINANCE AND CORPORATE SERVICES) RESPONSIBILITIES**

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

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

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

The Director (Finance and Corporate Services) has also:

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

The Director (Finance and Corporate Services) should sign and date the Statement of Accounts, stating that it gives a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2023.

### **CERTIFICATE**

This statement of accounts is unaudited and may be subject to change prior to formal approval by the Governance Scrutiny Group.

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Rushcliffe Borough Council at 31 March 2023 and its income and expenditure for the financial year ended 31 March 2023.

Peter Linfield  
Director - Finance and Corporate Service

### **FORMAL APPROVAL**

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

## E. THE FINANCIAL STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 1 APRIL 2022 TO 31 MARCH 2023

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

2021/22			Note	2022/23		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
2,033	(56)	1,977	Chief Executive	2,226	(44)	2,182
3,489	(1,788)	1,701	Development & Economic Growth	3,825	(1,898)	1,927
17,748	(13,301)	4,447	Finance and Corporate	17,424	(12,764)	4,660
14,034	(6,377)	7,657	Neighbourhoods	15,306	(6,775)	8,531
<b>37,304</b>	<b>(21,522)</b>	<b>15,782</b>	<b>Cost of Services</b>	<b>38,781</b>	<b>(21,481)</b>	<b>17,300</b>
		3,995	Other Operating Expenditure			(3,200)
	(803)		Financing and Investment Income and Expenditure			1,349
	(21,916)		Taxation and Non-Specific Grant Income			(18,818)
	<b>(2,942)</b>		<b>(Surplus)/Deficit on Provision of Services</b>			<b>(3,369)</b>
	(1,696)		(Surplus)/Deficit on Revaluation of Non-Current Assets			(11,679)
	(9,567)		Actuarial (Gains)/Losses on Pension Assets / Liabilities	32		(43,420)
	<b>(11,263)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(55,099)</b>
	<b>(14,205)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(58,468)</b>



## **E. THE FINANCIAL STATEMENTS**

### **MOVEMENT IN RESERVES STATEMENT (MIRS)**

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

## E. THE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2022 TO 31 MARCH 2023

	Note	Total Usable Reserves					Unusable Reserves (Note 19)	Total Reserves
		General Fund Balance	Earmarked GF Reserves (Note 4)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
		£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance as at 1 April 2022</b>		<b>2,604</b>	<b>23,575</b>	<b>825</b>	<b>160</b>	<b>27,164</b>	<b>19,684</b>	<b>46,848</b>
<u>Movement in Reserves during 2022/23</u>								0
Surplus/(Deficit) on the provision of services		3,369				3,369		3,369
Other Comprehensive Income and Expenditure							55,099	55,099
Other Recognisable Gains/(Losses)*							955	955
<b>Total Comprehensive Income and Expenditure</b>		<b>3,369</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,369</b>	<b>56,054</b>	<b>59,423</b>
Adjustments between accounting basis & funding basis under regulations	(3)	(7,271)		260	(6)	(7,017)	7,017	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>		<b>(3,902)</b>	<b>0</b>	<b>260</b>	<b>(6)</b>	<b>(3,648)</b>	<b>63,071</b>	<b>59,423</b>
Reserves	(4)	3,902	(3,902)	0	0	0	0	0
<b>Increase (Decrease) in year</b>		<b>0</b>	<b>(3,902)</b>	<b>260</b>	<b>(6)</b>	<b>(3,648)</b>	<b>63,071</b>	<b>59,423</b>
<b>Balance as at 31 March 2023 c/f</b>		<b>2,604</b>	<b>19,673</b>	<b>1,085</b>	<b>154</b>	<b>23,516</b>	<b>82,755</b>	<b>106,271</b>

\*Reverse of provision for Streetwise pension deficit to unusable Pension Reserve

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

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

## E. THE FINANCIAL STATEMENTS

### BALANCE SHEET AS AT 31 MARCH 2023

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

31 Mar 2022			31 Mar 2023
£'000		Note	£'000
56,584	Property, Plant and Equipment	8	77,890
114	Heritage Assets		111
30,753	Investment Property	9	31,030
127	Intangible Assets	10	106
15,222	Long Term Investments	12	13,766
2,240	Long Term Debtors	12,13	2,084
<b>105,040</b>	<b>Long Term Assets</b>		<b>124,987</b>
13,000	Short Term Investments		32,000
8,144	Short Term Debtors	13	6,425
39,872	Cash and Cash Equivalents	15	14,359
<b>61,016</b>	<b>Current Assets</b>		<b>52,784</b>
(23,829)	Short Term Creditors	16	(10,609)
<b>(23,829)</b>	<b>Current Liabilities</b>		<b>(10,609)</b>
(2,927)	Long Term Provisions	17	(1,451)
(35,395)	Capital Grant Receipts in Advance	12,27	(43,221)
(57,057)	Pension Liabilities	32	(16,219)
<b>(95,379)</b>	<b>Long Term Liabilities</b>		<b>(60,891)</b>
<b>46,848</b>	<b>Net Assets</b>		<b>106,271</b>
825	Usable Capital Receipts Reserve	MIRS	1,085
2,604	General Fund Balance	MIRS	2,604
23,575	Earmarked Reserves	4	19,673
160	Capital Grants Unapplied	MIRS	154
<b>27,164</b>	<b>Usable Reserves</b>	MIRS	<b>23,516</b>
<b>19,684</b>	<b>Unusable Reserves</b>	19	<b>82,755</b>
<b>46,848</b>	<b>Total Reserves</b>		<b>106,271</b>

## E. THE FINANCIAL STATEMENTS

### CASH FLOW STATEMENT AS AT 31 MARCH 2023 (INDIRECT METHOD)

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

31 Mar 2022 £'000		Note	31 Mar 2023 £'000
(2,942)	Net (surplus) or deficit on the provision of services		(3,369)
(15,113)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		10,140
5,013	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		6,051
<b>(13,042)</b>	<b>Net cash flow from Operating Activities</b>	20	<b>12,822</b>
(7,012)	Investing Activities	21	16,357
(417)	Financing Activities	22	(3,666)
<b>(20,471)</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>25,513</b>
(19,401)	Cash and cash equivalents as at 1 April	15	(39,872)
<b>(39,872)</b>	<b>Cash and cash equivalents as at 31 March</b>	15	<b>(14,359)</b>

## E. THE FINANCIAL STATEMENTS

### EXPENDITURE AND FUNDING ANALYSIS AND NOTES FOR THE YEAR 1 APRIL 2022 TO 31 MARCH 2023

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by authorities compared to resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2021/22				2022/23		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
1,808	169	1,977	Chief Executive	2,136	46	2,182
1,371	330	1,701	Development & Economic Growth	1,803	124	1,927
3,852	595	4,447	Finance and Corporate	4,080	580	4,660
5,587	2,070	7,657	Neighbourhoods	6,675	1,856	8,531
<b>12,618</b>	<b>3,164</b>	<b>15,782</b>	<b>Net Cost of Services</b>	<b>14,694</b>	<b>2,606</b>	<b>17,300</b>
(13,828)	(4,896)	(18,724)	Other Income and Expenditure	(10,792)	(9,877)	(20,669)
<b>(1,210)</b>	<b>(1,732)</b>	<b>(2,942)</b>	<b>(Surplus) or Deficit</b>	<b>3,902</b>	<b>(7,271)</b>	<b>(3,369)</b>
2,604			Opening General Fund Balance	2,604		
1,210			Surplus/(Deficit) on General Fund in Year	3,902		
<b>(1,210)</b>			Transfer (to)/from Earmarked Reserves	<b>(3,902)</b>		
<b>2,604</b>			<b>Closing General Fund Balance at 31 March</b>	<b>2,604</b>		

## F. NOTES TO THE ACCOUNTS

### 1. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

2022/23 Adjustments between Funding & Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1a)	Net change for the Pensions Adjustments (Note 1b)	Other Differences (Note 1c)	Total Adjustments
Chief Executive	0	46	0	46
Development & Economic Growth	62	62	0	124
Finance & Corporate Services	230	350	0	580
Neighbourhoods	1,711	145	0	1,856
<b>Net Cost of Service</b>	<b>2,003</b>	<b>603</b>	<b>0</b>	<b>2,606</b>
Other income & expenditure from the Expenditure & Funding Analysis	(6,052)	1,062	(4,887)	(9,877)
<b>General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on on the Provision of Services</b>	<b>(4,049)</b>	<b>1,665</b>	<b>(4,887)</b>	<b>(7,271)</b>

#### Note 1a Adjustments for Capital Purposes

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

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

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

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

#### Note 1b Net Change for the Pensions Adjustments

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

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

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

## Note 1c Other Differences

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

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

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

## 2. INCOME AND EXPENDITURE ANALYSED BY NATURE

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

2021/22 £'000		2022/23 £'000
	<b>Expenditure</b>	
10,604	Employee Benefit Expenses*	12,772
26,946	Other Services Expenses	24,977
1,701	Depreciation, amortisation, impairment	3,948
1,253	Interest Payments (Pensions)	1,062
2,320	Precepts and Levies	2,440
307	Loss in fair value of diversified investment	1,456
<b>43,131</b>	<b>Total Expenditure</b>	<b>46,655</b>
	<b>Income</b>	
(6,736)	Fees, Charges and Other Service Income	(6,365)
(27,021)	Government Grants and Contributions	(20,738)
(9,881)	Income from Council Tax, NDR	(13,210)
103	Gain on the Disposal of Assets	(5,961)
0	Profit recognised from changes in the fair value of properties	(667)
(2,538)	Interest and Investment Income	(3,083)
<b>(46,073)</b>	<b>Total Income</b>	<b>(50,024)</b>
<b>(2,942)</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>(3,369)</b>

\*From 22/23 Agency Staff costs are included in employee benefits



### **3. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

#### **General Fund Balance**

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

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on the capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

#### **Capital Receipts Reserve**

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

#### **Capital Grants Unapplied**

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

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

2021-22					2022-23				
Usable Reserves			Movements in Unusable Reserves £'000		Usable Reserves			Movements in Unusable Reserves £'000	
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000			General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000		
<b>Adjustments primarily involving the Capital Adjustment Account:</b>									
					<b>Reversal of items debited or credited to the CIES:</b>				
(1,557)	0	0	1,557		Charges for depreciation and impairment of non-current assets	(1,757)	0	0	1,757
4	0	0	(4)		Revaluation losses on Property Plant and Equipment	(2,125)	0	0	2,125
(307)	0	0	307		Movements in the market value of Investment Properties	667	0	0	(667)
(61)	0	0	61		Amortisation of intangible assets	(65)	0	0	65
5,543	0	0	(5,543)		Capital grants and contributions applied	2,732	0	0	(2,732)
0	0	0	0		Income in relation of Donated Assets	0	0	0	0
(1,541)	0	0	1,541		Revenue expenditure funded from capital under statute	(2,236)	0	0	2,236
(5,133)	0	0	5,133		Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(22)	0	0	22
					<b>Insertion of items not debited or credited to the CIES:</b>				
1,074	0	0	(1,074)		Statutory provision for the financing of capital investment	1,017	0	0	(1,017)
242	0	0	(242)		Capital expenditure charged against the General Fund	1,243	0	0	(1,243)
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>									
0	0	0	0		Capital grants and contributions unapplied credited to the CI&ES	52	0	(52)	0
0	0	204	(204)		Application of grants to capital financing transferred to the CAA	0	0	58	(58)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>									
5,014	(5,246)	0	232		Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	5,999	(6,408)	0	409
0	7,788	0	(7,788)		Capital Receipts applied	0	4,386	0	(4,386)
0	1,200	0	(1,200)		Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	1,767	0	(1,767)
0	(4,073)	0	4,073		Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(5)	0	5
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>									
0	0	0	0		Amount by which finance costs charged to the CI&ES are different from statutory requirements	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>									
(4,772)	0	0	4,772		Reversal of items relating to retirement benefits debited or credited to the CI&ES	(4,112)	0	0	4,112
2,290	0	0	(2,290)		Employer's pensions contributions and direct payments to pensioners payable in the year	2,448	0	0	(2,448)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>									
851	0	0	(851)		Amount by which council tax & business rate income credited to the CI&ES is different from statutory requirements	4,887	0	0	(4,887)
<b>Adjustments primarily involving the Accumulated Absences Account:</b>									
0	0	0	0		Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from statutory	0	0	0	0
<b>Adjustments primarily involving the Pooled Fund Investment Account:</b>									
173	0	0	(173)		Downward revaluation of value of investments not charged to the Surplus/Deficit on the Provision of Services	(1,457)	0	0	1,457
<b>1,820</b>	<b>(331)</b>	<b>204</b>	<b>(1,693)</b>		<b>Total Adjustments</b>	<b>7,271</b>	<b>(260)</b>	<b>6</b>	<b>(7,017)</b>

#### 4. TRANSFERS TO/(FROM) EARMARKED RESERVES

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

	Balance at 1st April 2022 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2023 £'000
<b>Investment Reserves</b>				
Regeneration and Community Projects	1,897	222	(7)	2,112
Investment Properties	426	326	(203)	549
New Homes Bonus	8,979	1,587	(1,017)	9,549
<b>Corporate Reserves</b>				
Organisation Stabilisation Reserve	3,994	1,107	(2,466)	2,635
Climate Change	800	200	(671)	329
Treasury Capital Depreciation	0	973	0	973
Collection Fund Reserve	5,145	0	(3,707)	1,438
Development Corporation	330	200	(165)	365
Risk and Insurance	100	0	0	100
Planning Appeals	349	0	0	349
Elections	151	50	0	201
<b>Operating Reserves</b>				
Planning	300	0	(169)	131
Leisure Centre Maintenance	104	15	(62)	57
Vehicle Replacement Reserve	1,000	185	(300)	885
<b>Total</b>	<b>23,575</b>	<b>4,865</b>	<b>(8,767)</b>	<b>19,673</b>

#### INVESTMENT RESERVES

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

**Investment Properties** – to fund improvements

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

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

#### CORPORATE RESERVES

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

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

**Treasury Capital Depreciation Reserve** – To provide funding to reduce the impact on the general fund from reductions in the capital value of treasury investments

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

**Development Corporation** – To support the work to establish a Development Corporation and Freeport

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

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

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

#### **OPERATING RESERVES**

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

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

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

## 5. OTHER OPERATING EXPENDITURE

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

2021/22 £'000		2022/23 £'000
2,320	Parish Council Precepts	2,440
302	Internal Drainage Board Levies	327
1,270	Expenditure on Covid Grants*	0
103	(Gain) or Loss on the disposal of non-current assets**	(5,967)
<b>3,995</b>	<b>TOTAL</b>	<b>(3,200)</b>

\*Expenditure on Covid grants 2021/22 relates to grants made in respect of Covid Delivery and Additional Restrictions Grants (ARG). These are funded by additional grant receipts included in Note 7 (Taxation and Non- Specific Grants) and in Note 27 (Grant Income). For 2022/23 there is no expenditure relating to Covid Grants.

\*\* £5.91m relating to overage for Sharphill Wood

## 6. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2021/22 £000		2022/23 £000
15	Interest payable and similar charges	10
1,253	Pensions interest cost and expected return on pension assets	1,062
(173)	Movement in the fair value of property/diversified income	1,456
(677)	Interest receivable and similar income	(1,139)
(1,221)	Income and Expenditure in relation to Investment Properties and changes in their fair value	(40)
<b>(803)</b>	<b>Total</b>	<b>1,349</b>

## 7. TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

The composition of the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below. Capital grants were higher in 2021/22 due to funding for two large projects, the Bingham Hub £2m and Gresham pitches £1.2m. Covid grants have now ended with some residual amounts received in year. The increase in other non-specific grants relates to funding for Homes for Ukraine and additional New Burdens grants relating to cost-of-living payments.

The detailed breakdown of Grants is shown in Note 27.

<b>2021/22</b> <b>£'000</b>		<b>2022/23</b> <b>£'000</b>
(9,514)	Council Tax income	(10,015)
(4,125)	Business Rates income	(5,496)
(4,305)	Capital grants and contributions (Note 27)	(857)
(1,633)	New Homes Bonus	(1,587)
	Non-ring-fenced government grants (Note 27)	
(1,874)	- Covid 19 Grants	(81)
(465)	- Other Non Specific Grant	(782)
<b>(21,916)</b>	<b>TOTAL</b>	<b>(18,818)</b>

## 8. PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances 2022/23

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL
<b>Cost or Valuation</b>							
<b>At 1 April 2022</b>	<b>34,787</b>	<b>7,620</b>	<b>4,850</b>	<b>329</b>	<b>0</b>	<b>14,985</b>	<b>62,571</b>
Additions/Asset Merge	10,815	2,135	46			(149)	12,847
Transfers	16,999	86	(1,612)			(14,793)	680
Revaluation (+/-) recognised in the Revaluation Reserve	10,797						10,797
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	(2,128)						(2,128)
Derecognition - Disposals	(5)	(1,126)	(493)				(1,624)
<b>At 31 March 2023</b>	<b>71,265</b>	<b>8,715</b>	<b>2,791</b>	<b>329</b>	<b>0</b>	<b>43</b>	<b>83,143</b>
<b>Accumulated Depreciation or Impairment</b>							
<b>At 1 April 2022</b>	(182)	(4,899)	(906)	0	0	0	(5,987)
Depreciation charge	(887)	(755)	(110)				(1,752)
Depreciation transfer	(64)	(10)	74				0
Depreciation written out to the Revaluation Reserve	881						881
Depreciation written out to the Surplus/Deficit on Provision of Services							0
Derecognition - Disposals		1,114	491				1,605
<b>At 31 March 2023</b>	<b>(252)</b>	<b>(4,550)</b>	<b>(451)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,253)</b>
<b>Net Book Value at 31 March 2023</b>	<b>71,013</b>	<b>4,165</b>	<b>2,340</b>	<b>329</b>	<b>0</b>	<b>43</b>	<b>77,890</b>
<b>Net Book Value at 31 March 2022</b>	<b>34,605</b>	<b>2,721</b>	<b>3,944</b>	<b>329</b>	<b>0</b>	<b>14,985</b>	<b>56,584</b>

## Movements on Balances 2021/22

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



## 8. PROPERTY, PLANT AND EQUIPMENT CONTINUED

### Depreciation

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

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

### Capital Commitments

At 31 March 2023, the Council was committed to works totalling £3.4m for the acquisition, construction, and enhancement of Property and grants to third parties in 2023/24. Significant items of contract and other costs comprise: Vehicle Acquisition £1.4m; Disabled Facilities Grants £0.7m; and Support for Registered Social Landlords £0.5m.

### Revaluations

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

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

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

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

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at Historical Cost</b>	191	8,715	2,790	329	43	12,068
Valued at fair value as at:						
31-Mar-21	3,149					3,149
31-Mar-22	1,684					1,684
31-Mar-23	66,241					66,241
<b>Total Cost or Valuation</b>	<b>71,265</b>	<b>8,715</b>	<b>2,790</b>	<b>329</b>	<b>43</b>	<b>83,142</b>

## 9. INVESTMENT PROPERTIES

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

Restated 2021/22 £'000		2022/23 £'000
(1,845)	Rental and Service Charge Income from Investment Property	(1,925)
347	Direct Operating Expenses arising from Investment Property	342
<b>(1,498)</b>	<b>Net (Gain)/Loss</b>	<b>(1,583)</b>

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

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

The following table summarises the movement in the fair value of investment properties during 2022/23 and 2021/22.

## 9. INVESTMENT PROPERTIES CONTINUED

2021/22 £000		2022/23 £000
29,127	<b>Balance at start of the year</b>	<b>30,753</b>
78	Enhancements	293
0	Disposals	(3)
(307)	Net gains/(losses) from fair value adjustments	667
1,855	Transfers	(680)
<b>30,753</b>	<b>Total</b>	<b>31,030</b>

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

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

## 10. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.065m in 2022/23 (£0.061m 2021/22) was charged to the Information Technology cost centre within Finance and Corporate Service Area.

