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Date: 11 September 2024

Rushcliffe Borough Council

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To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held on Thursday, 19 September 2024 at 7.00 pm in the Council Chamber, Rushcliffe Arena, Rugby Road, West Bridgford to consider the following items of business.

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

Yours sincerely

Sara Pregon
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 30 May 2024 (Pages 1 - 10)

4. Internal Audit Progress Report (Pages 11 - 40)

   Report of the Director – Finance and Corporate Services

5. External Audit Completion Report (Pages 41 - 88)

   Report of the Director – Finance and Corporate Services

6. Annual Audit Report (Pages 89 - 116)

   Report of the Director – Finance and Corporate Services

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

7. Statement of Accounts (Pages 117 - 252)

Report of the Director – Finance and Corporate Services

8. Going Concern (Pages 253 - 260)

Report of the Director – Finance and Corporate Services

9. Risk Management Update (Pages 261 - 278)

Report of the Director – Finance and Corporate Services

10. Capital and Investment Strategy Update (Pages 279 - 288)

Report of the Director – Finance and Corporate Services

11. Work Programme (Pages 289 - 290)

Report of the Director – Finance and Corporate Services

Membership

Chair: Councillor A Edyvean
Vice-Chair: Councillor D Polenta
Councillors: D Polenta, T Birch, S Calvert, H Om, N Regan, C Thomas, T Wells and G Wheeler

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Recording at Meetings

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Rushcliffe
Borough Council

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
THURSDAY, 30 MAY 2024
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 D Polenta (Vice-Chair), T Birch, R Butler, P Gowland, H Om, N Regan, T Wells, L Way and G Wheeler

OFFICERS IN ATTENDANCE:

P Linfield	Director – Finance and Corporate Services
H Tambini	Democratic Services Manager
S Whittaker	Service Manager - Finance

APOLOGIES:
Councillors A Edyvean, S Calvert and C Thomas

1 **Declarations of Interest**

There were no declarations of interest.

2 **Minutes of the Meeting held on 2 February 2024**

The minutes of the meeting held on 22 February 2024 were approved and signed by the Vice Chair.

The Group noted that the Service Manager – Finance and the Director – Finance and Corporate Services had responded to the actions from the meeting on 22 February 2024.

3 **Internal Audit Progress Report Quarter 4**

Mr Armstrong from BDO, the Council's Internal Auditors presented the fourth Internal Audit Report for this financial year, which reflected progress made against the annual Internal Audit Programme. The report highlighted the completion of three reports and their findings as follows:

Fleet Management – the audit received a moderate assurance on control design and substantial assurance on control effectiveness. The review had looked at the operational effectiveness of the service and the climate change element, including the Council's objective to move to net zero by 2030. Two findings were raised, a medium finding on the operational side, regarding periodic checks of agency drivers not being undertaken. The second related to the positive work already undertaken by the Council in trying to achieve its net zero target, including the recent conversion of 21 refuse vehicles to HVO fuel, and investigating future electrification of the fleet.

Rushcliffe Oaks Crematorium – Income – the audit received substantial assurance on both the design of controls and on the effectiveness, with two low findings. One finding related to the timeliness of payments, with one invoice paid 140 days late, although it was noted that the level of aged dates was very low, and the Council worked proactively to recover those amounts. Secondly, on the performance reporting side for income collection, and it was recommended that a new KPI should be added to monitor the timeliness of payments.

E-Financials System Controls – the audit received substantial assurance for both the design of controls and effectiveness, with three low findings. One finding related to a specific privileged user account, where regular checks were not conducted, although there had been no adverse use over the year. Secondly, around checking changes to customer data, with a recommendation to add a monthly check. Finally, the user access review process, to check that the correct permissions were in place, and it was noted that a review had been undertaken in March 2023.

Mr Armstrong concluded by referring to the quarterly Sector Update attached to the Progress Report.

Councillor Om commented on the user access reviews and questioned if they should be done every three or six months. Mr Armstrong advised that processes were already in place and this recommendation would be in addition to what was already undertaken.

Councillor Gordon Wheeler welcomed this very positive report, which highlighted how well the Council was working, and noted that the issues raised were minor ones and Mr Armstrong concurred, stating that very few Council's received an overall substantial assurance, which Rushcliffe had.

Councillor Birch commented on the late invoice payments at the Crematorium, noted that although it was not a huge risk, one invoice had been paid nearly five months late and questioned if there were clear terms on the contracts, and incentives to ensure timely payment. Councillor Birch felt that given this was a relatively new service, it was important to have appropriate mechanisms in place to ensure timely payments. Mr Armstrong confirmed that there was a 21 day credit period on invoices, and it had been found that often late payments from funeral directors were due to customers not paying them. The Service Manager – Finance advised that this late payment was an isolated case, in general officers were happy with the controls in place and it went through the Council's Debt Control Policy, which was generally enough to encourage payment, and the process would continue to be assessed.

Councillor Butler asked who was responsible for issuing invoices for the Crematorium and the Service Manager – Finance confirmed that it was the Crematorium, testing had shown that invoices were correct, reconciliations were in place, and the process would continue to be monitored.

The Vice Chair referred to fleet management, the steps being taken to achieve the net zero target, and the reference in the report from the consultants CENEX that the Council had made very little progress so far to reduce emissions from its fleet and sought clarification. Mr Armstrong confirmed that the Council had set an ambitious target of being carbon neutral from its own operations by 2030, from which its vehicle fleet would contribute 25% of emissions. It was important to note that the CENEX report was at a point in time, and since then considerable progress had been made, and the Group was reminded what a challenging area this was, and that this Council had achieved far more than many other councils.

In answer to a question by Councillor Wells related to the future possible electrification of the fleet, Mr Armstrong confirmed that there would be further challenges ahead, in terms of how far they could operate given the size of the Borough and in terms of the actual size of the vehicle required, as they were currently not available.

It was **RESOLVED** that the Quarter 4 Progress Report for 2023/24 prepared by the Council's Internal Auditor was accepted.

4 **Internal Audit Annual Report 2023/24**

Mr Armstrong from BDO, the Council's Internal Auditors presented the Internal Audit Annual Report for 2023/24, which included the annual opinion of the Head of Internal Audit required by Public Sector Internal Audit Standards.

The Group was informed that the Internal Auditors had provided substantial assurance for the second year running, which reflected the positive outcomes referred to in this and previous reports to the Group. Mr Armstrong stated that other outside assurance was also taken, for example the broadly positive outcome from the recent Peer Challenge Review, together with the culture and cooperation of the management team, which had been positive over the last 12 months. The Group noted that every report had a substantial opinion on either the control design or effectiveness, or both, with the graphs on page 50 onwards of the report, which highlighted the positive trajectory, with a reduction in the number of medium recommendations. There was also a generally stable position on the number of control design opinions and a slight improvement on the number of control effectiveness opinions. Mr Armstrong concluded by referring to the key themes and added value from the work throughout the year, which was detailed at pages 52 and 53 of the report.

Councillor Butler welcomed this positive report and questioned what would happen going forward and Mr Armstrong confirmed that work was already progressing for 2024/25. The Director – Finance and Corporate Services referred to the considerable work undertaken by both officers and Councillors to get to this very positive position, and whilst not being complacent, everyone would continue to work hard to maintain this, and he believed that this was the third year that the Council had gained substantial assurance.

It was **RESOLVED** that the Internal Audit's Annual Report in relation to 2023/24 be noted.

5 Annual Fraud Report 2023/24

Mr Armstrong from BDO, the Council's Internal Auditors presented the Annual Fraud Report for 2023/24, which summarised the incidence of fraud and fraud prevention activities at the Council during the year 2023/24.