### Movements on Intangible Fixed Assets

2021/22 £'000		2022/23 £'000
	<b>Balance at start of year</b>	
350	Gross carrying amount	404
(224)	Accumulated amortisation	(277)
<b>126</b>	<b>Net carrying amount at start of year</b>	<b>127</b>
62	Purchases	44
(8)	Disposals	(118)
	<i>Amortisation</i>	
(61)	Amortisation for the period	(65)
8	Amortisation on disposals	118
<b>127</b>	<b>Net carrying amount at end of year</b>	<b>106</b>
	<b>Comprising:</b>	
404	Gross carrying amounts	330
(277)	Accumulated amortisation	(224)
<b>127</b>	<b>Balance Sheet amount at 31 March</b>	<b>106</b>

## 11. ASSETS HELD FOR SALE

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

	2021/22 £'000	2022/23 £'000
<b>Balance at the start of the year</b>	<b>4,586</b>	<b>0</b>
Assets Sold	(4,586)	0
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>

CIPFA code of Practice specifies that Investment Properties, which meet the classification criteria for assets held for sale, must continue to be accounted for as Investment Property and these are held at Fair Value. The Council has not elected to have a separate category within Investment Property for sale assets. At the Balance Sheet date, the Council held two Investment properties (Land at Hollygate Lane and Candleby Lane Industrial Site) for sale (both agreed subject to contract). Estimated sale proceeds for these asset are £7.4m in 2023/24.

## 12. FINANCIAL INSTRUMENTS

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

Long-Term 31-Mar-22	Current (Revised) 31-Mar-22		Long-Term 31-Mar-23	Current 31-Mar-23
£000	£000		£000	£000
	52,872	<b>Investments</b>		
2,417		Loans and Receivables		46,359
2,018		CCLA Property	2,018	
991		CCLA Diversified	1,839	
4,976		Enhanced Cash Plus	984	
4,820		Aegon	4,365	
		Ninety-One	4,560	
<b>15,222</b>	<b>52,872</b>	<b>Total Investments</b>	<b>13,766</b>	<b>46,359</b>
		<b>Debtors</b>		
2,240	4,150	Loans and Receivables	2,084	5,795
<b>2,570</b>	<b>4,150</b>	<b>Total Debtors</b>	<b>2,084</b>	<b>5,795</b>
		<b>Borrowings</b>		
0	0	Financial Liabilities at Amortised Cost	0	0
<b>0</b>	<b>0</b>	<b>Total Borrowing</b>	<b>0</b>	<b>0</b>
		<b>Creditors</b>		
35,395	23,829	Financial Liabilities at Amortised Cost	43,221	6,861
<b>35,395</b>	<b>23,829</b>	<b>Total Creditors</b>	<b>43,221</b>	<b>6,861</b>

### Valuation Assumptions

Investments held at 31 March 2023 amounted to £59.92m, consisting of £32m of fixed term investments where the instrument carries the same interest rate for the whole term, £14.15m of deposits in the Money Market and Call Account funds where, in general, the rate only alters with movements in the Bank rate, £13.77m in funds valued at bid price for the shares which the Council holds. Cash and bank included in total current investments are £0.2m. No formal calculation of the effective interest rate (EIR) is necessary, and the carrying amount is a reasonable approximation of the fair value.

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

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

### Long Term Investments

The Council holds £13.766m in pooled fund investments. These are externally managed funds that invest in such things as equities, bonds, property, with different strategies, this adding diversification to RBCs portfolio.

These assets have to be held on the balance sheet at fair value reflecting instability in the financial market and volatility in net asset value (NAV). Because of these factors pooled investments are held for the long-term so any losses are not realised. For this reason, the Council does not classify pooled fund investments as cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. They must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value (IAS 7 Para 6)

Pooled fund investments do not meet this definition. They are not used for the purpose of meeting cash flow commitments and are accordingly treated as long-term investments

## 13. DEBTORS

2021/22			2022/23	
Short Term £'000	Long Term £'000		Short Term £'000	Long Term £'000
2,541	0	Trade	725	0
512	0	Prepayment	336	0
5,690	2,240	Other	6,016	2,084
(599)		Provision for impairment losses	(652)	0
<b>8,144</b>	<b>2,240</b>	<b>TOTAL DEBTORS</b>	<b>6,425</b>	<b>2,084</b>

## 14. DEBTORS FOR LOCAL TAXATION

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

2021/22 £'000		2022/23 £'000
504	Council Tax	561
311	Non-Domestic Rates	323
<b>815</b>	<b>TOTAL DEBTORS FOR LOCAL TAXATION</b>	<b>884</b>

## 15. CASH AND CASH EQUIVALENTS

2021/22 £'000		2022/23 £'000
1	Cash Held by the Council	1
308	Bank Current Accounts	209
39,563	Short Term Deposits	14,149
<b>39,872</b>	<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>14,359</b>

## 16. CREDITORS

2021/22 £'000		2022/23 £'000
(5,181)	Trade	(4,435)
(18,648)	Other	(6,174)
<b>(23,829)</b>	<b>Total</b>	<b>(10,609)</b>

## 17. PROVISIONS

	Long Term			
	Streetwise Pension	Leasheolder Deposits	NDR Appeals	TOTAL
	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2022</b>	<b>955</b>	<b>109</b>	<b>1,863</b>	<b>2,927</b>
Additional provisions made in year	0	35	(1,000)	(965)
Amount utilised/reduction in year	(955)	(6)	(150)	(1,111)
Amount transferred to major preceptors in year			600	600
<b>Balance at 31 March 2023</b>	<b>0</b>	<b>138</b>	<b>1,313</b>	<b>1,451</b>

### NDR Appeals

This provision sets aside sums for the Council's element of anticipated appeals that may arise in respect of Business Rates. The full liability is expected to be approximately £3.283 million with Rushcliffe's share at 40% and the difference is to be met by major preceptors - Central Government (50%), Notts County Council (9%) and Fire Authority (1%).

### Streetwise Pension

This provision represents the pension deficit in relation to Rushcliffe employees that transferred to Streetwise when the function was outsourced in 2014. During 2022 the Grounds Maintenance and Street Cleansing functions were brought back in-house and therefore the provision is no longer required. The pension liability for Rushcliffe now incorporates Streetwise employees who have transferred back. See note 32.

## 18. USABLE RESERVES

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

## 19. UNUSABLE RESERVES

Balance at 1 April 2022 £'000		Balance at 31 March 2023 £'000
14,443	Revaluation Reserve	25,889
67,872	Capital Adjustment Account	71,593
(58,930)	Pension Reserve	(16,219)
1,210	Deferred Capital Receipts	2,973
(5,080)	Collection Fund Adjustment Account	(193)
(54)	Accumulated Absences Account	(54)
223	Pooled Funds Adjustment Account	(1,234)
<b>19,684</b>		<b>82,755</b>

### Revaluation Reserve

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

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

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

Balance at 1 April 2022 £'000		Balance at 31 March 2023 £'000
<b>17,267</b>	<b>Balance at 1 April</b>	<b>14,443</b>
1,811	Upward revaluation of assets	11,678
(115)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0
<b>18,963</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>26,121</b>
(208)	Difference between fair value depreciation and historical cost depreciation	(232)
(4,312)	Accumulated gains on assets sold or scrapped	0
<b>(4,520)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(232)</b>
<b>14,443</b>	<b>Balance at 31 March</b>	<b>25,889</b>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are



charged to the Comprehensive Income and Expenditure Statement (with postings from the Revaluation Reserve to convert fair values to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

<b>Balance at 1 April 2022 £'000</b>		<b>Balance at 31 March 2023 £'000</b>
<b>57,329</b>	<b>Balance at 1 April</b>	<b>67,872</b>
	<b><u>Reversal of items relating to capital expenditure debited or credited to the CIES:</u></b>	
(1,557)	Charges for depreciation and impairment of non-current assets	(1,757)
4	Revaluation losses on Property, Plant and Equipment	(2,125)
(61)	Amortisation of intangible assets	(65)
(1,541)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(2,236)
(5,133)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(22)
4,520	Adjusting amounts written out of the Revaluation Reserve	232
(232)	Write down Long-term Debtors	(409)
<b>(4,000)</b>	Net written out amount of the cost of non-current assets consumed in the year	<b>(6,382)</b>
	<b><u>Capital financing applied in the year:</u></b>	
7,787	Use of Capital Receipts to finance new capital expenditure	4,386
5,543	Capital grants and contributions credited to the CIES that have been applied to capital financing	2,732
204	Application of grants to capital financing from the Capital Grants Unapplied Account	58
1,074	Statutory provision for the financing of capital investment charged against the General Fund	1,017
242	Capital expenditure charged against the General Fund	1,243
<b>14,850</b>		<b>9,436</b>
(307)	Movements in the market value of Investment Properties debited or credited to the CIES	667
<b>(307)</b>		<b>667</b>
<b>67,872</b>	<b>Balance at 31 March</b>	<b>71,593</b>

## Pensions Reserve

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

Balance at 1 April 2022 £'000		Balance at 31 March 2023 £'000
(66,014)	<b>Balance at 1 April</b>	(58,930)
0	Streetwise Environmental Deficit Removal	955
9,567	Remeasurement of the net defined benefit liability/(asset)	43,420
(4,772)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(4,112)
2,289	Employer's pensions contributions and direct payments to pensioners payable in the year	2,448
<b>(58,930)</b>	<b>Balance at 31 March</b>	<b>(16,219)</b>

## Deferred Capital Receipts Reserve

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

Balance at 1 April 2022 £'000		Balance at 31 March 2023 £'000
4,083	<b>Balance at 1 April</b>	1,210
1,200	Transfer to the CIES deferred sale proceeds	2,968
(5)	Transfer to the Capital Receipts Reserve on receipt of cash	(5)
(4,068)	Transfer to the CIES deferred sale proceeds	(1,200)
<b>1,210</b>	<b>Balance at 31 March</b>	<b>2,973</b>

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising between the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The opening balance 1 April 2023 included the deficit caused by the additional reliefs awarded during Covid. The deficit has now been recovered and therefore the position on the Collection Fund Adjustment Account has reduced significantly.

Balance at 1 April 2022 £'000		Balance at 31 March 2023 £'000
(5,931)	<b>Balance at 1 April</b>	(5,080)
851	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	4,887
(5,080)		(193)

### Accumulated Absences Account

The Accumulated Absences Account absorbs differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, for example, annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to/from the Account. The differences in amounts accrued are not deemed to be material and therefore no transactions have been made in 2022/23.

Balance at 1 April 2022 £'000		Balance at 31 March 2023 £'000
(54)	<b>Balance at 1 April</b>	(54)
(54)	<b>Balance at 31 March</b>	(54)

### Pooled Funds Adjustment Account

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

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

The Council holds £13.766m of pooled investments. The Council is using the temporary statutory override agreed by DLUHC (5 years commencing from April 2018) to account for any changes in the fair value on its pooled investments. The statutory override was due to end 31 March 2023 but has been extended a further 2 years.

Balance at 1 April 2022 £'000		Balance at 1 April 2023 £'000
50	<b>Balance at 1 April</b>	223
450	Upward Revaluation of Investments	0
(277)	Downward Revaluation of Investments	(1,457)
<b>223</b>		<b>(1,234)</b>
<b>223</b>	<b>Balance at 31 March</b>	<b>(1,234)</b>

## 20. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2021/22 £'000		2022/23 £'000
(2,942)	<b>Net (Surplus) or Deficit on the Provision of Services</b>	(3,369)
	<b>Adjust for Non-Cash Movements</b>	
(1,644)	Depreciation	(1,757)
5	Impairment and downward valuations	(2,125)
(61)	Amortisation	(65)
(3)	(Increase)/decrease in impairment for bad debts	27
(5,024)	(Increase)/decrease in creditors	13,846
(1,347)	Increase/(decrease) in debtors	3,086
(3,400)	Movement in pension liability	(3,537)
(5,134)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(22)
1,628	Movement in Provisions	1,476
(133)	Other non-cash items charged to the net surplus or deficit on the provision of services	(789)
<b>(15,113)</b>	<b>Net surplus/(deficit) on provision of services for non cash movements</b>	<b>10,140</b>
	<b>Adjust Net Surplus or Deficit for items that are Investing or Financing Activities</b>	
0	Capital Grants credited to the Surplus/Deficit on Provision of Services	52
5,013	Proceeds from sale of property, plant and equipment, investment property and intangible assets	5,999
<b>5,013</b>	<b>Net surplus/(deficit) on provision of services for Investing &amp; Financing activities</b>	<b>6,051</b>
<b>(13,042)</b>	<b>Net Cashflows from Operating Activities</b>	<b>12,822</b>

## 20. CASHFLOW STATEMENT – OPERATING ACTIVITIES CONTINUED

The cash flows for operating activities include the following items:

2021/22 £'000		2022/23 £'000
(200)	Interest received	(215)
0	Interest paid	10
(531)	Dividends received	(595)
<b>(731)</b>	<b>TOTAL</b>	<b>(800)</b>

## 21. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2021/22 £'000		2022/23 £'000
13,576	Purchase of property, plant and equipment, investment property and intangible assets	13,340
20,000	Purchase of short-term and long-term investments	40,000
4,404	Other payments for investing activities	5
(7,293)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(7,692)
(20,000)	Proceeds from short-term and long-term investments	(21,000)
(17,454)	Capital Grants Received (Government)	(7,879)
(245)	Other receipts from investing activities	(417)
<b>(7,012)</b>	<b>Net cash flow from investing activities</b>	<b>16,357</b>

## 22. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2021/22 £'000		2022/23 £'000
(417)	Other payments for financing activities	(3,666)
<b>(417)</b>	<b>Net cash flow from Financing activities</b>	<b>(3,666)</b>

## 23. MEMBERS' ALLOWANCES

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

2021/22 £'000		2022/23 £'000
262	Basic Allowances	280
80	Special Responsibility Allowances	90
2	Other Expenses	6
<b>344</b>	<b>TOTAL EXPENDITURE</b>	<b>376</b>

## 24. OFFICERS' REMUNERATION

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

Post Title	Year	Salary, Fees & Allowances £	Compensation for loss of office £	Pension Contribution £	TOTAL £
Chief Executive	2022/23	121,443	0	21,250	142,693
	2021/22	115,122	0	20,243	135,365
Deputy CEO and Director - Finance & Corporate Services	2022/23	95,969	0	16,840	112,809
	2021/22	93,299	0	16,412	109,711
Deputy CEO and Director - Neighbourhoods	2022/23	93,165	0	16,339	109,504
	2021/22	90,468	0	15,912	106,380
Director - Communities *	2022/23	0	0	0	0
	2021/22	4,514	0	430	4,944
Director - Growth & Economic Development	2022/23	89,831	0	15,770	105,601
	2021/22	86,853	0	15,286	102,139
Service Manager Executive Department (Role includes Borough Solicitor & Monitoring Officer duties)	2022/23	70,594	0	12,382	82,976
	2021/22	64,824	0	11,409	76,233

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

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

Number of Employees 2021/22	Remuneration Band	Number of Employees 2022/23
3	£50,000 - £54,999	4
0	£55,000 - £59,999	0
7	£60,000 - £64,999	4
0	£65,000 - £69,999	1

## 25. EXIT PACKAGES AND TERMINATION BENEFITS

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies for 2022/23 are set out in the table below.

2022/23				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Packages	
			Number	£'000
£0 - £20,000	0	3	3	20
£20,001 - £40,000	0	1	1	22
<b>TOTAL</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>42</b>

The Council terminated 1 contract in 2021/22.

## 26. EXTERNAL AUDIT COSTS

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

2021/22 £'000		2022/23 £'000
52	Fees payable with regard to external audit services carried out by the appointed auditor (Mazars)	67
<b>52</b>	<b>TOTAL</b>	<b>67</b>

## 27. GRANT INCOME

The Council credited the following grants, contributions and donations to the Taxation and Non-Specific Grant Income line (Note 7) in the Comprehensive Income and Expenditure Statement in 2022/23 and 2021/22.

2021/22 £'000		2022/23 £'000
1,218	Section 106 contributions and Football Foundation Grant - Gresham Pitches	0
101	Salix Energy Grants	0
72	Skatepark Grants	0
2000	Section 106 contributions - Bingham Hub & Leisure Centre	83
914	ERDF Bingham Offices	685
0	UK Shared Prosperity Fund - Rushcliffe Country Park & open spaces	46
0	Nottingham City Council - Emergency planning Moorbridge	3
0	Changing Places - Rushcliffe Country Park toilets	38
0	Friends of Rushcliffe Country Park - Enhancements	2
<b>4,305</b>	<b>Total Capital Grants (Note 7)</b>	<b>857</b>
1,633	New Homes Bonus (Note 7)	1,587
3,758	NDR Section 31 Grant	2,301
1,874	COVID Grants (Note 7)	81
465	Other non-ringfenced grants (Note 7)	782
<b>12,035</b>	<b>TOTAL</b>	<b>5,608</b>



## 27. GRANT INCOME CONTINUED

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

2021/22 £'000		2022/23 £'000
113	DLUHC - NDR Cost of Collection	113
12,594	DWP - Housing Benefit Subsidy and Council Tax Rebates	12,104
155	DWP - Housing Benefit Administration	154
79	DWP - Council Tax Administration	79
232	DLUHC - Homelessness Support Grant	193
695	DLUHC- Disabled Facilities Grant (REFCUS)	695
228	DLUHC - Local Authority Delivery Green Energy Grants	1,203
51	DLUHC - Covid Track & Trace	0
140	DLUHC - High Streets Safely	0
301	Section 106 Affordable Housing	0
102	COMF Contain Funding	0
0	DLUHC - Green Energy Grants	96
0	Notts PCC - Safer Streets	120
0	UK Shared Prosperity Fund	172
296	Total of grants below £50k	201
<b>14,986</b>	<b>TOTAL</b>	<b>15,130</b>

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

The Council received the following capital grants receipts in advance

2021/22 £'000		2022/23 £'000
33,605	S106 Planning Agreements	40,137
1,779	CIL Planning Agreements	2,946
	<b>Other Grants:</b>	
1	Salix Energy Efficiency	0
0	UK Shared Prosperity Fund - Rushcliffe Country Park shelters	7
0	Changing Places - Rushcliffe Country park underspend	2
0	Home Upgrade Grant underspend	23
0	Local Authority Delivery grant underspend	56
0	Nottingham City Council DFG top up	40
	<b>Other Receipts :</b>	
10	Sale Deposit (Hollygate Lane)	10
<b>35,395</b>	<b>TOTAL</b>	<b>43,221</b>

The Council received the following revenue grants receipts in advance

2021/22 £'000		2022/23 £'000
131	Council Tax Energy Rebate Discretionary Funding	0
39	Track & Trace Discretionary Funding	0
26	Local Authority Delivery Grant	15
0	UK Shared Prosperity Fund	107
0	Family Annexe Grant 23-24	14
0	Home Upgrade Grant	1
<b>196</b>	<b>TOTAL</b>	<b>137</b>

## 28. RELATED PARTIES

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

### Central Government

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g., council tax bills, housing benefits). Grant receipts above £50,000 are shown in Note 27.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2022/23 are shown in Note 23. The Members could potentially have a material related party transaction with the Council. During 2022/23 the Council, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. This register has been reviewed and was found to contain nothing that would suggest a material related party transaction occurred.

### Officers

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

### Other Public Bodies

The Council has determined that material transactions have occurred in 2022/23 with the following parties and most transactions with related parties are disclosed elsewhere in the Statement of Accounts, as follows:

Joint Use arrangements with Nottinghamshire County Council.

Parish Precepts of £2.440m and Internal Drainage Board levies of £0.328m are disclosed in Note 5 to the Comprehensive Income and Expenditure Statement.

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

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

Pensions Fund – administered by Nottinghamshire County Council (Note 32).

### Entities Controlled or Significantly Influenced by the Council

The Council controls Rushcliffe Enterprises LTD (REL) through its ownership and 100% shares in the company. REL is a holding company for the Council and until 31 August 2022 incorporated Streetwise Environmental LTD and Streetwise Environmental Trading Ltd which have now been brought back in-house. As at 31/3/2023 there was a net position of £0.02m relating to a loan outstanding from RBC to Streetwise of £0.085m and £0.064m payments due from RBC to Streetwise. These balances are fully settled at the date of these accounts. REL remains dormant.

## 29. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2021/22 £'000		2022/23 £'000
6,300	<b>Opening Capital Financing Requirement</b>	7,283
(443)	<b>2021/22 ADJUSTMENT*</b>	0
5,857	<b>Restated Capital Financing Requirement</b>	7,283
	<b>Capital Investment:</b>	
14,570	Property, Plant & Equipment	12,847
25	Heritage Assets	0
78	Investment Properties	293
62	Intangible Assets	44
1,541	Revenue Expenditure Funded from Capital Under Statute	2,235
	<b>Sources of Finance:</b>	
(7,787)	Capital Receipts	(4,386)
(5,747)	Government Grants & Other Contributions	(2,790)
(242)	Direct Revenue Contributions	(1,243)
(1,074)	Minimum Revenue Provision	(1,017)
<b>7,283</b>	<b>Closing Capital Financing Requirement</b>	<b>13,266</b>
	<b>Explanation of movements in year</b>	
1,426	Increase/(decrease) in the underlying need to borrow (unsupported by Government financial assistance)	5,983

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

## 30. LEASES

### Council as a Lessor

#### Finance Leases

The Council leases out land for investment purposes generating income of £0.04m per annum. The Council recognises that this arrangement is a finance lease however it was entered into prior to 31 March 2011 as an operating lease. In accordance with its accounting policies (Note 36 xv) the Council continues to charge the income to the Comprehensive Income and Expenditure Statement.

#### Operating Leases

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

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

2021/22 £'000		2022/23 £'000
1,583	Not later than one year	1,806
5,146	Later than one year and not later than five years	5,687
3,447	Later than five years	3,504
<b>10,176</b>	<b>TOTAL</b>	<b>10,997</b>

### Council as a Lessee

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

2021/22 £'000		2022/23 £'000
178	Not later than one year	178
281	Later than one year and not later than five years	120
80	Later than five years	60
<b>539</b>	<b>TOTAL</b>	<b>358</b>

## 31. IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 8 reconciling the movement over the year in the Property, Plant and Equipment balances.

The impairment review carried out at 31/03/2023 identified no material impairment to any of the Council's assets.

The Revaluation exercise for 2022/23 gave rise to a net revaluation gain of £9.550m on Operational Land and Buildings. Of this, £11.678m net was debited to the Revaluation Reserve (Note 19); and £2.128m was charged to the surplus and deficit on the provision of services. This relates, primarily to the revaluation of Bingham Enterprise Centre (Offices) £2m downward revaluation. The scheme was only able to be delivered with the support of ERDF and LEP funding.

## 32. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

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

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

### The principal risks to the Council of the scheme are:

- Investment Risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges
- Interest rate Risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

- Inflation Risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity Risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.
- Regulatory Risk. Regulatory uncertainties could result in benefit changes to past or future benefits which could result in additional costs.
- Orphan Risk. As many unrelated employers participate in each fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that fund.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note 36vi.

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

### Transactions relating to retirement benefits

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

- The liabilities of the fund are valued using a discount rate based on market yields on high quality corporate bonds and the method used is Single Equivalent Discount Rate (SEDR). Inflation assumptions affect the rate at which benefits increase and therefore the value of future liabilities. The method used to estimate inflation is the Single Equivalent Inflation Rate (SEIR), further adjusted to reflect the expectation that pension increases will be based on CPI. (Consumer Prices Index)
- Asset returns can be very volatile from year to year and will vary by LGPS fund. A typical LGPS fund might have achieved a return of around 7% for the period from 31 March 2022
- . This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy.

### Re-measurement of net defined benefit liability

The actuarial (gains)/losses on pensions assets/liabilities line in the CIES shows a net reduction in pension liability of £43.420m. The changes in actuarial assumptions are detailed below:

- Return on Plan Assets - the actuary's estimation of the return on assets for 2022/23 was -2%, a reduction on the 2021/22 estimate of 7%. This return has the effect of **increasing** the pension liability by £3.533m.
- Demographic Assumptions – a reduction in assumed life expectancies has led to a **decrease** in the pension liability of £7.642m.
- Financial Assumptions – assumed increase in both the future salary and pension increases by the actuary have led to a **decrease** in liability of £48.267m.

- Other Actuarial gains / losses & experience items have led to an **increase** in the pension liability of £8.956m

2021/22 £'000	Local Government Pension Scheme	2022/23 £'000
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of Services</b>	
3,356	Current Service Cost	2,779
37	Administration Expenses	36
126	Settlements and Curtailments	235
	<b>Financing and Investment Income and Expenditure</b>	
1,253	Net Interest Expense	1,062
<b>4,772</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>4,112</b>
	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
	<b>Remeasurement of the net defined benefit liability comprising:</b>	
(4,176)	Return on plan assets (excluding the amount included in the net interest expense)	3,533
0	Actuarial (Gains) and Losses arising on changes in demographic assumptions	(7,642)
(5,712)	Actuarial (Gains) and Losses arising on changes in financial assumptions	(48,267)
	Other Actuarial Gains / Losses on Asset	250
321	Other Experience	8,706
<b>(9,567)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure</b>	<b>(43,420)</b>
	<b>Movement in Reserves Statement</b>	
<b>(4,772)</b>	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	<b>(4,112)</b>
	<b>Actual amount charged against the General Fund for Pensions in the year</b>	
<b>1,282</b>	Employers contributions payable to scheme	<b>1,445</b>
2021/22 £'000	Discretionary Benefits	2022/23 £'000
90	Retirement benefits payable to pensioners	85

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2021/22 £'000	Local Government Pension Scheme	2022/23 £'000
130,199	Present value of the defined benefit obligation	89,227
(73,142)	Fair Value Plan Assets	(73,008)
<b>57,057</b>	<b>Net liability arising from defined benefit obligation</b>	<b>16,219</b>

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

2021/22 £'000	Local Government Pension Scheme	2022/23 £'000
<b>69,736</b>	<b>Opening Fair Value of Scheme Assets</b>	<b>73,142</b>
1,374	Interest Income	2,654
4,176	The return on plan assets, excluding the amount included in the net interest	(3,532)
0	Other actuarial gains	(250)
1,372	Contributions from employer	1,530
462	Contributions from employees into the scheme	544
(3,941)	Benefits Paid	(3,864)
0	Settlements	2,820
(37)	Other	(36)
<b>73,142</b>	<b>Closing Fair value of scheme assets</b>	<b>73,008</b>

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

2021/22 £'000	Local Government Pension Scheme	2022/23 £'000
<b>132,961</b>	<b>Opening Balance 1 April</b>	<b>130,199</b>
3,356	Current Service Costs	2,779
2,626	Interest Cost	3,717
462	Contributions by scheme participants	544
	<u>Remeasurement gains/(loss):</u>	
0	Actuarial (Gains) and Losses arising from changes in demographic assumptions	(7,642)
(5,712)	Actuarial (Gains) and Losses arising from changes in financial assumptions	(48,267)
321	Other experience	8,706
126	(Gains) and Losses on Settlements / Curtailments	3,055
(3,851)	Benefits Paid	(3,779)
(90)	Unfunded Pension Payments	(85)
<b>130,199</b>	<b>Closing Balance 31 March</b>	<b>89,227</b>



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

2021/22 £'000	Local Government Pension Scheme	2022/23 £'000
44,310	Equities	42,126
2,154	Gilts	1,513
4,988	Other Bonds	4,554
9,397	Property	8,940
12,293	Others	15,875
<b>73,142</b>	<b>Total Assets</b>	<b>73,008</b>

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 30% are UK investments, 70% are overseas investments. All of the equities are listed in a market. Of the Gilts allocation above, 100% are UK fixed interest Gilts. Of the Other Bonds allocation above, 29% are UK corporates, 71% are overseas corporates. 100% of the Property and Cash allocation is unquoted.

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

### Basis for Estimating Assets & Liabilities

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

The principal assumptions used by the actuary have been:

2021/22	Local Government Pension Scheme	2022/23
	<b>Mortality Assumptions</b>	
	Longevity at 65 for current pensioners	
21.6	Men	20.7
24.3	Women	23.5
	Longevity at 65 for future pensioners	
23.0	Men	22.0
25.8	Women	25.0
4.20%	Rate of Increase in Salaries (Per Annum)	3.90%
3.20%	Rate of Increase in Pensions (Per Annum)	2.90%
2.60%	Rate for Discounting Scheme Liabilities	4.80%

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
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(1,316)	1,348
Rate of increase in salaries (increase or decrease by 0.1%)	115	(114)
Rate of increase in pensions (increase or decrease by 0.1%)	1,257	(1,227)
Longevity (increase or decrease in 1 year)	3,768	(3,598)

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. The employer contribution rate for 2022/23 is 17.6% (2021/22 17.6%). A monetary contribution of £1.021m was anticipated from the authority in 2022/23, however Rushcliffe Borough Council has prepaid these contributions for the three years to 31 March 2023 by making a single lump sum payment of £2.753m, saving the council £0.203m when compared with annual payments. The contribution to be recognised by the authority for 2022/23 is £0.918m. This amount is fixed for the 3-year period 2020/21 to 2022/23 due to the prepaid amount which has been spread equally over the 3 years. Funding levels are monitored on an annual basis. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated duration of the defined benefit obligation for scheme members is 16 years

## Projected Pension Expense for the Year to 31 March 2024

Projected Pension Expense	2023/24 £'000
Service cost	1,500
Net Interest on the defined liability (asset)	720
Administration Expenses	37
<b>Total</b>	<b>2,257</b>
Employer contributions	2,375

Note: These projections are based on the assumptions as at 31 March 2023, as described earlier in the Barnett Waddington Actuary Report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2023.

### 33. CONTINGENT LIABILITIES

At the 31st of March 2023 the Council had one contingent liability requiring disclosure. The Council gave an environmental warranty as part of the housing stock transfer in 2003, both to Rushcliffe Homes – now Metropolitan Thames Valley Housing Trust and to their lender, Nationwide Building Society. The former ran for 15 years until 2018 and has now elapsed; the latter was for 32 years and will run until 2035. The value of the liability is unknown and to date there have not been any issues identified.

### 34. CONTINGENT ASSETS

At 31 March 2023 the Council has one contingent assets requiring disclosure:

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

### 35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

## Credit Risk

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

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

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

### 35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS CONTINUED

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There remains a risk that the Council's deposits could be unrecoverable in the event of an institution failing, but there was no evidence at the 31 March 2023 that this was likely to happen.

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

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

2021/22 £'000	Debtors past due but not impaired	2022/23 £'000
678	Less than three months	547
37	Three to nine months	121
2	Nine months to one year*	2971
729	More than one year	759

*\*Increase relates to deferred capital receipt for Sharphill overage*

### Amounts Arising from Expected Credit Losses

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

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

## Current Investments

Institution	Length of Term	Amount £000
<b>Call Accounts/MMFs</b>		
HSBC - ECG	Call	5,050
Blackrock	Call	1,406
CCLA - Psdf	Call	104
Federated	Call	352
Goldman Sachs Asset Management	Call	255
HSBC Asset Management	Call	321
Invesco Aim	Call	509
Aberdeen Asset Management	Call	45
Bank Of Scotland Plc	Call	379
Bank Of Scotland Plc	32 Days	110
Barclays Bank Plc	32 Days	4,446
Handelsbanken	35 Days	912
Santander UK Plc	Call	164
Santander UK Plc	35 Days	77
Residual MMF/Call Account balances	Call	19
	<b>Note 15</b>	<b>14,149</b>
<b>Short Term Investments</b>		
Standard Chartered	182 Days	4,000
Standard Chartered	183 Days	3,000
Hertfordshire Council		5,000
Brentwood Council		5,000
Denbighshire Council		5,000
Wrexham Council		5,000
Close Brothers Ltd	179 Days	5,000
		<b>32,000</b>
<b>Total Investments</b>		<b>46,149</b>

### Liquidity Risk

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

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

## Market Risk

### Interest Rate Risk

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

- **Borrowings at variable rates** – the interest expense charged to the Surplus or Deficit on the Provision of Services would rise.
- **Investment at variable rates** – interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- **Investments at fixed rates** – the fair value of the assets will fall.
- **Inflation** - current high inflation rates heighten the risk of interest rate volatility and in particular the potential for rising interest rates.

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

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

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

2021/22 £000		2022/23 £000
368	Increase in Interest Receivable on Variable Rate Investments	431
<b>368</b>	<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>431</b>

### Price Risk

The Council's investment in the CCLA Property Fund, CCLA Diversified Fund, Royal London Enhanced Cash Plus, Ninety-One and Aegon (formerly Kames and Investec) are subject to the risk of falling commercial property prices. However, any movements in price will not impact on the General Fund Balance as regulations are currently in force to remove the impact of the fair value movements on the taxpayer. The Council is using the temporary statutory override agreed by DLUHC (5 years commencing from April 2019 but now extended a further 2 years) to account for any changes in the fair value on its pooled investments.

### Foreign Exchange Risk

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

## 36. ACCOUNTING POLICIES

### i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. It has been prepared in accordance with the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS) It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statement of Accounting Practice and Financial Reporting Standards) to the local authority accounts.

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

### ii. Accruals of Income and Expenditure

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

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

### iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

#### **v. Charges to Revenue for Non-Current Assets**

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

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

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

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

#### **vi. Employee Benefits**

##### **Benefits payable during employment**

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

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service segment or, where applicable to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.



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

### **Post-Employment Benefits**

Employees are members of the Local Government Pension Scheme (LGPS), which is administered by Nottinghamshire County Council and is accounted for as a defined benefits scheme providing defined benefits to members (Retirement Lump Sums and Pensions) earned as employees working for the Council.

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

Liabilities are discounted to their value at current prices, using a discount rate set to market conditions (using the annualised Merrill Lynch AA rated corporate bond yield curve).

The assets of the pension fund attributed to the Council are included in the Balance Sheet at their fair value

- **Quoted Securities** - current bid price
- **Unquoted Securities** – professional estimate
- **Unitised Securities** - current bid price
- **Property** - market value

The change in the net pension's liability is analysed into five components:

- **Service costs comprising:**
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
  - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council– the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

- **Re-measurements comprising**

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

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

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

#### **Discretionary Benefits**

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

#### **vii. Events after the Balance Sheet Date**

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

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

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

## viii. Financial Instruments

### General

The Council recognises a financial asset or liability on the Balance Sheet when it becomes party to the contractual provisions of an instrument.

### Financial Liabilities

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

The Council currently has no long-term debt, but any future long-term debt would be within the Council's Treasury Management Strategy, Minimum Revenue Provision Policy and future Accounting Policies.

### Financial Assets

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

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

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

### Financial Assets Measured at Amortised Cost

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

In the event that the Council makes a loan to an outside body at less than market rates (soft loans) and the present value of the interest foregone is greater than £50k, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

### **Expected Credit Loss Model**

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

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

The legacy impact of the COVID19 pandemic and the current cost of living pressures have been considered when assessing potential impairment of debt.

### **Financial Assets measured at Fair Value through Other Comprehensive Income**

Financial assets measured at fair value through other comprehensive income are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Annual income received from the financial instrument is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

### **Financial Assets Measured at Fair Value through Profit and Loss**

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

### **Fair Value measurement of Financial Assets**

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

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

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

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

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

The Council holds shares in CCLA Property fund, CCLA Diversified Fund, Royal London Enhanced Cash Plus Fund, Aegon and Ninety-One (formerly Kames and Investec). Any movement in Fair Value will be accounted for in Financing and Investment Income and Expenditure line in Surplus/Deficit on Provision of Services. A statutory override must be used to reverse the entry in the CIES to a reserve to recognise the fair value gains and losses.

#### **ix. Government Grants and Contributions**

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions including Section 106s are credited to the Comprehensive Income Expenditure Statement as Taxation and Non-Specific Grant Income, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

#### **Community Infrastructure Levy**

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. The charge came into force on 7<sup>th</sup> October 2019.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

#### **x. Heritage Assets**

The Council has Heritage Assets; a small art collection; war memorabilia (war memorial and commemorative bench); and Covid Memorial Obelisk. Heritage Assets are carried at valuation rather than current of fair value reflecting the fact that sales and exchanges are uncommon. The Art Collection is valued at insurance valuation and the War Memorial, bench and Obelisk at

depreciated historic cost as they are infrastructure assets. The treatment of revaluation gains and losses is in accordance with the Council's accounting policies on property, plant and equipment.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

#### Art collection

The assets within the art collection are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donations are recognised at valuation.

#### War Memorial and Bench and Covid Memorial Obelisk

The War Memorial, Commemorative Bench and Obelisk are sited in West Bridgford and held at Depreciated Historical Cost (a proxy for current value).

### **xi. Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences). These are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **xii. Inventories and Long-Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient during the financial year.

## **xiii. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

## **xiv. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value and are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

## **xv. Leases**

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

An exception is made where leases were in existence prior to the introduction of IFRS 16 and not treated in accordance with proper practice as at 31<sup>st</sup> March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 no 454, the Council may continue to account for money received in accordance with the original type of leases.

Leases classified as Investment Properties are not required to show a split between the land and building elements.

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

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

## **The Council as Lessee**

### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements.

Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the leased asset.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

## **The Council as Lessor**

### **Finance Leases**

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

Lease rentals receivable are apportioned between: a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).



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

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

### **Operating Leases**

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

The authority does not have any sale and leaseback assets.

### **xvi. Jointly Controlled Operations**

Jointly controlled operations are activities undertaken by the Council in conjunction with other joint operators that involve the use of assets and resources of the venture rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

### **xvii. Overheads and Support Services**

The costs of overheads and support services are charged to service areas in accordance with the Council's arrangements for accountability and financial performance.

### **xviii. Property, Plant & Equipment**

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

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. In addition, expenditure needs to be in excess of the Council de-minimis level of £10,000 before it can be recognised as capital, spend below this limit is charged to revenue.

The Code requires components to be accounted for as separate items where they are material, the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact. The Council has however componentised its assets, into two elements, land and buildings.

## Measurement

Assets are initially measured at cost, comprising:

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

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

**Donated assets** are measured initially at fair value unless the donation has been made conditionally. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

<b>Property, Plant and Equipment</b>	
Other Land and Buildings	Existing Use Value (EUV)
Vehicles and Plant	Depreciated Historical Cost
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Depreciated Historical Cost

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus and Deficit on the Provision of Services line of the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

### Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction) and assets held for a commercial return (i.e., investment properties). It is calculated as follows:

<b>Property, Plant and Equipment</b>	
Other Land and Buildings	Straight line – over the useful life of the asset
Vehicles and Plant	Straight line – over the useful life of the asset
Infrastructure	Straight line – over the useful life of the asset

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

## **Infrastructure Assets within PPE**

Infrastructure assets are generally inalienable assets, expenditure on which is only recoverable by continued use of the asset created, i.e., there is no prospect of sale or alternative use. They work as a part of a continuous network that is maintained in a relatively steady state, though there may be distinctive parts of this network. For Rushcliffe, the steady state will be existing car park surfaces, play area ground infrastructure, and footpath enhancements; a distinctive part and significant infrastructure asset is Cotgrave Public Realm.

### **Recognition**

Expenditure on the acquisition/development of Infrastructure assets is capitalised on an historic cost (accruals) basis, provided that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

### **Measurement**

Infrastructure assets are measured at depreciated historic cost.

### **Depreciation**

Depreciation is calculated on a straight-line basis over the assigned useful life of the asset. Useful lives for Infrastructure assets are assessed by the relevant Commissioning Officer.

### **Disposal and De-recognition of Infrastructure Assets**

When an infrastructure asset is disposed/replaced/de-commissioned, the carrying amount of the asset is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement. The expectation is that the replacement parts will have been fully depreciated but this may not always be the case.

The written-off amounts of disposals are not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate capital financing accounting arrangements. Amounts are transferred to the Capital Adjustment Account from the General Fund via the Movement in Reserves Statement.

### **Disposals and Non-current Assets Held for Sale**

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other

Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

As the cost of fixed assets is fully provided for under separate arrangements for capital finance the written-off value of disposals is not a charge against council tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Assets under Construction**

Assets under Construction are only recognised when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under construction are not depreciated until they are brought into use under the relevant sections of Property Plant and Equipment.