The Group was reminded that following a recommendation made by it last year, the Council has prepared a Fraud Risk Assessment, which would be brought to the next meeting in September. Mr Armstrong advised that in recent years across the public sector, a general increase around detected fraud had been well reported, with much of that driven by Covid related fraud. It was noted that no instances of fraud had been identified as part of the Internal Audit work, and only one instance identified by the management team. The Council was working with the Nottinghamshire Fraud Partnership, which again showed commitment to tackling fraud across the wider sector. Mr Armstrong referred to the review undertaken in November 2023, to look at single person discounts for Council Tax, which had resulted in a significant additional increase in Council Tax revenue. Internal Audit had also looked at Grant Management Controls and the potential fraud risk of giving out grants, and he confirmed that substantial assurance had been provided from that review. Mr Armstrong concluded by referring to areas where the Council could improve, including specific fraud awareness training for staff and testing to gauge staff awareness.

Councillor Gowland asked what the whistle blowing procedure was at Rushcliffe and how easy it was to access and use, and the Service Manager – Finance advised that staff were made aware of the clear guidance, which could be shared.

Councillor Butler referred to Council Tax discounts for 18 year olds and the mismatches and questioned if there was a danger of more losing out on discounts, given that more people were not registering on the electoral role and the Service Manager – Finance advised that there were other ways of matching people to property.

The Vice Chair questioned why the Council did not have a dedicated fraud prevention resource and Mr Armstrong advised that the Council did take fraud seriously and fraud was more the responsibility of Service Managers. The Director – Finance and Corporate Services stated that historically the Council did have a Fraud Manager; however, when part of Housing Benefits had transferred to the DWP, part of that post was also transferred, which happened at many councils. He stated that if the Council was concerned that the risk was significant enough, it would look at the possibility of creating a post; however, based on recent history it was not considered necessary, although that would continue to be monitored.

The Director – Finance and Corporate Services thanked Mr Armstrong on behalf of the Council for his hard work over the past months.

It was **RESOLVED** that the Annual Fraud Report for 2023/24 be accepted.

6 **External Audit Annual Plan 2023/24**

Mr Surridge from Mazars, the Council's External Auditors presented the Council's External Audit Annual Plan, which summarised the approach to External Audit activity with regard to the final accounts process and value for money arrangements for the financial year 2023/24.

Mr Surridge referred to Mazar's responsibilities as the External Auditor, with five key areas as detailed on page 80 of the report, which included:

- Audit opinion
- Internal Control
- Fraud
- Wider reporting and electors' rights
- Value for money

Ms Norman from Mazars referred to the operational side of the Audit Plan and confirmed that the planning, risk assessment and interim phases had been completed, with the fieldwork stage due at the end of June, and the audit opinion hopefully given in September. The Group noted the three main risks, which were common for all district councils:

- Management override of controls
- Devaluation of the LGPS defined benefit pension
- Valuation of land and buildings

Mr Surridge referred to page 94 of the report and the value for money arrangements, and advised that as External Auditors, Mazar's responsibility was to follow the Code of Audit Practice, which defined what was required to ensure financial sustainability, and it would involve checking the Council's financial plans and processes and its governance arrangements. It would also look at improving economy efficiencies and effectiveness, which involved looking at how performance management worked and how the Council worked with key partners. Mr Surridge confirmed that this was a live process, and currently no areas had been identified where a 'deep dive' would be required. Reference was made to the substantial increase in audit fees since last year, and the Group was advised that the fees were set by an independent body and Mr Surridge concluded by confirming that Mazars was independently appointed to undertake the audit.

Councillor Birch asked which body set the fee, and Mr Surridge advised that the Council had opted into a framework appointment by Public Sector Audit Appointments (PSAA), which ran a contracting round, and bid and allocated pieces of work to different firms. As part of that process, PSAA determined a scale fee, to deliver the entire contract, which resulted in a level of subsidy. The Director – Finance and Corporate Services advised that the public sector audit market was currently in a challenging state, and was a high risk market, and there were issues recruiting auditors, and all that led to a degree of pressure. PSAA had undertaken a procurement exercise, and the increase for Rushcliffe was very similar to that for other councils, and the Group was advised that if the Council spent time and money undertaking its own procurement exercise, it would not result in cheaper fees.