## **xix. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

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

### **xx. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **xxi. Revenue Expenditure Funded from Capital under Statute**

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

### **xxii. VAT**

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

Non-recoverable VAT relating to a capital scheme will form part of the capital cost of that scheme

### **xxiii. Collection Fund – Council Tax & Non-Domestic Rates (NDR)**

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. The Council acts as an agent, collecting and distributing council tax and business rates income on behalf the major precepting authorities and central government, and as a principle, collecting council tax and NDR for itself.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. Any difference between the income included in the CIES and the demand or precept is taken to the Collection Fund Adjustment

Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. As the collection of Council Tax and NDR is an agency agreement there is a debtor/creditor position between the Council, the major preceptors and central government. As the billing authority, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax and NDR collected.

#### **xxiv. Fair Value Measurement of non-financial assets**

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

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

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

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

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

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) requires the disclosure of information relating to the expected impact on the accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. This applies to the adoption of the following new or amended standards within the 2023/24 code:

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

#### a) IFRS 16 Leases

Note that a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24 and is therefore not applicable as the Council has not yet implemented this standard.

### **38. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 36 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concern the following:

- a. There is a high degree of uncertainty about future levels of funding for local government notably issues around funding reforms and localisation of Business Rates. However, as these reforms have been delayed until at least 2024/25 due to economic environment the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- b. A significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The impact of either a change in the discount rate of 0.1% or a change in life expectancy of 1 year, for either, would be no more than £55k on service costs.
- c. The Council has a 'Group Relationship' with a subsidiary, namely Rushcliffe Enterprises Ltd which incorporates Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd. Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd ceased operation on 31 August 2022 and the Street Cleansing and Grounds Maintenance functions were brought back in-house. Rushcliffe Enterprises Ltd remains dormant. From 1 September 2022 any transactions relating to delivery of the Street Cleansing and Grounds Maintenance function and the assets used in the delivery of those services are incorporated into the Council's single entity accounts. A judgement has been made that the income and expenditure, assets and liabilities, recorded by Streetwise by delivering external contracts up to 31 August 2022 is not material and consequently Group Accounts are no longer required.
- d. It is anticipated no substantial legal claims or appeals will be made against the Council in the next financial year.
- e. During 2022/23 the Council has administered grants for a range of schemes in relation to cost of living support. A judgement has been made as to whether the Council is acting as Agent or Principal in accordance with the Code of Practice. Where it is deemed the Council is acting as Principal (on its own behalf) and grant conditions have been met, funding will be recognised in the CIES. Where it is deemed the Council is acting as an intermediary (Agent) the transactions are not reflected in the financial statements except for debtors or creditors relating to the transactions. Disclosures relating to grants where the Council is acting as Principal are shown in the relevant notes to the accounts.

### **39. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

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

Most significant estimates are for pensions, impairment provisions, provisions and accruals. Each of these has a different process for making the estimate:

- a. Pensions Liability: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase,



changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Nottinghamshire County Council and assurance is placed on the use of these qualified professionals to provide expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption and an increase of one year in the mortality age rating assumption would result in a decrease of £1.316m and an increase of £3.768m respectively in the present value of the defined benefit obligation. Note 32 provides more detail.

b. Impairment estimates are in accordance with IFRS 9 based on prudent collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate. It is yet unknown how rising inflation and the increased cost of living following an already difficult period due to COVID will impact on collection of debt. The Council has to date not experienced any material decline in collection of debt to suggest that additional provision is required, however this will continue to be monitored. At 31st March 2023, the Council had sundry debtor balances of £3.729m (£3m of which is contractual and therefore no provision has been made) and Housing Benefit (HB) debtors of £0.669m. Provisions for impairment are made according to the age of the debt. The provisions amount to £0.159m and £0.108m, respectively for sundry debtors and Housing Benefit overpayments.

c. Provisions – generally most provisions are relatively low in value. Business Rate appeals (which the Valuation Office is responsible for) have been estimated in line with the accounting requirements of the national Business Rates Retention Scheme. In total Rushcliffe's estimated liability amounts to £1.313m, with a further £1.97 million in relation to other precepting authorities and the Government. This has been calculated focusing on key determinants such as type of property, reasons for appeal and age of the appeal.

d. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings and current contract prices. With the level of inflation currently around 10%, the 2023/24 budget incorporates an allowance for an increase in utilities and fuel.

e. Depreciation and amortisation is provided to write down the assets to their residual values over their estimated useful lives. The selection of these residual values and useful lives requires the exercise of management judgement considering anticipated usage levels in service provision and levels of repairs and maintenance. A review of balance sheet values is undertaken each year end to assess if any of the assets have not been used at the estimated rates and if any impairment charges are required. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.

#### **40. MATERIAL ITEMS OF INCOME AND EXPENSE**

There are no material items of income and expense that have not been disclosed elsewhere in the accounts.

#### **41. EVENTS AFTER THE BALANCE SHEET DATE**

The cost-of-living pressure is a risk to the Council's income recovery and given inflation remains high is a cost risk for both revenue and capital. We are constantly reviewing the impact on the Council. The main issues are stated within Section 6 of the Narrative.

## G. THE COLLECTION FUND

2021/22 Restated				2022/23		
Council Tax £'000	NDR £'000	TOTAL £'000		Council Tax £'000	NDR £'000	TOTAL £'000
93,993		<b>93,993</b>	<b>INCOME</b>			
	25,677	<b>25,677</b>	Council Tax	99,504		<b>99,504</b>
			Income from business ratepayers		27,781	<b>27,781</b>
<b>93,993</b>	<b>25,677</b>	<b>119,670</b>		<b>99,504</b>	<b>27,781</b>	<b>127,285</b>
			<b>EXPENDITURE</b>			
			Precepts and Demands			
69,968		<b>69,968</b>	· Nottinghamshire County Council	74,621		<b>74,621</b>
10,811		<b>10,811</b>	· Nottinghamshire Police Authority	11,540		<b>11,540</b>
3,671		<b>3,671</b>	· Nottinghamshire Fire Authority	3,838		<b>3,838</b>
9,575		<b>9,575</b>	· Rushcliffe Borough Council	10,107		<b>10,107</b>
			Business Rate			
	14,303	<b>14,303</b>	· Payments to Government		13,357	<b>13,357</b>
	2,575	<b>2,575</b>	· Payments to Nottinghamshire County Council		2,404	<b>2,404</b>
	286	<b>286</b>	· Payments to Nottinghamshire Fire Authority		267	<b>267</b>
	11,440	<b>11,440</b>	· Payments to Rushcliffe Borough Council**		10,688	<b>10,688</b>
	113	<b>113</b>	· Costs of Collection		113	<b>113</b>
	518	<b>518</b>	· Renewable Energy		498	<b>498</b>
	8,483	<b>8,483</b>	· Transitional Protection Payment		52	<b>52</b>
			0 Impairment of Debts/Appeals			
(19)		<b>(19)</b>	· Write ons	(15)		<b>(15)</b>
588	19	<b>607</b>	· Allowance for Impairment	333	25	<b>358</b>
	(4,112)	<b>(4,112)</b>	· Provision for appeals		(1,375)	<b>(1,375)</b>
			0 Contributions			
			· Distribution of 21-22 estimated Collection Fund surplus/(deficit)	(465)	(10,792)	<b>(11,257)</b>
<b>94,152</b>	<b>23,624</b>	<b>117,776</b>		<b>99,959</b>	<b>15,237</b>	<b>115,196</b>
(159)	2,053	1,894	<b>Movement on Fund Balance</b>	(455)	12,544	<b>12,089</b>
(1,405)	(14,495)	<b>(15,900)</b>	<b>Opening Fund Balance</b>	(1,564)	(12,442)	<b>(14,006)</b>
<b>(1,564)</b>	<b>(12,442)</b>	<b>(14,006)</b>	<b>Closing Fund Balance</b>	<b>(2,019)</b>	<b>102</b>	<b>(1,917)</b>

## G. NOTES TO THE COLLECTION FUND

### 1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation of the billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and central government.

### 2. CALCULATION OF COUNCIL TAX BASE

The calculation of the Council Tax base i.e., the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is shown in the table below:

Band D Equivalents	Band	Chargeable Properties After Discounts	Ratio	Band D Equivalents
2021/22				2022/23
2,825	A	4,230	6/9	2,848
6,175	B	8,052	7/9	6,326
8,352	C	9,526	8/9	8,553
9,506	D	9,758	9/9	9,857
7,920	E	6,547	11/9	8,082
5,801	F	4,065	13/9	5,931
3,897	G	2,383	15/9	4,012
230	H	117	18/9	235
<b>44,706</b>				<b>45,844</b>
(446)		Non-Collection Impairment was 1.00% in 2022/23 (2021/22 1.00%)		(456)
<b>44,260</b>		<b>Council Tax Base</b>		<b>45,388</b>

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

The precepts detailed in the statement are shown net of the previous year's surpluses/deficits. The Council estimates the year end Collection Fund Council Tax balance in January each year and in accordance with the Local Authorities (Funds) (England) Regulations 1992 this amount is distributed in the following financial year to the major preceptors in proportion to the respective precepts and demands. Any difference between the estimated and outturn figure is adjusted for in the following year.

In 2022/23 a Collection Fund Council Tax deficit of £0.465m was redistributed between the major precepting authorities. Of this £0.499m reflected the estimated outturn deficit at 15 January 2022 and £0.034m decrease in deficit arose from the difference between the estimated and actual outturn positions for 2020/21.

At 15 January 2023 the Collection Fund Council Tax deficit for 2022/23 was estimated at £1.746m comprising an in-year deficit of £0.647m and £1.099m deficit arising from the difference between the actual and estimated outturns for 2021/22. These funds will be collected from the major precepting authorities in 2023/24 allocated to preceptors as shown in the table below.

2021/22 £'000		2022/23 £'000	2023/24 £'000
(330)	Nottinghamshire County Council	(347)	(1,302)
(49)	Nottinghamshire Police Authority	(52)	(199)
(18)	Nottinghamshire Fire Authority	(18)	(68)
(45)	Rushcliffe Borough Council	(48)	(177)
<b>(442)</b>		<b>(465)</b>	<b>(1,746)</b>

At 31 March 2023 the actual outturn for the Collection Fund Council Tax was £2.019m, an increase of £0.273m from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2024/25. Rushcliffe's liability in respect of this deficit is £0.204m

#### 4. NON-DOMESTIC RATES

Under the arrangements regarding Uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2022/2023 was 51.2p (2021/2022 51.2p). The non-domestic rateable value at the 31st of March 2023 was £73,922,799 (31st March 2022 £73,372,614).

Rushcliffe Borough Council retains a 40% share of the proceeds of Non-Domestic Rate income, the remainder is distributed to preceptors in the following proportions: Central Government (50%), Nottinghamshire County Council (9%) and Nottinghamshire Fire Authority (1%).

Rushcliffe Borough Council is part of the Nottinghamshire Business Rates Pool. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office, so authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. Note 17 provides further details on the provision made in 2022/23.

The increased level of deficit observed in 2020/21 which continued in 202/22 due to the lost income from business rates reliefs in response to the covid pandemic has now been rectified and a surplus of £0.102m is the closing 2022/23 position.

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

At 31 March 2023 the actual outturn for the Collection Fund NDR was a surplus of £0.102m (2021/22 £12.4 deficit) which is then distributed to the preceptors as detailed in the following table.

2021/22 £'000		2022/23 £'000
(6,221)	Central Government (50%)	51
(4,977)	Rushcliffe Borough Council (40%)	41
(1,120)	Nottinghamshire County Council (9%)	9
(124)	Nottinghamshire Fire Authority (1%)	1
<b>(12,442)</b>		<b>102</b>

## **H. GLOSSARY OF TERMS**

### **ACCOUNTING PERIOD**

This is the length of time covered by the accounts. It is a period of twelve months commencing on 1 April and ending on 31 March.

### **ACCRUALS**

Income or expenditure relating to goods or services received / provided during the accounting period where payment has not been made or received at the end of the accounting period.

### **ACTUARIAL ASSUMPTIONS**

Assumptions made by the Pension Fund Authority in valuing the funds' assets and liabilities.

### **ACTUARIAL GAINS AND LOSSES**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made at the last actuarial valuation
- the actuarial assumptions have changed.

### **ACTUARIAL VALUATION**

An actuary undertakes a valuation by comparing the value of the pension scheme assets with its liabilities. The actuary then calculates how much needs to be paid into the scheme by the employer and members to ensure there will be adequate funds to pay the pensions when they become due.

### **AMORTISATION**

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the assets used in the delivery of services.

### **ASSET**

An asset is something the Council owns. Assets can be either current or fixed.

A **current asset** is one that will be used or cease to have a material value by the end of the next financial year.

A **non-current asset** provides a benefit to the Council for a period greater than one year.

### **AUGMENTATION (PENSIONS)**

Payment to the pension scheme over and above normal scheme entitlements, usually as part of a redundancy or severance package.

### **BALANCE SHEET**

A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

### **BILLING AUTHORITY**

Rushcliffe Borough Council is classed as a Billing Authority as it has the responsibility of collecting the Council Tax and non-domestic rates. It collects the Council Tax on behalf of the County Council, Fire, Police and Crime Commissioner and Parish Councils and the non-domestic rates on behalf of the central government.

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition or enhancement of a fixed asset, which adds to and not merely maintains the value of existing assets.

### **CAPITAL FINANCING**

Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

### **CAPITAL FINANCING REQUIREMENT (CFR)**

The CFR represents the Council's underlying need to borrow in order to finance its capital expenditure. It is the difference between the value of Total Fixed Assets in the balance sheet and the Revaluation and Capital Financing Accounts. This represents the propensity of the authority to borrow for capital purposes and is the basis for the minimum revenue provision charge to the revenue account.

### **CAPITAL ADJUSTMENT ACCOUNT**

This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount that must be set aside from revenue for the repayment of external debt.

### **CAPITAL FINANCING REQUIREMENT (CFR)**

This is the Council's underlying need to borrow.

### **CAPITAL GRANTS UNAPPLIED**

These are capital grants that the Council has received, where the conditions of the grant have been satisfied, that have yet to be used to finance capital expenditure.

### **CAPITAL PROGRAMME**

The planned capital schemes the Council intends to carry out over a specified period of time.

### **CAPITAL RECEIPTS**

Proceeds arising from the sale of fixed assets (such as land and buildings) and repayments of the principal elements of capital loans. The Council can use the proceeds from capital receipts to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

### **CASH FLOW STATEMENT (INDIRECT METHOD)**

The indirect method adjusts net income from an accrual to a cash basis by adding back non-cash expenses and adjusts net income for changes between the starting and ending account balances in current assets (excluding cash) and current liabilities for the period.

### **CIL (COMMUNITY INFRASTRUCTURE LEVY)**

A charge which can be levied by local authorities on new development in their area. The funds will contribute to the cost of infrastructure within the area covered by the Rushcliffe Local Plan.

### **CIPFA - CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY**

Professional accountancy body specialising in the public sector.

### **COLLECTION FUND**

A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

## **CONTINGENT LIABILITIES/ ASSETS**

A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount cannot be measured with sufficient reliability.

## **CREDITORS**

Amounts owed by the Council for goods or services they have received for which payment has not been made.

## **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit schemes liabilities.

## **DEBTORS**

Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

## **DEFERRED CAPITAL RECEIPTS**

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

## **DEFRA**

Department for Environment, Food and Rural Affairs

## **DEPRECIATION**

This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in delivery of services.

## **DLUHC**

Department for Levelling Up, Housing and Communities

## **DWP**

Department for Work and Pensions.

## **ERDF**

European Development Fund

## **EXPENDITURE AND FUNDING ANALYSIS**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

## **FINANCE LEASE**

This is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **FINANCIAL INSTRUMENT**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Most straight forward financial assets (debtors, bank deposits

and investments) are covered, together with more complex ones not used by the Council (debt instruments with embedded swaps and options).

### **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure or support the cost of provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

### **GROSS BOOK VALUE**

The historical cost or the revalued amount of the asset before depreciation.

### **GROUP ACCOUNTS**

Group Accounts consolidate the financial results of the Council and its subsidiaries.

### **HISTORICAL COST ADJUSTMENT**

This is the difference between Historical Cost Depreciation and the actual depreciation charged calculated on re-valued assets.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities. The Accounting Standards emanate from the International Financial Reporting Interpretations Committee (IFRIC).

### **IMPAIRMENT**

Where the value of fixed assets reduces below its carrying amount on the balance sheet.

### **INVENTORIES**

Items bought for consumption or resale, or raw materials, currently being held.

### **LAA**

Local Area Agreement

### **LEP**

Local Enterprise Partnership

### **LIABILITY**

Where the Council owes payment to an individual or an organisation.

### **LSP**

Local Strategic Partnership

### **MINIMUM REVENUE PROVISION (MRP)**

The minimum amount which must be charged to a Council's CIES each year for the servicing of debt.

### **NET BOOK VALUE**

This is the value of an asset that is on the balance sheet. It represents its historical re-valued cost less the accumulated depreciation of the asset.

### **NET WORTH**



The total value of an organisation expressed as total assets less total liabilities.

### **NON –DISTRIBUTED COSTS**

Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

### **NON-DOMESTIC RATES (NDR)**

The Council collects Non domestic rates for its area based on local rateable values multiplied by a national uniform rate. With the introduction of the Business Rates Retention Scheme on 1 April 2013, billing authorities act as agents and collect Non domestic rates on behalf of major preceptors and central government.

### **NON-OPERATIONAL ASSET**

Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

### **NOTTINGHAMSHIRE BUSINESS RATES POOL**

As a result of the new business rates arrangements the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

### **OPERATING LEASE**

A lease where the ownership of the asset remains with the lessor.

### **OPERATIONAL ASSET**

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

### **POOLED FUNDS**

Funds from many individual investors that are aggregated for the purposes of investment

### **PRECEPT**

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from taxpayers on their behalf.

### **PROJECTED UNIT CREDIT METHOD**

Under the projected unit credit method, the obligation for long-term employee benefits is measured by calculating the present value of the expected future payments that will result from employee services provided to date

### **PROVISIONS**

Liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

### **RATEABLE VALUE (RV)**

The annual assumed rental value of a property that is used for business purposes.

### **REALISED VALUATIONS**

Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account and are referred to as Realised Valuations. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

**RELATED PARTIES**

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

**REFCUS**

Revenue Expenditure Funded by Capital Under Statute.

**RENEWABLE ENERGY RELIEF**

The amount of non-domestic rates to be retained by the Council in respect of designated renewable energy projects.

**RESERVES**

Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

**REVALUATION RESERVE**

Records unrealised revaluation gains/ losses from holding fixed assets.

**REVENUE EXPENDITURE**

Expenditure on the day-to-day costs of providing services.

**REVENUE INCOME**

Income from day-to-day provision of services

**REVENUE SUPPORT GRANT (RSG)**

Grant from Central Government towards the cost of service provision.

**S106**

Developer contributions lodged under Section 106 of the Town and Country Planning Act 1990 (as amended).

**SOFT LOAN**

A loan to an outside body at less than market rates.

**TRANSFER PAYMENTS**

Relates to payments for which no goods or services are received by the Council e.g., Rent allowances.



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## Governance Scrutiny Group

Thursday, 23 November 2023

## Capital and Investment Strategy – Mid-Year Report 2023/24

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

- 1.1. The purpose of this report is to summarise the capital and investment activities of the Council for the period 1 April to 30 September 2023.
- 1.2. The Capital and Investment Strategy for 2023/24, approved by Council on 3 March 2023, 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.
- 1.4. As from 1 November the Council have a new Treasury Management Advisor. Arlingclose Financial Advisors replace Link Treasury Services for the next three years.

### 2. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group considers the Capital and Investment Strategy up-date position as of 30 September 2023.

### 3. Reasons for Recommendation

- 3.1 CIPFA's updated Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly. This report ensures that the Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the CIPFA code of Practice.

### 4. Supporting Information

#### Economic Forecast

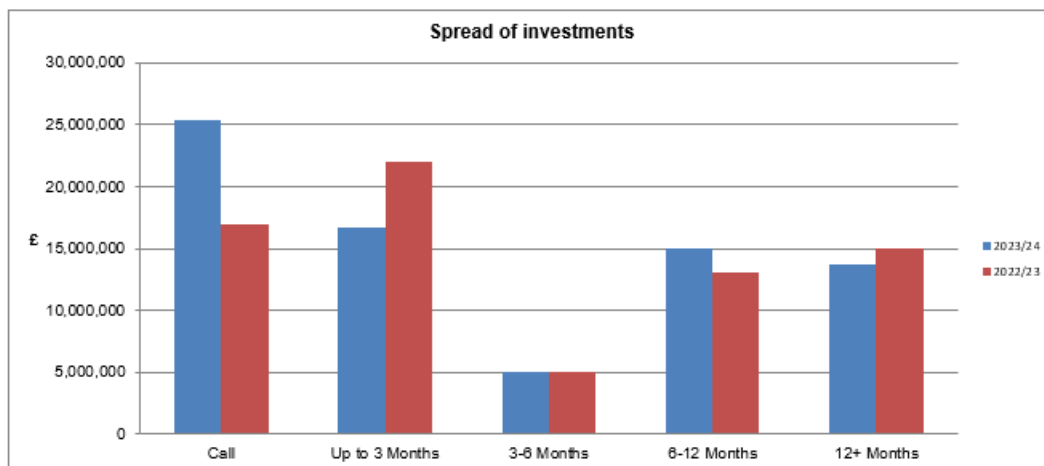
- 4.1. The UK economy could struggle to keep its head above water the second half of 2023 with real Gross Domestic Product (GDP) growth slowing to just 0.4%. Inflation (CPI) has fallen from 7.9% in June to 6.3% in the 12 months to September 2023 and is forecast to fall further.
- 4.2. The UK unemployment rate is currently 4.2% and is projected to trend around 5% in 2024 and 5.2% in 2025.

- 4.3. The Bank of England base rate remains at 5.25%. Analysts are predicting UK interest rates are likely to remain between 5.25% and 5.50% in 2023 before falling to 4.75% by the end of 2024. The Council's Treasury Advisors' forecasts concur with this.
- 4.4. Overall, the economy is looking on course to avoid a technical recession with a growth rate of 0.3% expected for the whole of 2023 and 0.8% in 2024. The Bank of England base rates are expected to remain around the current base rate.

### **Investment Income**

- 4.5. Based on Link's base rate forecast of 4.5%, the Council budgeted to receive £1,359,300 in investment income in 2023/24 (compared with £673,300 in 2022/23). Actual interest earned to 30 September 2023 totalled £571,600 (see paragraph 4.8). Whilst base rates have been rising the pooled funds have not been as positively affected but we are expecting to slightly exceed the budget target. Currently we are projecting to receive £1.438m for the year (net of Section 106 and CIL interest discussed in paragraph 4.9).
- 4.6. The average level of funds available for investment purposes during the first 6 months was £55.78m. These funds were available on a temporary basis and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds £13.766m core cash balances for investment purposes (i.e., funds available for more than one year).
- 4.7. 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. A full list of investments at 30 September can be found in Appendix A. Investments totalled £75.914m compared with £72.471m in 2022/23. Investments were made in line with Link's approved counterparty list.
- 4.8. As part of the Council's diversification strategy, short term investments are, where suitable, made to other local authorities. LA's do not have a credit rating in the same way as other organisations and therefore the Council undertakes its own due diligence before making such investments. Although the sector has in general seen an increase in the issuing S114 notices or declaration of significant budget deficits, investments in these organisations are low risk as Government support remains likely. Arlingclose advise on investment in counterparties without credit ratings in sectors such as local authorities and building societies providing other indicators which will support the Council's investment decisions in such sectors.
- 4.9. It should be noted that £49.1 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 £1.78m although with higher balances and higher interest rates current projections could change.

4.10. 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. The spread of investments is very similar to this time last year. To ensure liquidity, the Council 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.



4.11. The average interest rates achieved so far this year on the Council's investments are compared to the Sterling Overnight Index Average (SONIA) rates. £25.4m of RBC's investments are held in MMF/Call accounts. Interest rates earned on these accounts tend to lag behind movements in the base rate, although the trend tends to be the same. The Council also holds £37m in temporary investments which vary in duration. These earn a fixed rate of interest set at commencement of the investment so again do not immediately reflect changes in interest rates. RBC also holds just over £13.7m in diversified income and property accounts which are held long term (12 Months +). These are normally higher earning accounts, although with base rates currently high they are only marginally higher than the Bank of England base rate. They are earning an average a rate of 5.57% in interest but are subject to fluctuations in capital value as discussed below in paragraph 4.12.

Benchmark	SONIA (September 2023)	Council Performance
1 Month	5.29%	5.18%
3 Months	5.40%	4.85%
6 Months	5.51%	4.83%
12 Months +	5.59%	5.57%

4.12. The fair value of the Council's diversified funds can fluctuate. In total £15m has been invested in these funds. The table below shows the current position at the end of September. Funds are still volatile with the downward trend experienced by the political turmoil last year continuing, largely mitigated by appropriations to the Pooled Funds reserve which has a current balance of £1.234m. Currently there is a statutory override preventing any accounting loss impacting on the revenue accounts. This is due to end 31 March 2025 having recently been

extended a further two years. Whilst the value of this type of investment can fluctuate, the revenue returns make up a significant proportion of the overall returns on investment (32% in 2022/23) The Council will continue to monitor and take advice from our treasury advisors.

Fair Value	31.03.23	30.06.23	30.09.23	Difference	Difference in valuation from initial investment
Aegon-Previously Kames	4,364,956	4,383,672	4,291,918	(73,038)	(708,082)
Ninety One-Previously Inves	4,559,707	4,488,899	4,420,550	(139,156)	(579,450)
RLAM	983,676	980,687	992,726	9,051	(7,274)
CCLA Property	2,018,374	2,015,601	2,015,601	(2,774)	15,601
CCLA Diversified	1,839,164	1,829,781	1,810,885	(28,279)	(189,115)
	<b>13,765,876</b>	<b>13,698,640</b>	<b>13,531,680</b>	<b>(234,197)</b>	<b>(1,468,320)</b>

- 4.13. The Council agreed on the 19 September 2019 to consider its carbon footprint and over the longer-term aim to divest from fossil fuel investments. Currently 18% (21% in 2022) of our portfolio is invested in diversified funds which invest in equities and, therefore, carry a small risk of fossil fuel investments. Security, Liquidity and Yield are the Council's main priority (in accordance with the CIPFA Code for treasury investments). We also have a sustainable fixed term deposit with Standard Chartered and have an ESG liquidity account with HSBC and continue to consider 'green' investments that are compliant with the Council's strategy.

### Borrowing

- 4.14. 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.
- 4.15. The authorised limit represents the limit beyond which external borrowing is prohibited and is set as part of the Treasury Strategy, whereas as the operational boundary is the expected borrowing position of the Council based on the CFR and a buffer.
- 4.16. In light of cash balances in 4.6, the Council continues to internally borrow to fund capital expenditure and does not envisage externally borrowing during the medium term.
- 4.17. The Council's underlying need to internally or externally borrow for capital expenditure is called the Capital Financing Requirement (CFR). The CFR represents the net capital expenditure in 2023/24 and prior years that has not yet been paid for by revenue or other resources. The Councils CFR is a key Prudential Indicator. The need to internally borrow is now anticipated to be £12.011m in 2023/24 compared to the £13.266m in 2022/23. This is due repayment of MRP of £1.255m. The Operational Boundary set for the year is £20m (see Appendix B). The authorised limit is set at £25m and any change in this would require Full Council approval.



4.18. The Liability (or Asset) Benchmark reflects the real need to borrow. This benchmark, at £37.873m illustrates that the Council has no need to borrow over the medium term (i.e., existing resources exceed the underlying need to borrow). Working capital is projected to be more and hence higher than the expected outturn figure due to reprofiling of expenditure in the capital program (see paragraph 4.19 (a))

	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
£'000	Budget	Projection	£'000	£'000	£'000	£'000
Closing CFR	12,605	12,011	9,385	8,116	7,281	7,012
<b>Less:</b>						
Usable Reserves	(21,853)	(21,377)	(22,632)	(20,451)	(18,665)	(18,281)
Working Capital	(38,625)	(43,010)	(35,750)	(33,750)	(31,750)	(29,750)
Plus minimum investments	10,000	10,000	10,000	10,000	10,000	10,000
<b>LIABILITY BENCHMARK</b>	<b>(37,873)</b>	<b>(42,376)</b>	<b>(38,997)</b>	<b>(36,085)</b>	<b>(33,134)</b>	<b>(31,019)</b>

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

- (a) Capital Expenditure – The original budget for 2023/24 was £9.576m, with £5.426m carry forwards and other adjustments of £2.681 giving a current budget of £17.683m. The projected outturn is £8.391m, resulting in an estimated underspend of £9.292m arising from projected savings on Bingham Arena and Crematorium (final account is yet to be agreed and may result in some savings); and requested re-profiling of expenditure on other operational land and buildings £7.070m (£6.070m to 2024-25 and £1m to 2025-26). £1.131m is to be accelerated from the 2024-25 programme to support the vehicle replacement programme, this will give a net programme reduction of £5.939m in 2023/24, this position is reported to both Cabinet and Corporate Overview Group.
- (b) Financing costs to net revenue stream – this indicator shows the proportion of net income used to pay for financing costs. The projected actual is close to zero, -0.01%, reflecting a breakeven position with investment income matching Minimum Revenue Provision (MRP).
- (c) Expected investment position – is expected to be higher due to rephasing of the capital programme and additional S106 monies.
- (d) Capital Financing Requirement (CFR) – the closing position will be considerably less than predicted, in the short-term. As a result of re-profiling capital expenditure in the current year there will be no need to increase borrowing in the current year. The CFR projected end of year position is £12.011m. This is a reduction of £1.255m after deducting MRP.

## Commercial Investments

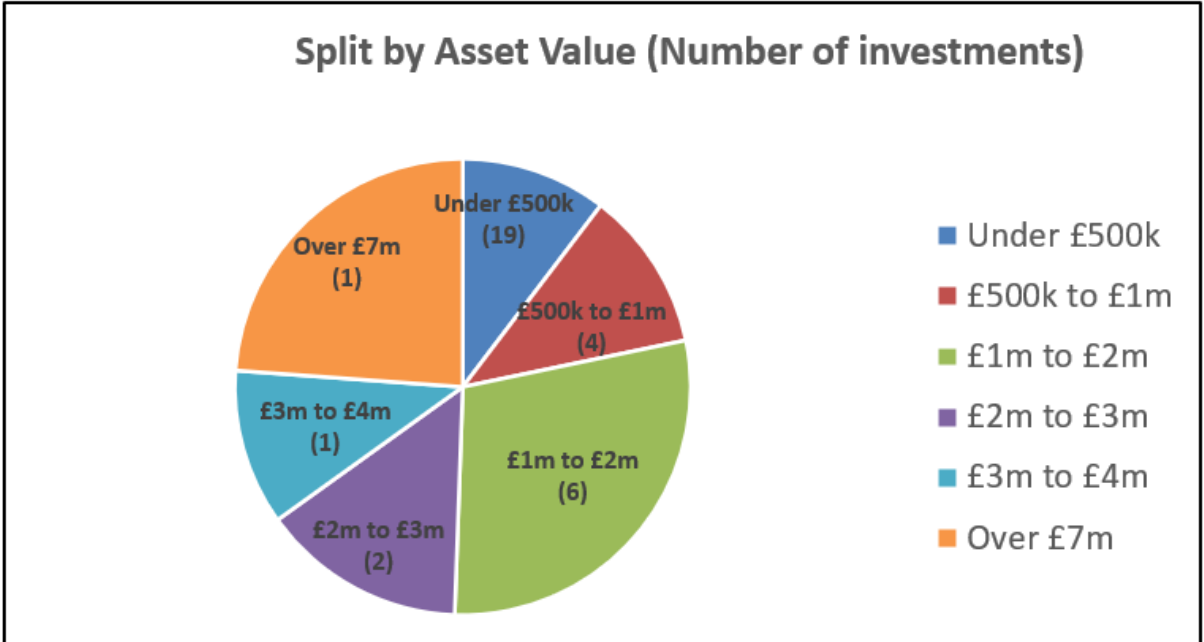
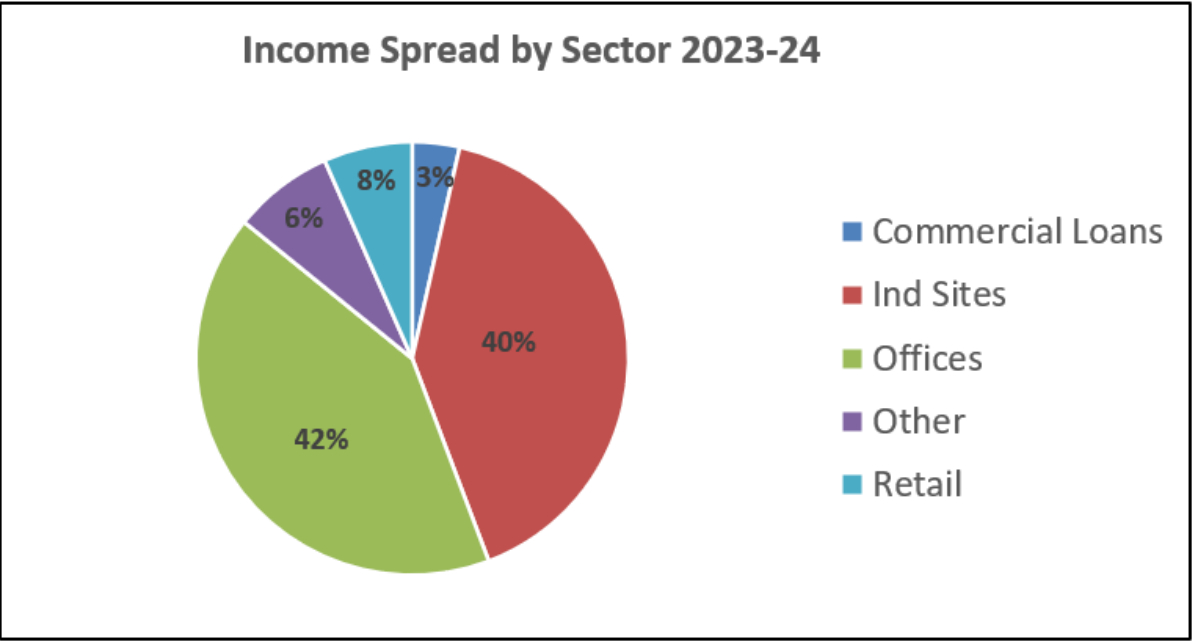
- 4.20. The Council has to disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers assets purchase through the Council's Asset Investment Strategy, as well as pre-existing commercial investments.
- 4.21. The expected contributions 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 16.4% in the current year, slightly above the current budget due to total income for the council projected to be below that currently budgeted for (in the main Crematorium start up and Planning Fee income). The Council set a target that this ratio should not exceed 30% in future years, subject to annual review.

### Commercial Investment income and costs

2023/24	Original	Current	Actual	Projected
	£'000	£'000	£'000	£'000
<b>Commercial Property Income</b>	(1,832)	(1,832)	(950)	(1,864)
<b>Running Costs</b>	480	483	150	545
<b>Net Contribution to core functions</b>	(1,352)	(1,349)	(800)	(1,319)
<b>Interest from Commercial Loans</b>	(67)	(67)	(2)	(67)
<b>Total Contribution</b>	(1,419)	(1,416)	(802)	(1,386)
<b>Sensitivity:</b>				
+/- 10% Commercial Property Income	183	183	95	186
<b>Indicator:</b>				
Investment Income as a % of total Council Income	18.8%	15.7%	15.2%	16.4%
<b>Total Income</b>	10,117	12,105	6,260	11,753

### Risk Exposure Indicators

- 4.22. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments. Generally, there is a spread of investment across sectors. The Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful. Fears that new ways of working in light of Covid would reduce demand for office accommodation have largely been unfounded, with workers returning to offices.



**Security and Liquidity**

- 4.23. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the five year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.
- 4.24. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every three years. Any works required to maintain the value of the property will then form part of Council's spending plans.
- 4.25. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps

these items under review with a view to maximising the potential liquidity and value of the property wherever possible. The last Asset Management review was reported to this group 25 November 2021 with the next review planned for spring 2024.

- 4.26. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk.

### **Training and Development**

- 4.27. The Council's previous Treasury Management Advisors, Link Asset Services held a presentation and training session to Councillors on 17 January 2023. The next scheduled training session will be held by our new Treasury Management advisers, Arlingclose. A date is yet to be confirmed but is anticipated to be in January 2024.

## **5. Conclusion**

- 5.1. Treasury Management continues to be fraught with difficulty. The UK economy is recovering but risk of a slight recession remains. Inflationary pressures are reducing, and although interest rates are currently stable, they are forecast to fall over the longer term. The latter will have a negative effect on returns that can be achieved from investments, and uncertainty in the economy continues to have a negative impact on the capital value of some of the Council'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 Council's 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 Section 17 implications identified for this report.

#### 7.5. Biodiversity Net Gain Implications

There are no Biodiversity Net Gain implications identified for this report.

### 8 Link to Corporate Priorities

Quality of Life	Good Treasury Management enables the Council to continue to deliver services that contribute to the quality of life of Rushcliffe residents.
Efficient Services	Responsible income generation and maximising returns and minimising exposure to borrowing costs.
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 considers the Capital and Investment Strategy update position at 30 September 2023.

For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Capital and Investment Strategy 2023/24 Governance Scrutiny Group 28 September 2023 – Capital and Investment Strategy Q1
List of Appendices (if any):	Appendix A – Investment Balances at 30 September 2023 Appendix B – Prudential and Treasury Indicators for 2023/24 position at 30 September 2023

## APPENDIX A

<b>Financial Institution</b>	<b>Amount £</b>	<b>Length of Investment</b>	<b>Interest</b>
Standard Chartered	4,000,000	183 days	5.22%
Standard Chartered	3,000,000	183 days	5.50%
Close Brothers	5,000,000	184 days	4.90%
HSBC ECG	5,148,198	Call	4.82%
Goldman Sachs International	5,000,000	184 days	5.84%
Rushmoor Borough Council	5,000,000	364 days	4.50%
Cornwall Council	5,000,000	184 days	4.35%
Moray Council	5,000,000	365 days	5.00%
North Lanarkshire	5,000,000	365 days	5.00%
Blackrock	427,464	Call	5.23%
CCLA -Public Sector Deposit Fund	133,523	Call	5.20%
Federated	6,876,927	Call	5.35%
Goldman Sachs Asset Management	259,509	Call	5.22%
HSBC	674,579	Call	0.05%
Invesco	6,159,429	Call	5.33%
Aberdeen Asset Management	546,464	Call	5.29%
Bank of Scotland	111,508	32 Days	2.75%
Barclays Bank	4,528,860	32 Days	5.20%
Santander UK	166,093	Call	3.23%
Santander UK	84,182	35 Days	4.53%
Residual MMF/Call Account balances	32,022	Call	3.61%
Royal London Cash Plus Fund	983,676	On-going	4.53%
CCLA Property Fund	2,018,374	On-going	3.96%
CCLA Diversified Income Fund	1,839,164	On-going	3.25%
Aegon Diversified Income Fund	4,364,956	On-going	6.80%
Ninety One Diversified Income Fund	4,559,707	On-going	6.02%
<b>Total Investments/Average Interest Rate</b>	<b>75,914,635</b>		<b>5.09%</b>

## APPENDIX B

### Prudential and Treasury Indicators for 2023/24 Position at 30 September 2023

	2023/24 £'000 Original Estimate	2023/24 £'000 Current Projections
<b><u>Prudential Indicators</u></b>		
Capital Expenditure – see paragraph 4.19	17,683	8,391
Proportion of financing costs to net revenue streams	-0.37%	-0.01%
Expected Investment Position (at 31 March 2024)	48,149	67,500
Capital Financing requirement as at 31 March 2024	13,266	12,011
Net Income (from Commercial and Service Investments) to Net Revenue Streams	11.3%	8.12%
<b><u>Treasury Management Indicators</u></b>		
<b>Authorised Limit for external debt</b> Borrowing and other long-term liabilities	25,000	25,000
<b>Operational Boundary for external debt</b> Borrowing and other long-term liabilities	20,000	20,000
<b>Upper limit for fixed interest rate exposure on investments up to 1 year</b>	50%	50%
<b>Upper limit for variable rate exposure (investments)</b>	100%	100%
<b>Upper limit for total principal sums invested over 1 year</b>	24,100	33,750
<b>Liability Benchmark</b>	(37,873)	(42,376)

## **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 is a local authority property investment fund. The property fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

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

**Pooled Funds Reserve** – monies set aside (appropriated) from revenue efficiencies and underspends which will be used to offset any future accounting or actual loss incurred in the revenue accounts.