Councillor Regan referred to Community Infrastructure Levy (CIL) and Section 106 monies and asked at what point did the Council evaluate the erosion through inflation, given that those funds could not be accessed until phases were completed, and he asked if anyone reviewed the effectiveness of the CIL and Section 106 funds at the end of the process. Mr Surridge advised that Section 106 receipts formed part of the financial statements and Mazars would look to ensure that the figures were correct, rather than what they would be used for. If, as part of the audit, significant concerns were raised, that could be indicative of a control failure, and that could be raised at that point; however, the question was more about the governance and controls in place, which was not Mazar's responsibility.

Councillor Regan clarified that his question related to value for money, and how that value was eroded over time through inflation and he thought that at some point some revaluation of those funds had to be given. Mr Surridge stated that value for money was a subjective determination, so the auditor's opinion had to be objective, and if it felt that Section 106 monies were substantial sums at a significant risk of causing a significant financial loss to the Council, due to a complete lack of control, it might be something that would be looked at. However, the question related more to the scrutiny of how effectively were the funds being used and deployed, and if it was an area of concern there were better routes to monitor that through KPIs and the Risk Register.

Councillor Butler referred to the significant risks list and the Local Government Pensions Scheme and asked if it was the Council or the auditors who would be responsible for addressing this identified risk, and as the scheme was part of the Nottinghamshire County Council Pension Scheme, what influence did Rushcliffe Borough Council have. Ms Norman confirmed that the planned response would be by the auditor and the Director – Finance and Corporate Services advised that there was an Annual Pension Fund meeting, which Council representatives attended and that the pension figures were included when the budget was set.

The Vice Chair referred to management override and stated that it was not always a negative thing and sometimes under exceptional circumstances, it could be a good thing to override internal controls, and she asked when the auditors assessed the risk of management override, did it consider a very rigid system that did not take into account the context or did it identify times when it could be beneficial. Ms Norman advised that this was a standard name for the risk and it was an indication of extra testing and Mr Surridge stated that the auditor's objective was to check on the accuracy of the figures and to ensure that nothing fraudulent was taking place. The Director – Finance and Corporate Services stated that from a governance perspective, there might be occasions when an override was necessary, and that must be reported to ensure transparency and accountability.

It was **RESOLVED** that the External Audit Annual Plan be accepted.

7 **Annual Governance Statement 2023/24**

The Director – Finance and Corporate Services presented the Annual Governance Statement report and the Council's Annual Governance

Statement, to be signed by the Leader and Chief Executive, detailed in Appendix 1 to the report, which was published alongside the Council's Statement of Accounts, in accordance with the Accounts and Audit Regulations 2015.

The Director – Finance and Corporate Services highlighted some of the principles referred to in the Annual Governance Statement, around whether or not business was being conducted to excellent standards, if the Council was compliant with the law and delivering value for money, with the appropriate controls and procedures in place. The Group was reminded that that all of the audit documents were linked to audit standards and the Council followed good practice, with this delivering good guidance in Local Government 2016, which was a CIPFA and SOLACE publication and Appendix 1 included the basic principles of that good guidance. The Group noted that this was a standard report covering the section below as detailed in Appendix 1:

- Section 2: Governance and Framework – covering processes and procedures
- Section 3: Review of Effectiveness – framework and mechanisms in place
- Section 4: Important Governance Issues – budget position and the CIPFA Financial Management Code

The Director – Finance and Corporate Services advised that this was a living document and was subject to change, and it would come to the Group again in September, with the Statement of Accounts, and would reflect any changes that had been made. The document referenced how the Council would deliver on the recent Peer Review recommendations and he referred to the various potential risks going forward, including legislation changes and a potential new government. An Action Plan detailing how the Council reported on the key issues was referred to on page 130 of the report.