**SONIA** (Sterling Overnight Index Average) – Average interest rates that banks pay to borrow sterling overnight from other financial institutions in circumstances where credit, liquidity and other risks are minimal.

**CPI** – (Consumer Price Index) – a measure of the average change over time in the prices paid by consumers for a representative basket of consumer goods and services.

**GDP** – (Gross Domestic Product) – measures the monetary value of final goods and services produced in a country in a given period of time.





**Governance Scrutiny Group**

**Thursday, 23 November 2023**

**Review of Regulation of Investigatory Powers Act Policy**

## **Report of the Monitoring Officer**

### **1. Purpose of report**

- 1.1. The Investigatory Powers Commissioners Office (IPCO) requires that councillors are updated annually on the Council's use of powers under the Regulation of Investigatory Powers Act (RIPA) to ensure compliance with the legislation.
- 1.2. One of the requirements under RIPA is that an annual review of the Council's RIPA policy is undertaken to ensure that it remains up to date and fit for purpose.

### **2. Recommendation**

It is RECOMMENDED that Governance Scrutiny Group:

- a) Consider the information provided regarding the Council's use of RIPA powers
- b) Endorse the updates to the Council's RIPA policy in line with the IPCO Inspection recommendations.

### **3. Reasons for Recommendation**

Whilst the Council does not actively make use of its RIPA powers as a rule, it is important that councillors are aware of RIPA, the policy and its usage, or otherwise.

### **4. Supporting Information**

- 4.1. Under RIPA, local authorities have the power to authorise directed surveillance (usually covert cameras or covert observations by officers) and the use of Cover Human Intelligence Sources (CHIS) (essentially undercover officers conducting surveillance). Authorisation should only be granted for such surveillance if it is considered necessary for the prevention and detection of crime or preventing disorder, and, if the surveillance is proportionate to the aims it seeks to achieve. Since 1 November 2012, any RIPA authorisations or renewals must also have judicial approval from a Justice of the Peace, this would be done at Nottingham Magistrates' Court.

- 4.2. The authorisations under RIPA can only be given by 'Authorising Officers' who for Rushcliffe Borough Council are the Chief Executive, the Director for Neighbourhoods and the Service Manager for Public Protection. The entire process is now overseen by the Monitoring Officer as the Senior Responsible Officer (SRO).
- 4.3. The Council's RIPA processes and procedures come under regular scrutiny. Each year, the SRO undertakes an audit of RIPA usage. There have been no authorisations given for directed surveillance or the use of covert human intelligence sources in the year 2022/23.
- 4.4. In addition to monitoring RIPA usage, the SRO is required, in line with the Council's policy to ensure refresher training on RIPA is available to officers on a regular basis. This training is available via an online module and HR maintain a list of those who have completed this training and when this was done. Each of the Authorising Officers has also undertaken training in respect of the authorisation process and criteria to consider.
- 4.5. In addition to the internal annual audit, policy review and report to scrutiny every three years, IPCO carry out an inspection of the Council's records and interview relevant officers to ensure that there is compliance with the appropriate legislation.
- 4.6. Our most recent inspection was undertaken and concluded satisfactorily in August 2023. Following this inspection, the inspector has suggested several changes to the Council's RIPA policy which have been made, the revised policy is attached at Appendix 1. The main changes are as follows:
- Section 3 – updated to acknowledge the impact of the IPA and properly set out the roles of the IPC and IPCO
  - Section 6 – amendments to the CCTV reference to our CCTV policy
  - Section 6 – updated social networking section
  - Section 8 – updated to make it clear that all authorisations must be cancelled, not allowed to lapse
  - Chapter 3 (CHIS) – Juvenile CHIS authorisation period amended to read 4 months
  - All links have been reviewed and updated.
- 4.7. The Nottinghamshire and Derbyshire District RIPA working group provides the opportunity to share best practise in relation to RIPA usage and share training opportunities and knowledge. This group has been amalgamated with the Nottinghamshire Information Officers Group as the majority of the members were the same. This Group is currently chaired by Greg Dwyer – Rushcliffe's Chief Information Officer. This group meets at least every three months and is another mechanism by which the Council ensures that compliance with RIPA is maintained and knowledge kept up to date.
- 4.8. Regardless of the level of use of RIPA powers, the Council will continue to be subject to inspection in relation to its use of the powers by the IPCO and as such the Council's policy, processes, training and review of RIPA usage must continue, to ensure they remain fit for purpose.

## 5. Risks and Uncertainties

- 5.1. If the Council fails to keep its RIPA policy up to date it will fail to comply with the requirements of the relevant legislation.

## 6. Implications

### 6.1. Financial Implications

There are no additional financial implications arising from this report. The cost of training and other related RIPA activity are expected to be met from existing budgets.

### 6.2. Legal Implications

Where the Council wishes to carry out covert surveillance in relation to an investigation, compliance with RIPA ensures that any such surveillance is properly authorised, and full consideration is given to its necessity and proportionality. Where covert surveillance is conducted under a RIPA authorisation, this provides a potential defence to any claim that the surveillance amounted to a breach of the individual's right to privacy under the Human Rights Act 1998. Whilst RIPA authorisations are limited to specific circumstances for local authorities, the council must still maintain appropriate processes and procedures to demonstrate compliance with RIPA, this includes ensuring that an appropriate policy document is maintained.

### 6.3. Equalities Implications

There are no equalities implications arising directly out of this report. No RIPA investigations have been conducted by the Council and so there is no data against which to assess the potential equalities aspects of RIPA use. If the Council sought to use RIPA powers at some point, the equalities aspects would be considered at that time.

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

RIPA allows the Council to legally make use of investigatory practices which could be utilised to protect communities from illegal activities.

### 6.5. Biodiversity Net Gain

There are no BNG implications resulting from the work set out in this report.

## 7. Link to Corporate Priorities

The Environment	Fair and effective enforcement can be used as a tool to protect and enhance both the natural and built environment.
Quality of Life	Fair and effective enforcement is essential for the protection

	of the individual and the community as a whole.
Efficient Services	This Policy sets out the powers available to the Borough Council and the criteria which are applied when decisions are made around the utilisation of these powers.
Sustainable Growth	The recommendations in this report do not impact on or contribute to the Council's Sustainable Growth priority.

## 8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group:

- a) Consider the information provided regarding the Council's use of RIPA powers
- b) Endorse the updates to the Council's RIPA policy in line with the IPCO Inspection recommendations.

<b>For more information contact:</b>	Gemma Dennis Monitoring Officer  gdennis@rushcliffe.gov.uk
<b>Background papers available for Inspection:</b>	None
<b>List of appendices:</b>	Appendix 1: Revised RIPA Policy

**RUSHCLIFFE BOROUGH COUNCIL**  
**REGULATION OF INVESTIGATORY POWERS**  
**ACT 2000 (RIPA)**  
**POLICY AND GUIDANCE**

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## **RUSHCLIFFE BOROUGH COUNCIL**

### **POLICY ON REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)**

#### **1. Introduction**

- 1.1 The Regulation of Investigatory Powers Act came into force on 24<sup>th</sup> September 2000 and aims to balance, in accordance with the European Convention of Human Rights, the rights of individuals with the need for law enforcement and security agencies to have powers to perform their roles effectively. The Act and amending legislation allow local authorities to collect evidence of criminal activity lawfully where the investigation requires covert surveillance even where that may lead to them obtaining private information about individuals.
- 1.2 Rushcliffe Borough Council only carries out covert surveillance where such action is justified and endeavours to keep such surveillance to a minimum. It recognises its obligation to comply with RIPA when such an investigation is for one of the purposes set out in that Act and has produced a Guidance document to assist officers.
- 1.3 The Council acknowledges that the 2000 Act provides a statutory framework under which covert surveillance (referred to in the Act as directed surveillance or use of covert human intelligence sources – CHIS) can be authorised and conducted compatibly with human rights legislation, the Data Protection Act 2018 and its common law obligations.

#### **2. Applications for authority**

- 2.1 Where an investigating officer identifies a contemplated surveillance activity as being regulated by RIPA, written authorisation in accordance with this Policy must be obtained before commencement of the activity. An officer authorised by the Council (see definition of Authorising Officer below) will consider all applications for authorisation in accordance with RIPA. Any incomplete or inadequate application forms will be returned to the applicant for amendment. The authorising officer shall in particular ensure that:-

- there is a satisfactory reason for carrying out the surveillance
- the serious crime threshold is met

- the covert nature of the investigation is necessary
- proper consideration has been given to collateral intrusion
- the proposed length and extent of the surveillance is proportionate to the information being sought
- Chief Executive's authorisation is sought where confidential legal/journalistic/medical/spiritual welfare issues are involved
- the authorisations are reviewed and cancelled
- records of all authorisations are sent to the Monitoring Officer for entry on the Central Register
- once authorisation has been obtained from the authorising officer the Investigating Officer will attend the magistrates' court in order to obtain judicial approval for the authorisation

If enforcement officers or their managers are in any doubt, they should contact the legal services department.

### **3. Training**

- 3.1 Each Service Manager shall be responsible for ensuring that relevant members of staff are aware of the Act's requirements. The Monitoring Officer shall ensure that all Authorising Officers have received appropriate training and that refresher training is provided as necessary.

### **4. Central register and records**

- 4.1 The Monitoring Officer shall retain the Central Register of all authorisations issued by Rushcliffe Borough Council. The Monitoring Officer will also monitor the content of the application forms and authorisations to ensure that they comply with the Act.

### **5. Scrutiny**

- 5.1 The Council has appointed the Monitoring Officer as the Senior Responsible Officer (SRO).
- 5.2 Further detail of the role of the SRO and the role of elected members is set out in Appendix A.

## REGULATION OF INVESTIGATORY

POWERS ACT 2000 (RIPA)

**PART I Directed Surveillance****6. Purpose**

- 6.1 The purpose of this is to explain the scope of RIPA, the circumstances where it applies and the authorisations procedures to be followed.

**7. Introduction**

- 7.1 The Act, which came into force in 2000, is intended to regulate the use of investigatory powers exercised by various bodies including local authorities and ensure that they are used in accordance with the Human Rights Act. This is achieved by requiring certain investigations to be authorised by an appropriate officer and approved by the judiciary before they are carried out.
- 7.2 The investigatory powers, which are relevant to a local authority, are regulated by RIPA in respect of specific operations where the Council conducts surveillance for the purposes of Law Enforcement. It is a fundamental requirement of RIPA that when the Council is considering undertaking direct surveillance or using a covert human intelligence source it must only do so if:
- The activity has been authorised by an officer with appropriate powers AND
  - The relevant criteria are satisfied and that the alleged offences carry a minimum sentence involving criminal offences that are either punishable by a maximum term of at least 6 months' imprisonment or are related to the underage use sale of tobacco or alcohol, and the use of covert human intelligence sources (see guidance part 2 below). The Act makes it clear for which purposes they may be used, to what extent, and who may authorise their use. There are also codes of practice in relation to the use of these powers and the Home Office website link to these is at Appendix C
- 7.3 Consideration must be given, prior to authorisation as to whether or not the acquisition of private information is necessary and proportionate, i.e. whether a potential breach of a human right is justified in the interests of the community as a whole, or whether the information could be gleaned in other ways.



## 8. Scrutiny and Tribunal

- 8.1 As of 1 November 2012, councils have to obtain an order from a Magistrate approving the grant or renewal of any authorisation for the use of directed surveillance or CHIS before the authorisation can take effect and the activity carried out. The Council can only appeal a decision of the Magistrate on a point of law by judicial review.
- 8.2 The Investigatory Powers Commissioner (IPC), a role established by the Investigatory Powers Act 2016 has comprehensive oversight of the use of RIPA powers by public authorities and will ensure compliance with the law by inspecting public authorities and investigating any issue which they believe warrants further scrutiny. The IPC will have unfettered access to all locations, documentation and information systems necessary to carry out their full functions and duties. Further information about the remit of the IPC can be found at Chapter 10 of the Covert Surveillance and Property Interference Code of Practice (Aug 2018).
- 8.3 In order to ensure that investigating authorities are using the powers properly, the Act also establishes the Investigatory Powers Tribunal (IPT) to hear complaints from persons aggrieved by conduct, e.g. directed surveillance. Applications will be heard on a judicial review basis. Such claims must be brought no later than one year after the taking place of the conduct to which it relates unless it is just and equitable to extend this period. Further information about the IPT can be found at [www.ipt-uk.com](http://www.ipt-uk.com).
- 8.4 The Tribunal can order:
- Quashing or cancellation of any warrant or authorisation
  - Destruction of any records or information obtained by using a warrant or Authorisation
  - Destruction of records or information held by a public authority in relation to any person
- 8.5 The Council has a duty to disclose to the tribunal all documents they require if any Council officer has:
- Granted any authorisation under RIPA
  - Engaged in any conduct as a result of such authorisation.

## 9. Benefits of RIPA authorisations

- 9.1 The Act states that if authorisation confers entitlement to engage in a certain conduct and the conduct is in accordance with the authorisation, then it will be lawful for all purposes. Consequently, RIPA provides a statutory framework under which covert surveillance can be authorised and conducted compatibly with Article 8 of the Human Rights Act 1998 – a person's right to respect for their private and family life, home and correspondence.
- 9.2 Material obtained through properly authorised covert surveillance is admissible evidence in criminal proceedings. As long as it complies with the provisions of RIPA.
- 9.3 Compliance with RIPA ensures any interference is carried out in accordance with domestic laws. It also assists to defend any complaints against the Council and its officers of interference with the right to respect for private and family life which is protected by article 8 of the convention. The Council can claim the interference is 'in accordance with the law'. The activities undertaken however must be necessary and proportionate.

## 10. Definitions

'Covert' is defined as surveillance carried out in such a manner that is calculated to ensure that the person subject to it is unaware that it is or may be taking place. (s.26 (9)(a))

'Directed surveillance' is defined as covert but not intrusive and undertaken:

- for a specific investigation or operations,
- in such a way that is likely to result in the obtaining of private information about any person
- other than by way of an immediate response (s.26 (2))

'Private information' includes information relating to a person's private or family life.

'Intrusive' surveillance is covert surveillance that is carried out in relation to anything taking place on any residential premises or in any private vehicle and involves the presence of an individual on the premises or in the vehicle or using a surveillance device. **Rushcliffe Borough Council may not authorise such surveillance, nor the entry on or interference with property or with wireless telegraphy.**

'Authorising officer' - in the case of local authorities these are specified as Executive Manager, Service Manager and other more senior officers (see Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 No.521)). A list of Rushcliffe's designated authorising officers is attached as **Appendix D**.

## **11. When does RIPA apply?**

- 11.1 The Council can only authorise directed surveillance of an individual or group of individuals, or use of CHIS where it is necessary for the purpose of preventing or detecting crime or preventing disorder. The criminal offences must be punishable, whether on summary conviction or indictment by a maximum term of at least 6 months imprisonment or be an offence under:
- a) Section 146 of the Licensing Act 2003 (sale of alcohol to children)
  - b) Section 147 of the Licensing Act 2003 (allowing the sale of alcohol to children)
  - c) Section 147A of the Licensing Act 2003 (persistently selling alcohol to children)
  - d) Section 7 of the Children and Young Persons Act 1933 (sale of tobacco etc to persons under 18)

## **12. Core Functions**

- 12.1 A public authority may only seek authorisations under the Act when in performance of its 'core functions'. Core functions are the specific public functions undertaken by the authority in contrast to the ordinary functions which are those undertaken by all authorities, for example, employment issues or contractual arrangements. The disciplining of an employee is not a core function, although related criminal investigations may be.

## **13. CCTV**

- 13.1 The normal use of CCTV is not usually covert because members of the public are informed by signs that such equipment is in operation. However, authorisation should be sought where it is intended to use CCTV covertly, and in a pre-planned manner as part of a specific investigation or operation, to target a specific individual or group of individuals. Equally a request, say by the police, to track particular individuals via CCTV recordings may require authorisation (from the police). Guidance on the operation of CCTV generally is provided in the Surveillance Camera Code of Practice issued under the Protection of Freedoms Act 2012, the Information Commissioner has also issued a code 'In the Picture – A Data Protection Code of Practice for Surveillance Cameras and Personal Information' which authorities should have regard to. [surveillance-by-consent-cctv-code-update-2015-jonathan-bamford](#)

20150127.pdf (ico.org.uk)

## 14. Online Covert Activity

- 14.1 The use of the internet and social media sites may be required to gather information prior to and during an operation/investigation. Officers should exercise caution when utilising such sites during an investigation and be alert to situations where authorisations under RIPA may be required. If officers have any concerns over the use of social media during an investigation they should contact Legal Services. As a general rule of thumb however, reviewing open source sites such as facebook pages where no privacy settings are in place does not require an authorisation under RIPA unless review is carried out with some regularity, often to build a profile, when directed surveillance authorisation may be required.
- 14.2 Use of the internet prior to an investigation should not normally engage privacy considerations but if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, a RIPA authorisation may be required. If the officer then, for the purposes of gleaning intelligence breaches privacy controls and becomes for example a "friend" within a subject's facebook account, utilising a pseudo account to conceal his/her identity as a Council official, this is a covert operation which, by its nature, is intended to obtain private information and should be authorised as a minimum as directed surveillance. Further, if the officer engages in any form of relationship with the account operator then s/he is likely to become a CHIS requiring authorisation and management by a Controller and Handler with a record being kept and a risk assessment created.
- 14.3 In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject knowing that surveillance is or may be taking place. This is regardless of what privacy settings the individual may have in place.
- 14.4 Paragraphs 3.10 through to 3.17 of the Covert Surveillance and Property Interference Revised Code of Practice (August 2018), which can be accessed at <https://www.gov.uk/government/collections/ripa-codes> sets out in detail the considerations to be worked through in order to establish whether a RIPA authorisation is necessary for any covert online investigation

## 15. Authorisations

- 15.1 **Applications for directed surveillance** All application forms (**see Appendix B**) must be fully completed with the required details to enable the authorising officer to make an informed decision.
- 15.2 Application forms are available on the Home Office website, officers should ensure they are using the most up to date forms for RIPA authorisations. The authorisation will only commence on the date Magistrates Court approval is obtained and runs for three months from that date of that approval
- 15.3 No authorisation shall be granted unless the authorising officer is satisfied that the investigation is:
- necessary - Covert surveillance cannot be said to be necessary if the desired information can reasonably be obtained by overt means. It must also be necessary by reference to one or more of the statutory grounds. ;
  - proportionate to the ultimate objective at an appropriate level (not excessive) and that no other form of investigation would be appropriate. The method of surveillance proposed must not be excessive in relation to the seriousness of the matter under investigation. It must be the method which is the least invasive of the target's privacy. Detailed advice is set out in the Covert Surveillance and Property Interference Revised Code of Practice (Aug 2018).
- 15.4 The grant of authorisation should indicate that consideration has been given to the above points.
- 15.5 The authorising officer must also take into account the risk of '**collateral intrusion**', for example, intrusion on, or interference with, the privacy of persons other than the subject of the investigation. The application must include an **assessment** of any risk of collateral intrusion for this purpose. Steps must be taken to avoid unnecessary collateral intrusion and minimise any necessary intrusion.
- 15.6 Those carrying out the investigation must inform the authorising officer of any unexpected interference with the privacy of individuals who are not covered by the authorisation, as soon as these become apparent. When such collateral intrusion is unavoidable, the activities may still be authorised provided this intrusion is considered proportionate to what is sought to be achieved. The same considerations in respect of proportionality outlined above apply to the assessment of collateral intrusion.

- 15.7 The Authorising Officer should also fully understand the capabilities and sensitivity levels of any equipment being used to carry out directed surveillance so as to properly assess the risk of collateral intrusion in surveillance techniques.
- 15.8 Further guidance on Collateral Intrusion can be found in the Covert Surveillance and Property Interference Revised Code of Practice (Aug 2018).
- 15.9 Special consideration in respect of confidential information Particular attention is drawn to areas where the subject of surveillance may reasonably expect a high degree of privacy, e.g. where confidential information is involved.
- 15.10 Confidential information consists of matters subject to legal privilege, communications between a Member of Parliament and another person on constituency matters, confidential personal information or confidential journalistic material. (ss 98-100 Police Act 1997).

## **16. Legal privilege**

- 16.1 Generally, this applies to communications between an individual and his/her legal adviser in connection with the giving of legal advice in connection with or in contemplation of legal proceedings. Such information is unlikely ever to be admissible as evidence in criminal proceedings.
- 16.2 If in doubt, the advice of the Monitoring Officer should be sought in respect of any issues in this area.

## **17. Confidential personal information**

- 17.1 This is oral or written information held in (express or implied) confidence, relating to the physical or mental health or spiritual counselling concerning an individual (alive or dead) who can be identified from it. Specific examples provided in the codes of practice are consultations between a health professional and a patient, discussions between a minister of religion and an individual relating to the latter's **spiritual welfare** or matters of **medical or journalistic confidentiality**.

## **18. Confidential constituent information**

- 18.1 This is information relating to communication between a Member of Parliament and a constituent in respect of constituency business. Such information is held in confidence if it is held subject to an express or implied undertaking to hold it in confidence or it is subject to a restriction on disclosure or an obligation of confidentiality contained in existing legislation.

**19. Confidential journalistic material**

- 19.1 This is material acquired or created for the purposes of journalism and held subject to an undertaking to hold it in confidence.
- 19.2 It should be noted that matters considered to be confidential under RIPA may not necessarily be properly regarded as confidential under section 41 Freedom of Information Act.
- 19.3 Where such information is likely to be acquired, the surveillance may only be authorised by the Chief Executive, or, in his absence, a Chief Officer and should only be authorised where there are exceptional and compelling circumstances that make the authorisation necessary.

**20. Authorisations must be in writing and have a wet signature**

- 20.1 Authorising officers are not responsible for authorising investigations or operations in which they have been directly involved. Whilst it has been recognised that this may sometimes be unavoidable in cases where it is necessary to act urgently the authorising officer authorises such an investigation or operation should place a note of the authorisation on the central record of authorisation.
- 20.2 Authorising officers must be aware of the requirements of RIPA and how to properly consider requests for authority. The authorising officer must demonstrate that the request has been properly considered when completing the application.

**21. Applications for CHIS**

- 21.1 The process for CHIS applications is the same as for directed surveillance except that the serious crime threshold of investigating criminal offences with a sentence of at least 6 months in imprisonment does not apply. The authorisation must be in writing, must specify the activities and identity (by pseudonym only) of the CHIS and that the authorised conduct is carried out for the purposes of, or in connection with, the investigation or operation so specified.
- 21.2 Again the Authorising Officer must be satisfied that the authorised use and conduct of the CHIS is proportionate to what is sought to be achieved by that conduct and the CHIS must be necessary for the prevention or detection of crime or the prevention of disorder. Collateral intrusion must also be considered.
- 21.3 All application forms must be fully completed with the required details to enable

the Authorising Officer to make an informed decision. A risk assessment and record must be prepared for each CHIS.

## 22. Judicial Approval of authorisations

- 22.1 Once the authorising officer has authorised the Directed Surveillance or CHIS, the Investigating Officer who completed the application form should contact the Magistrates Court to arrange a hearing for the authorisation to be approved by a Magistrate. The Authorising Officer should make themselves available to attend court with the Investigating Officer.
- 22.2 The Investigating Officer will provide the Magistrate with a copy of the original authorisation and the supporting documents setting out the case. This forms the basis of the application and should contain all information that is relied upon.
- 22.3 The Investigator will provide the Magistrate with a partially completed judicial application/order form. Officers may seek support from Legal Services in completing the application/order form.
- 22.4 The hearing will be in private and the officer will be sworn in and present evidence as required by the Magistrate. Any such evidence should be limited to the information in the authorisation.
- 22.5 The Magistrate will consider whether he/she is satisfied that at the time the authorisation was given there were reasonable grounds for believing that the authorisation or notice was necessary and proportionate and whether that continues to be the case. They will also consider whether the authorisation was given by the appropriate designated person at the correct level within the Council and whether (in the case of directed surveillance) the crime threshold has been met.
- 22.6 The Magistrate can:
- a) **Approve the grant of the authorisation**, which means the authorisation will then take effect.
  - b) **Refuse to approve the grant of the authorisation**, which means the authorisation will not take effect, but the Council could look at the reasons for refusal, make any amendments and reapply for judicial approval.
  - c) **Refuse to approve the grant of the authorisation** and quash the original authorisation. The court cannot exercise its power to quash the authorisation unless the applicant has at least 2 business days from the date of the refusal in which to make representations



## 23. Notifications to Inspector/Commissioner

23.1 The following situations must be brought to the inspector/commissioner's attention at the next inspection:

- Where an officer has had to authorise surveillance in respect of an investigation in which he/she is directly involved.
- Where a lawyer is the subject of an investigation or operation;
- Where confidential personal information or confidential journalistic information has been acquired and retained.

## 24. Duration and Cancellation

- An authorisation for directed surveillance shall cease to have effect (if not renewed) 3 months from the date the Magistrate approves the grant or renewal.
- If renewed the authorisation shall cease to have effect 3 months from the expiry of the original authorisation.
- An oral authorisation or renewal shall cease to have effect (unless renewed) 72 hours from the date of grant or renewal.

**This does not mean that the authorisation should continue for the whole period so that it lapses at the end of this time. The applicant must apply to cancel each authorisation as soon as that officer decides that the surveillance should be discontinued.**

24.1 On cancellation, the cancellation form should detail what product has been obtained as a result of the surveillance activity. The forms should include the dates and times of the activity, the nature of the product obtained and its format, any associated log or reference numbers, details of where the product is to be held and the name of the officer responsible for its future management. Documentation of any instruction to cease surveillance should be retained and kept with the cancellation form.

24.2 When cancelling an authorisation, the authorising officer must ensure that proper arrangements have been made for the activity's discontinuance, including the removal of technical equipment and directions for the management of the product (see too 12. below).

**25. Reviews**

- 25.1 The authorising officer should review all authorisations at reasonable intervals determined by him/herself. This should be as often as necessary and practicable. The reviews should be recorded within the record of authorisation.
- 25.2 Particular attention should be paid to the possibility of obtaining confidential information.

**26. Renewals**

- 26.1 Any authorising officer may renew an existing authorisation on the same terms as the original at any time before the original ceases to have effect. The renewal must then be approved by the Magistrate in the same way that the original authorisation was approved.

**27. Records of authorisations**

- 27.1 All authorities must maintain the following documents:
- Copy of the application and a copy of the authorisation together with any supplementary documentation and notification of the approval given by the authorised officer;
  - Copy of the Order made by the magistrates' court;
  - A record of the period over which the surveillance has taken place;
  - The frequency of reviews prescribed by the authorising officer;
  - A record of the result of each review of the authorisation;
  - A copy of any renewal of an authorisation and Order made by the magistrates' court and supporting documentation submitted when the renewal was requested;
  - The date and time when any instruction to cease surveillance was given by the authorising officer.
  - The date and time when any other instruction was given by the authorising officer
- 27.2 The original copy of every authorisation, review, renewal and cancellation issued should be lodged immediately with the Monitoring Officer of the Council in an envelope marked 'Private and Confidential'. Any original authorisations and renewals taken to the magistrates' court should be retained by the Council

and the Court should retain only copies of the authorisations or renewals.

27.3 The Council must also maintain a centrally retrievable record of the following information (the Central Register):

- type of authorisation
- date the authorisation was given
- date the approval order was given by the Magistrate
- name and rank/grade of the authorising officer and whether 'self-authorised'
- unique reference number of the investigation/operation
- title (including brief description and names of the subjects) of the investigation/operation
- whether urgency provisions were used and if so why
- details of renewal
- dates of any approval order for renewal given by the Magistrate
- whether the investigation/operation is likely to result in obtaining confidential information
- date of cancellation.

These records will be retained by the Monitoring Officer for at least 3 years and will be available for inspection by the Investigatory Powers Commissioner's Office.

## **28. Unique Operation Reference Number**

28.1 Each Application for Directed Surveillance and CHIS, must have a Unique Operation Reference Number. This URN will begin with either ENV (if it is granted in the Environment and Planning Department) or FIN (if it is granted in the Finance Department), followed by a sequential number, followed by 20?? being the year in which the Authority was applied for, e.g. ENV/27/2005

## **29. Retention of records**

- 29.1 All documents must be treated as strictly confidential and the authorising officer must make appropriate arrangements for their retention, security and destruction, in accordance with the Council's Data Protection Policy and the RIPA codes of practice, GDPR. The recommended retention period for authorisation records is three years from the ending of the period authorised.
- 29.2 Appropriate arrangements must be put in place for the handling, storage and destruction of material obtained through the use of covert surveillance ("the product"). Authorising officers must ensure compliance with the relevant data protection requirements and any relevant codes of practice

## **30. Working in Partnership with the Police/Collaborative Working**

- 30.1 Authorisation can be granted in situations where the police rather than Gedling Borough Council require the surveillance to take action, as long as the behaviour complained of, meets all criteria to grant and in addition is also of concern to the Council. Authorisation cannot be granted for surveillance requested by the police for a purely police issue.
- 30.2 The Police, as an emergency service may authorise RIPA without Magistrates approval, if an urgent situation arises and RIPA authorisation would be required urgently, the Council should contact the police if surveillance is deemed to be necessary and proportionate in an urgent situation.
- 30.3 Any person granting or applying for an authorisation will also need to be aware of particular sensitivities in the local community where the surveillance is taking place and of any other similar activities being undertaken by other public authorities which could impact on the deployment of surveillance or property interference. Where an Authorising Officers considers conflicts may arise they should consult a senior officer within the police.
- 30.4 Where the Police are carrying out surveillance and request the use of the Council's cameras to do so, the police should obtain the authorisation and provide sufficient information to the Council to enable the surveillance to be undertaken in line with the authorisation.

## **31. Complaints procedure**

- 31.1 The Council will maintain the standards set out in this guidance and the Codes of Practice (See Appendix C). The Chief Surveillance Commissioner has responsibility for monitoring and reviewing the way the Council exercises the powers and duties conferred by RIPA.

- 31.2 Contravention of the GDPR and/or Data Protection Act 1988 may be reported to the Information Commissioner. Before making such a reference, a complaint concerning a breach of this guidance should be made using the Council's own internal complaints procedure. To make a complaint, complete the online complaints form or contact the Performance and Reputation Team, Rushcliffe Borough Council, Rushcliffe Arena, Rugby Road, West Bridgford, NG2 7YG or telephone Customer Services on 0115 981 9911

## REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA)

### PART 2 COVERT HUMAN INTELLIGENCE SOURCES

#### 32. Covert Human Intelligence Source

32.1 The RIPA definition (section 26(8)) is anyone who:

a) establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraphs b) or c)

b) covertly uses such a relationship to obtain information or provide access to any information to another person; or

c) covertly discloses information obtained by the use of such a relationship or as a consequence of the existence of such a relationship

32.2 Any reference to the conduct of a CHIS includes the conduct of a source which falls within a) to c) or is incidental to it.

32.3 References to the use of a CHIS are references to inducing, asking or assisting a person to engage in such conduct.

32.4 Section 26(9) of RIPA goes on to provide that:

a. surveillance is covert, if and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place

b. a purpose is covert, in relation to the establishment or maintenance of a personal or other relationship, if, and only if, the relationship is conducted in a manner that is calculated to ensure that one of the parties to the relationship is unaware of that purpose; and

c. a relationship is used covertly, and information obtained as mentioned in ss above and is disclosed covertly, if, and only if it is used or as the case may be, disclosed in a manner that is calculated to ensure that one of the parties to the relationship is unaware of the use or disclosure in question.

32.5 There is a risk that an informant who is providing information to the Council voluntarily may in reality be a CHIS even if not tasked to obtain information covertly. It is the activity of the CHIS in exploiting a relationship for

a covert purpose which is ultimately authorised in the 2000 Act, not whether or not the CHIS is asked to do so by the Council. When an informant gives repeat information about a suspect or about a family and it becomes apparent that the informant may be obtaining the information in the course of a neighbourhood or family relationship, it may mean that the informant is in fact a CHIS. Legal advice should always be sought in such instances before acting on any information from such an informant.

- 32.6 Attention is also drawn to the advice at paragraph 6 above concerning the use of social networking sites.

### 33. Applications for CHIS

**The Borough Council may only in applying the employment of CHIS for the purpose of preventing or detecting crime or preventing disorder. The Council is unlikely to need to use CHIS and the Council's Monitoring Officer should be consulted before any authorisation is sought.**

- 33.1 The procedure is the same as for directed surveillance except that the authorisation must specify the activities and identity of the CHIS and that the authorised conduct is carried out for the purposes of, or in connection with, the investigation or operation so specified.
- 33.2 All application forms (**see Appendix B**) must be fully completed with the required details to enable the authorising officer to make an informed decision. A controller and handler (one of whom should be a record keeper) should be identified at this stage. The source manager should ensure that a risk assessment is carried out and appended to the application.
- 33.3 An authorisation for CHIS shall cease to have effect (unless renewed) 12 months from the date of grant or renewal. A CHIS authorisation must be thoroughly reviewed before it is renewed. The duration of authorisation for a Juvenile CHIS is 1 month.
- 33.4 The duration of a CHIS authorisation commences at the time of the Magistrates approval of it.

## REGULATION OF INVESTIGATORY POWERS ACT 2000

### PART 3 ACQUISITION AND DISCLOSURE OF COMMUNICATIONS DATA

#### 34. Introduction

- 34.1 With effect from 5 January 2004, and in accordance with Chapter II of Part I of Regulation of Investigatory Powers Act (“the Act”), local authorities can authorise the acquisition and disclosure of ‘communications data’ provided that the acquisition of such data is necessary for the purpose of preventing or detecting crime or preventing disorder; and proportionate to what is sought to be achieved by acquiring such data. There is a Code of Practice (**see Appendix C**) (“the Code”)

**NOTHING IN THIS CODE PERMITS THE INTERCEPTION OF THE CONTENT OF ANY COMMUNICATION.**

- 34.2 The procedure is similar to that of authorisation for directed surveillance and CHIS but has extra provisions and processes.
- 34.3 The purpose and effect of the procedure is the same i.e. to ensure proper consideration is given to permitting such investigations and to provide protection against a human rights challenge. **All potential applications shall be referred initially to the Monitoring Officer for advice.**
- 34.4 The authorising officer is called a ‘designated person’.

#### 35. What is ‘Communications data’?

- 35.1 Communications data is information relating to the use of a communications service e.g. postal service or telecommunications system. It is defined by Section 21(4) of the Act and falls into three main categories:
- Traffic data – where a communication was made from, to whom and when
  - Service data – use made of service e.g. itemised telephone records
  - Subscriber data – information held or obtained by operator on person they provide a service to.
- 35.2 Local authorities are restricted to subscriber and service use data and only for the purpose of preventing or detecting crime or preventing disorder.



### 36. Designated person

- 36.1 A designated person must be at least the level of an Executive Manager, Service Manager, Monitoring Officer or equivalent.

### 37. Application forms

- 37.1 All applications must be made on a standard form (**see Appendix B**).

### 38. Authorisations

- 38.1 Authorisations can only authorise conduct to which Chapter II or Part I of the Act applies.
- 38.2 In order to comply with the code, a designated person can only authorise the obtaining and disclosure of communications data if:
- i) It is **necessary** for any of the purposes set out in Section 22(2) of the Act. (NB. Rushcliffe Borough Council can only authorise for the purpose set out in Section 22(2)(b) which is the purpose of preventing or detecting crime or preventing disorder); and
  - ii) It is **proportionate** to what is sought to be achieved by the acquisition of such data (in accordance with Section 22(5) the Act).
- 38.3 Consideration must also be given to the possibility of collateral intrusion and whether any urgent timescale is justified.
- 38.4 Once a designated person has decided to grant an authorisation or a notice given there are two methods:
- 1) **By authorisation** of some person in the same relevant public authority as the designated person, whereby the relevant public authority collects the data itself (Section 22(3) the Act). This may be appropriate in the following circumstances:
    - The postal or telecommunications operator is not capable of collecting or retrieving the communications data;
    - It is believed the investigation may be prejudiced if the postal or telecommunications operator is asked to collect the data itself;
    - There is a prior agreement in place between the relevant public authority and the postal or telecommunications operator as to the appropriate mechanisms for the disclosure of communications data.

- 2) By notice to the holder of the data to be acquired (Section 22(4)) which requires the operator to collect or retrieve the data. Disclosure may only be required to either the designated person or the single point of contact.

38.5 A service provider must comply with the notice if it is reasonably practicable to do so (s.22(6)-(8)) and can be enforced to do so by civil proceedings.

38.6 The postal or telecommunications service can charge for providing this information.

38.7 There are standard forms (**see Appendix B**) for authorisations and notice.

### **39. Oral authority**

39.1 The Council is not permitted to apply or approve orally.

### **40. Single point of contact (SPOC)**

40.1 Notices and authorisations should be passed through a single point of contact within the Council. This should make the system operate more efficiently as the SPOC will deal with the postal or telecommunications operator on a regular basis and also be in a position to advise a designated person on the appropriateness of an authorisation or notice.

40.2 SPOCs should be in position to:

- Where appropriate, assess whether access to communication data is reasonably practical for the postal or telecommunications operator;
- Advise applicants and designated person on whether communications data falls under Section 21(4)(a), (b) or (c) of the Act;
- Provide safeguards for authentication;
- Assess any cost and resource implications to both the public authority and the postal or telecommunications operator.

### **41. Duration**

41.1 Authorisations and notices are only valid for one month beginning with the date on which the authorisation is granted or the notice given. A shorter period should be specified if possible.

## **42. Renewal and cancellation**

- 42.1 An authorisation or notice may be renewed at any time during the month it is valid using the same procedure as used in the original application. A renewal takes effect on the date which the authorisation or notice it is renewing expires.
- 42.2 The code requires that all authorisations and notices should be cancelled by the designated person who issued it as soon as it is no longer necessary, or the conduct is no longer proportionate to what is sought to be achieved. The relevant postal or telecommunications operator should be informed of the cancellation of a notice.

## **43. Retention of records**

- 43.1 Applications, authorisations renewals cancellations and notices are confidential material and must be retained until the Council has been audited by the Commissioner (see paragraph 10).
- 43.2 Applications must also be retained to allow the Tribunal (see paragraph 10) to carry out its functions.
- 43.3 A record must be kept of:
- the dates on which the authorisation or notice is started or cancelled.
  - any errors that have occurred in the granting of authorisations or giving of notices.
- 43.4 A report and explanation of any errors must also be sent to the Commissioner as soon as is practicable.
- 43.5 Communications data, and all copies, extracts and summaries of it, must be handled and stored securely and the requirements of the Data Protection Act 2018 and GDPR must be observed.
- 43.6 The documents referred to herein and any information contained therein should not be disclosed to any person who does not have a legitimate need to have access to the document or to the information contained within it. Authorising officers are required in ensure proper arrangements are in place within their service areas for the retention and security of the said documents.
- 43.7 The Monitoring Officer maintains a register of all authorisations, reviews, cancellations and renewals. Authorising officers are required to ensure that hard copies of the said documents are forwarded to the Monitoring Officer as soon as reasonably practicable for retention.

- 43.8 The Monitoring Officer will review the central register periodically to remove information that is more than 6 years old unless relevant court proceedings are outstanding. All documentation no longer required will be securely disposed of.