The Service Manager – Finance referred to the Financial Management Code as detailed in Appendix A, which was adopted in 2021. The Group was advised that this year the Council had undertaken a self-assessment, with a Peer Review with other councils. This Code marked the Council against set principles that it needed to adhere to, and the recommendations made from the Peer Review have been incorporated. The Service Manager – Finance confirmed that all the points on the risk rating were green, and those had been subject to challenge by the Peer Review.

It was **RESOLVED** that the Annual Governance Statement 2023/24, which incorporated actions for the forthcoming year be approved.

8 **Capital and Investment Strategy Outturn 2023/24**

The Service Manager – Finance presented the Capital and Investment Strategy Outturn report, which summarised the capital and investment activities during the financial year 2023/24, against the Council's Capital and Investment Strategy 2023/24.

The Service Manager – Finance referred to Table 1 in the report, which related to capital expenditure, with investments higher than expected, which was mainly due to slippage in the Capital Programme of approximately £5.7m. Table 2 in the report detailed that all capital expenditure in the year was financed, which has ensured no external borrowing, and that had resulted in the set limits being met. Table 3 highlighted that overall the Capital Financing Requirement (CRF) had reduced to £9,889m. Table 4 showed a negative number for the ratio of financing costs to net revenue streams, due to the Council's investment income exceeding its MRP charge, with Tables 6 and 7 showing that the limits for investments had not been breached throughout the year. Table 8 provided a snapshot as of 31 March 2024, of investments held at that point of around £71m. Paragraph 4.22 of the report detailed income received this year, which had increased to £1,887m due to higher balances invested together with higher than anticipated interest rates. Reference was made to the diversified portfolios, which had declined over £1m when Covid started, so a reserve had been earmarked to cover the effect of that and the Group was advised that this year the funds increased by £272k, albeit they were still £0.96m less than the original investment.

The Group noted that overall, for Treasury Investments, inflation was not reducing as quickly as anticipated, which therefore had resulted in slightly higher interest rates, and there was considerable economic instability. Table 12 showed the Council's Non-Treasury Asset Investments and the returns, which were performing very well, with Charts 2 and 3 showing that the Council's diverse portfolio to spread risk. It was noted that there was a risk of over reliance in investment income against the Council's total income, so a 30% limit was set, and Table 13 highlighted that it was at 18.5%. The Service Manager – Finance concluded by referring to the importance of training both for staff and members of the Group to ensure that appropriate scrutiny took place. An assessment was currently taking place and the findings would be brought to the Group for consideration.

Councillor Gowland sought clarification on the loss of investment due to Covid and the use of a reserve, and the Service Manager – Finance confirmed that money had not been lost, it was rather a paper reduction in value and the reserve was in place in case the Council wished to redeem the investment, at a time when the value was lower than when the Council had originally paid for it. The Director – Finance and Corporate Services advised that these were long term investments and it was anticipated that over time they would increase again, and if that was likely, the £1m would be returned to the budget.

Councillor Butler referred to Table 8 and questioned why some of the investments were so low and due to administration fees, were those investments worthwhile. The Service Manager – Finance advised that small sums were used to keep some accounts open, and there were also limits on investments in set institutions, and therefore monies had to be spread. If there were any charges incurred, money would not be kept in the accounts.

Councillor Regan applauded the Finance Team for managing the budget during such difficult economic times. He referred to the £5m lent to other councils, queried the differing interest rates and asked if a risk evaluation had been undertaken and where the Council sat if those councils collapsed. The Service Manager – Finance advised that the differing rates might be different due to the time that the investment was made and as the Government protected local authorities from going bankrupt, there was not the same risk as with other institutions and it was deemed a safe investment, although due diligence was still undertaken before investments were made.