#### **44. Oversight and Complaints**

- 44.1 The Act provides for an Interception of Communications Commissioner whose remit is to provide independent oversight of the use of the powers contained in Part I and the code requires any person who uses the powers conferred by Chapter II to comply with any request made by the Commissioner to provide any information he requires to enable him to discharge his functions.
- 44.2 The Act also establishes an independent Tribunal to investigate and decide any case within its jurisdiction. Details of the relevant complaints procedure should be available for reference at Rushcliffe Borough Council's public offices.

## APPENDIX A SCRUTINY ARRANGEMENTS

The following arrangements have been put in place to comply with the requirements set out in the revised Codes of Practice published by the Home Office in 2018.

### 45. Senior Responsible Officer

45.1 The SRO shall be responsible for:

- the integrity of the process in place to authorise directed surveillance and CHIS
- compliance with Part II of the 2000 Act and with the accompanying Codes of Practice
- engagement with the Surveillance Commissioners and Inspectors when they conduct their inspections, and
- where necessary, oversight of the implementation of any post-inspection action plans recommended or approved by a Commissioner.
- Maintaining the central record of authorisations and collating the original applications/authorisations, reviews, renewals and cancellations
- Oversight of submitted RIPA documentation
- Organising a RIPA training programme and
- Raising RIPA awareness within the Council.

45.2 The SRO is the Monitoring Officer and a member of the Council's Corporate Management Team. She is responsible for ensuring that all authorising officers are suitably qualified and trained.

### 46. Elected Member Involvement

46.1 The SRO will report annually to the Governance Scrutiny Group with the following information:

- the current Policy and Guidance being used by the Council
- statistics and overview of the use of directed surveillance and CHIS by the Council during the previous year

- following an IPCO inspection, detailing any recommendations made and the action(s) taken in response to those recommendations

46.2 Any significant issues arising shall also be reported to a meeting of Cabinet.

## APPENDIX B

### 47. Forms

This policy should be read in conjunction with Investigatory Powers Act and the Home Officer Codes of Practice 2018.

**See Home Office website:**

[RIPA forms](#)

## **APPENDIX C**

### **Codes of Practice**

[RIPA Codes of Practice](#)



**APPENDIX D****RUSHCLIFFE BOROUGH COUNCIL**

## Senior Responsible Officer and Authorised Officers

RIPA Coordinator

The designated Senior Responsible Officer for RUSHCLIFFE BOROUGH COUNCIL under the Regulation of Investigatory Powers Act 2000 shall be:

<b>Officer</b>	<b>Department</b>	<b>Contact details</b>
Mrs G Dennis	Monitoring Officer Rushcliffe Arena, Rugby Road, West Bridgford, Nottingham, NG2 7YG	Tel: 0115 9148 584 E-mail: <a href="mailto:gdennis@rushcliffe.gov.uk">gdennis@rushcliffe.gov.uk</a>

## Authorising Officers

The following officers shall be designated as Authorising Officers for the specified purpose on behalf of RUSHCLIFFE BOROUGH COUNCIL under the Regulation of Investigatory Powers Act 2000:

<b>Name</b>	<b>Post</b>
Mrs K Marriott	Chief Executive
Mr D Banks	Director - Neighbourhoods
Mr G Carpenter	Service Manager – Public Protection

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## **Governance Scrutiny Group**

**Thursday, 23 November 2023**

## **Amendments to the Constitution**

### **Report of the Monitoring Officer**

#### **1. Purpose of report**

- 1.1. Governance Scrutiny Group will recall that at the meeting on 28 September 2023, the Group noted the decision to create a Working Group to consider outstanding changes to the Council's Constitution and nominated two members to sit on this Working Group, namely Councillor Calvert and Councillor Thomas.
- 1.2. The Working Group met on the 7 November and has now concluded its work. the final proposed changes to the Constitution in relation to Planning are set out in Appendix One.
- 1.3. Since the previous meeting of this Group, a further change to the Constitution has been proposed regarding the timing of the submission of Motions to be heard at Council meetings which it is right and proper that this Group considers. The detail of this proposal is set out later in the report.

#### **2. Recommendation**

It is RECOMMENDED that Governance Scrutiny Group consider and provide any comments on the proposed changes to the Constitution prior to consideration by Council.

#### **3. Reasons for Recommendation**

- 3.1. The Council has a duty to keep its Constitution up to date and is required to review it at least on an annual basis.

#### **4. Supporting Information**

- 4.1. The outstanding changes considered by the Working Group relate solely to Planning matters. When the issues under consideration were last reviewed, this work was undertaken by a similar Working Group and this approach worked well. Comments from Governance Scrutiny Group are welcomed on the conclusions reached by the Working Group outlined in Appendix One.
- 4.2. In the time between the previous meeting of this Group and tonight's meeting, a further change to the Constitution has been proposed by the Chief

Executive and agreed by Group Leaders. The proposal is to extend the timescales within which motions must be delivered to the Chief Executive in order for that motion to be considered at the next Council meeting from not later than seven clear working days, to not later than ten working days (except in exceptional circumstances). The exact wording is reproduced at Appendix Two.

**5. Risks and Uncertainties**

5.1. The Council is required to undertake an annual review of its Constitution and ensure it complies with the law. Failure to undertake a review of the Constitution risks a legal challenge of decisions taken.

**6. Implications**

**6.1. Financial Implications**

There are no direct financial implications arising from these proposals.

**6.2. Legal Implications**

Under section 37 of the Local Government Act 2000, the Council has a duty to keep its Constitution up to date and that section also prescribes its minimum content. The proposals in this report comply with those requirements.

**6.3. Equalities Implications**

No implications as the alterations proposed to the Constitution do not involve new or changing policies, services or functions or financial decisions that will have an effect on services.

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

There are no direct Section 17 implications.

**6.5. Biodiversity Net Gain**

There are no Biodiversity Net Gain implications.

**7. Link to Corporate Priorities**

The Environment	The proposed revisions should make it easier for members of the public, Councillors and officers to understand and engage with decision making processes which are essential to effective and efficient democratic decision-making.
Quality of Life	
Efficient Services	
Sustainable Growth	

## 8. Recommendations

It is RECOMMENDED that Governance Scrutiny Group consider and provide any comments on the proposed changes to the Constitution prior to consideration by Council.

<b>For more information contact:</b>	Gemma Dennis Monitoring Officer  gdennis@rushcliffe.gov.uk
<b>Background papers available for Inspection:</b>	None
<b>List of appendices:</b>	Appendix 1: List of proposed amendments relating to Planning Committee  Appendix 2: Other amendments proposed

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## Summary of amendments proposed to Constitution October 2023

Page Number/Section	Current Text	Proposed Amendment
Page 42 para 3.42	<p>Applications made under the following statutory provisions shall be referred to Planning Committee for decision or to make observations, as may be required, in the circumstances set out below:</p> <ul style="list-style-type: none"> <li>• where, following consultation in accordance with the codes and protocols – guidance on planning application procedures, the Director – Development and Economic Growth and ward Councillor(s) have different views.</li> <li>• where the application has been submitted by the Council.</li> <li>• where the application has been submitted by the County Council; except minor development relating to existing operational premises (eg school classrooms, fences, etc).</li> </ul>	<p>Applications made under the following statutory provisions shall be referred to Planning Committee for decision or to make observations, as may be required, in the circumstances set out below:</p> <ul style="list-style-type: none"> <li>• where, following consultation in accordance with the codes and protocols on planning application procedures, the Director–Growth and Economic Development and ward Councillor(s) have different views <b>on a matter which is considered by the Director – Growth and Economic Development to constitute a material planning consideration.</b></li> <li>• where the application has been submitted by the Council, <b>with the exception of applications to secure non-material amendments to schemes, in consultation with the Chair of Planning Committee and Ward Councillor.</b></li> <li>• where the application has been submitted by the County Council, except for minor development relating to existing operational premises (eg school classrooms, fences, etc) <b>or where the timescales to respond do not allow for referral to the Planning Committee or an extension of time is not agreed, in which case a response will be submitted following consultation with the Chair of Planning Committee and the Ward Councillor(s)</b></li> </ul>

	<ul style="list-style-type: none"> <li>• where the Council is being consulted by an adjoining authority on an application (except where a response is required prior to the next meeting of the Planning Committee).</li> <li>• where the application involves any Councillor or <u>senior officer</u> as applicant or agent in consultation with the Chairman of Planning Committee.</li> <li>• where a ward Councillor declares an interest and has made a request for referral to Planning Committee in accordance with 2 below.</li> </ul>	<ul style="list-style-type: none"> <li>• where the Council is being consulted by an adjoining authority on an application, except where a response is required prior to the next meeting of the Planning Committee, and where a <b>ward Councillor comments upon a planning application and identifies material planning considerations and policy objections to support this view and has made a valid request for referral to Planning Committee</b></li> <li>• <b>Where a planning permission has expired and an identical or slightly amended scheme is submitted, unless there is a change in material considerations and or policy requirements, ward Councillor(s) should not refer them to the Planning Committee</b></li> <li>• where the application involves any Councillor or senior officer* as applicant or agent <b>at the discretion of the Director Development and Economic Growth in consultation with the Chair of Planning Committee.</b></li> <li>• <del>where a ward Councillor declares an interest and has made a request for referral to Planning Committee</del></li> <li>• where a Section 106 planning agreement is required, unless the agreement relates to standard <del>drainage</del> requirements or the proposed agreement complies with the Council's Supplementary Planning Guidance.</li> </ul>
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	<ul style="list-style-type: none"> <li>• where a Section 106 planning agreement is required, unless the agreement relates to standard drainage requirements or the proposed agreement complies with the Council’s Supplementary Planning Guidance.</li> </ul>	
<p>Page 42 para 3.43</p>	<p>A valid request that the application be referred to the Plans Committee for determination has been made by a ward Councillor(s) in accordance with this referral procedure.</p> <ul style="list-style-type: none"> <li>• Following a planning application being registered and made valid, officers will write to:             <ul style="list-style-type: none"> <li>○ the ward Councillors of the ward where the application is,</li> <li>○ ward Councillors where part of the application site is in their ward</li> <li>○ ward Councillors where the application site is immediately adjacent to or within 15 metres of the boundary of their ward.</li> </ul> </li> <li>• Ward Councillors where the application site is wholly or partly within the boundary of their ward may request that the application be referred to Planning Committee which would otherwise have been determined by the Director – Development and Economic Growth under delegated authority.</li> </ul>	<p>A valid request that the application be referred to the Planning Committee for determination has been made by a ward Councillor(s) in accordance with this referral procedure.</p> <ul style="list-style-type: none"> <li>• <del>Following a planning application being registered and made valid, officers will write to:</del></li> <li>• <del>the ward Councillors of the ward where the application is,</del></li> <li>• <del>ward Councillors where part of the application site is in their ward</del></li> <li>• <del>ward Councillors where the application site is immediately adjacent to or within 15 metres of the boundary of their ward.</del></li> <li>• Ward Councillors where the application site is wholly or partly within the boundary of their ward may request that the application be referred to Planning Committee which would otherwise have been determined by the Director – Growth and Economic Development under delegated authority. <b>Such a request should be made within the statutory consultee timescale of 21 days. Further comments, or indeed amended comments where a Councillor has changed their view, can be made outside of this timeframe where new information has become available.</b></li> </ul>

		<ul style="list-style-type: none"> <li>Where a ward Councillor refers an application to the Planning Committee, they should attend the Committee to present their views, limiting them to relevant material planning considerations, for the Committee to consider before making a decision, unless exceptional circumstances prevent this and agreement is obtained from the Council’s Monitoring Officer. In such circumstances, a written representation will be read on their behalf.</li> </ul>
<p>Pg 104 4.21</p>	<p><b>Having your say at Planning Committee?</b></p> <p>If you are the applicant, an objector or Ward Councillor (Borough Councillor for the ward in which the application is being made), and an application is to be discussed at Planning Committee in which you have an interest, you can present your views directly to the Committee via virtual link. The Planning Committee agenda is available on the website (at the same address as above) a week before the meeting and it lists the applications that will be discussed at the meeting. You will be able to speak directly to the Planning Committee if you are the applicant for the application under consideration or if you are representing objectors to the application for a maximum of five minutes; or if you are the ward Councillor for the ward in which the application is being made you may speak to the Committee for up to five minutes (in multi councillor wards where the views of ward councillors are different, then both viewpoints will be heard). Speakers will be heard by the Committee in the following order: Planning Officer (time unlimited), applicant, objector, and ward Councillor.</p>	<p>If you are the applicant, an objector or Ward Councillor (Borough Councillor for the ward in which the application is being made), and an application is to be discussed at Planning Committee in which you have an interest, you can present your views directly to the Committee via virtual link. The Planning Committee agenda is available on the website (at the same address as above) a week before the meeting and it lists the applications that will be discussed at the meeting. You will be able to speak directly to the Planning Committee if you are the applicant for the application under consideration or if you are representing objectors to the application for a maximum of five minutes; or if you are the ward Councillor for the ward in which the application is being made you may speak to the Committee for up to five minutes (in multi councillor wards where the views of ward councillors are different, then both viewpoints will be heard). Speakers will be heard by the Committee in the following order: Planning Officer (time unlimited), applicant, objector, and ward Councillor. No cross examination of the applicant or objector will be permitted.</p>

	<p>No cross examination of the applicant or objector will be permitted.</p>	<p>If an application is to be discussed at Planning Committee in which you have an interest, you will be able to speak directly to the Planning Committee for a maximum of five minutes if you are:</p> <ul style="list-style-type: none"> <li>• representing objectors to the application</li> <li>• the applicant or representative for the application under consideration</li> <li>• the ward Councillor for the ward in which the application is being made (in multi councillor wards, where the views of ward councillors are different, then both viewpoints will be heard).</li> </ul> <p>The Planning Committee agenda is available on the website (at the same address as above) a week before the meeting and it lists the applications that will be discussed at the meeting. Should you wish to register a request to speak, this must be done in accordance with para 4.212. Speakers will be heard by the Committee in the order as set out below in para 4.216</p>
<p>Pg 105 4.216</p>	<p>Then the applications for consideration at this meeting are presented – for each application:</p> <ul style="list-style-type: none"> <li>• the planning officer presents a report containing the recommendation</li> <li>• opportunity for the applicant to speak</li> <li>• opportunity for a representative of any objectors to speak</li> <li>• opportunity for the relevant ward councillor to speak</li> <li>• the Committee members will then discuss the application and take a vote</li> </ul>	<p>For each application for consideration at Planning Committee, a planning officer will present a report containing the recommendation. There will be an opportunity for each of the following to speak for a maximum of five minutes:</p> <ul style="list-style-type: none"> <li>• One representative of any objector</li> <li>• The applicant or applicant’s representative</li> <li>• The ward Councillor where the application is in their ward</li> </ul> <p>• The Committee members will then discuss the application and take a vote*</p>

	<ul style="list-style-type: none"> <li>• this process will be repeated until all applications have been considered.</li> </ul>	<ul style="list-style-type: none"> <li>• The Chair of Planning Committee may ask the speakers (including the ward Councillor speakers) questions to provide further clarification if such a matter is raised by a member of planning committee during debate</li> <li>• This process will be repeated until all applications have been considered.</li> <li>* Any member entitled to vote on an application must be present for the entirety of the consideration of that matter in order to take part in the vote on that application. A member can request a short adjournment which can be granted at the discretion of the Chair.</li> </ul>
<p>Pg 202 para 5.96</p>	<p>The following principles shall be followed by the Council in dealing with planning applications:</p> <ul style="list-style-type: none"> <li>• Once a planning application has been registered and validated, officers will write to:             <ul style="list-style-type: none"> <li>○ The ward Councillors for the ward in which the application site is located</li> <li>○ Ward Councillors where a section is immediately adjacent to the boundary of their ward or within 15 metres of the boundary of their ward</li> </ul> </li> <li>• Councillors and officers will, wherever possible, avoid indicating the likely decision on an application or otherwise committing the Council during contact with applicants or objectors details of all applications will be sent to local ward Councillors and parish councils with the opportunity to comment. Any comments must be made in writing and returned to the planning</li> </ul>	<p>The following principles shall be followed by the Council in dealing with planning applications:</p> <p>Once a planning application has been registered and validated, officers will write to ward Councillors:</p> <ul style="list-style-type: none"> <li>- For the ward in which the application site is located</li> <li>- Where a section of the application site lies within their ward</li> <li>- Where a section of the application is immediately adjacent to the boundary of their ward <del>or within 15 metres of the boundary of their ward</del></li> <li>-</li> <li>• Councillors and officers will, wherever possible, avoid indicating the likely decision on an application or otherwise committing the Council during contact with applicants or objectors</li> <li>• Details of applications will be sent to the relevant local ward Councillors and parish councils with the opportunity to</li> </ul>

	<p>department no later than 21 days from the date of the consultation in order to best equip the Council to meet government targets for dealing with planning applications. Should a Ward Councillor be unable to respond within 21 days, they should contact the case officer to ask for an extension which may be accommodated if timescales allow. Late representations may also be accepted in case where new information is provided in connection with an application beyond the 21 day deadline</p> <ul style="list-style-type: none"> <li>the Director – Development and Economic Growth will be responsible for determining all applications except those which, in accordance with the Council’s scheme of delegation, must be referred to the Planning Committee for determination.</li> </ul>	<p>comment. Any comments should be made in writing and returned to the planning department no later than 21 days from the date of the consultation.</p> <ul style="list-style-type: none"> <li>the Director – Development and Economic Growth will be responsible for determining all applications except those which, in accordance with the Council’s scheme of delegation, must be referred to the Planning Committee for determination. The Director Development and Economic Growth has discretion to refer an application for consideration at Planning Committee, in consultation with the Chair of Planning Committee.</li> </ul>
<p>Pg 202</p>	<p>If a Councillor does find that they no longer retain an open mind on the matter, or that their impartiality has been compromised, then the proper course of action would be to make an open declaration to that effect at the meeting and not vote on the matter. The Councillor may not necessarily have a prejudicial interest in the application under the Councillor Code of Conduct, but if a Councillor has (in legal parlance) “fettered their discretion” or “pre-determined” the issue, their continued involvement in the decision-making process could jeopardise the validity of the final decision and/or lead to a formal complaint being made</p>	<p>If a Councillor does find that they no longer retain an open mind on the matter, or that their impartiality has been compromised, then the proper course of action would be to make an open declaration to that effect at the meeting and not vote on the matter. The Councillor may not necessarily have a prejudicial interest in the application under the Councillor Code of Conduct, but if a Councillor has (in legal parlance) “fettered their discretion” or “pre-determined” the issue, their continued involvement in the decision-making process could jeopardise the validity of the final decision and/or lead to a formal complaint being made</p>



## Appendix 2

Proposed changes to the constitution set out in red.

### Notice

Para 4.38.

Except for motions which can be moved without notice under the provisions made in this Constitution, written notice of every motion, signed by the Councillor or Councillors moving the motion, must be delivered to the Chief Executive not later than 5pm ~~seven~~ **ten** clear working days (not including the day of the meeting) before the meeting.

**The Chief Executive, in discussion with the Mayor, has the discretion to accept a late motion in exceptional circumstances if delivered to the Chief Executive not later than 5pm seven clear working days (not including the day of the meeting) before the meeting.**

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 <p><b>Rushcliffe</b> Borough Council</p>	<p><b>Governance Scrutiny Group</b></p> <p><b>Thursday, 23 November 2023</b></p> <p><b>Work Programme</b></p>
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## **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.

### **22 February 2024**

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- Risk Management – Update
- Risk Management Strategy 2024/25
- External Annual Audit Plan
- Annual Audit Letter and Value for Money Conclusion
- Capital and Investment Strategy Q3
- Capital and Investment Strategy 2024/25
- Investment Asset Review
- Work Programme

### **June 2024 (TBC)**

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Fraud Report
- Annual Governance Statement (AGS)
- Capital and Investment Strategy Outturn
- Constitution Update

- Code of Conduct
- Work Programme

<b>For more information contact:</b>	Peter Linfield Director – Finance and Corporate Services 0115 914 8349 <a href="mailto:plinfield@rushcliffe.gov.uk">plinfield@rushcliffe.gov.uk</a>
<b>Background papers Available for Inspection:</b>	None.
<b>List of appendices (if any):</b>	None.