Councillor Birch referred back to the paper loss and the £1m reserve to mitigate that and questioned how that figure had been reached and the Service Manager – Finance confirmed that the general advice from treasury advisers was that there should be a reserve to mitigate the potential loss, with the decision made at Full Council. The Director – Finance and Corporate Services advised that when the Council made investments, the Group agreed the Treasury Management Strategy, which then gave officers the parameters to operate, and any investments made were within those parameters. As part of the budgetary process, £1m was put aside as a reserve, and at the last meeting, the auditors agreed that this was a prudent plan.

Councillor Birch sought clarification that the investments were expected to become profitable again, and in that case the £1m would be returned to the budget and the Director – Finance and Corporate Services referred to the current difficult economic climate and stated that although the expectation was that things would improve it was difficult to know when.

It was **RESOLVED** that the 2023/24 outturn position be agreed.

9 **Work Programme**

The Service Manager – Finance presented the report of the Director – Finance and Corporate Services outlining the Group's Work Programme for the next three meetings and advised that Treasury Management Training might be added to the meeting in September, together with the Fraud Risk Assessment work by BDO.

For the meeting in November, it was proposed to consider the appointment of an Independent Member. The Group was reminded that it had discussed this issue some years ago, and it was now considered appropriate to review that again, given that an independent person would bring another perspective and challenge to discussions. The Statement of Accounts was currently scheduled for the November meeting, but if Mazars met its proposed targets, that report could come to the meeting in September.

It was **RESOLVED** that Governance Scrutiny Group approved the Work Programme as follows:

19 September 2024

- Internal Audit Progress Report Q1
- Risk Management Update
- Going Concern
- Capital and Investment Strategy Q1
- Treasury Management Training (TBC)
- Fraud Risk Assessment (TBC)
- Statement of Accounts (TBC)

- Work Programme

28 November 2024

- Internal Audit Progress Report Q2
- Annual Audit Completion Report 2023/24
- Capital and Investment Strategy Update Q2
- RIPA Review
- Appointment of an Independent Member (TBC)
- Work Programme

20 February 2025

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- External Audit Plan (TBC)
- Annual Audit Letter and Value for Money (VFM)
- Risk Management Update
- Risk Management Strategy
- Capital and Investment Strategy Update Q3
- Capital and Investment Strategy 2025/26
- Work Programme

Actions – 30 May 2024

Min No	Action	Officer Responsible
5	Councillor Gowland asked what the whistle blowing procedure was at Rushcliffe and how easy it was to access and use	Service Manager - Finance

The meeting closed at 8.36 pm.

CHAIR

Governance Scrutiny Group

Thursday, 19 September 2024

Internal Audit Progress Report Quarter 1

Rushcliffe
Borough Council

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 first 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 1 progress report for 2024/25 (**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 2024/25 was approved by the Governance Scrutiny Group at its meeting on 22 February 2024 and includes nine planned reviews.

4.2. The attached report highlights the completion and issuing of three reports from the 2024/25 Internal Audit Annual Plan and one advisory review. In terms of findings:

- The Main Financial Systems audit received a substantial rating for Design and Moderate for Effectiveness, with four low level findings
- The Budgetry Control audit received a substantial rating for both Design and Effectiveness with two low level findings
- The Workforce and Succession Planning audit has received a substantial rating for both Design and Moderate Effectiveness with two low level recommendations
- No limited assurance reports have been issued
- Management actions have been agreed for all recommendations

- Follow up actions from previous audits have been completed in line with recommendations
- Advisory review on our Fraud Risk Assessment. As primarily an advisory piece of work assessing the Council's current position against best practice, this assessment does not generate an assurance opinion (page 17).

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 satified that there is sufficient assurance given for audits completed to Q1?
- 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 could reduce and can result in a reduced audit workload and therefore cost.

6.2. Legal Implications

The recommendation supports good risk management.

6.3. Equalities Implications

There are no equalities implications identified for this report.

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

There are no such implications.

6.5. Biodiversity Net Gain

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

7. Link to Corporate Priorities

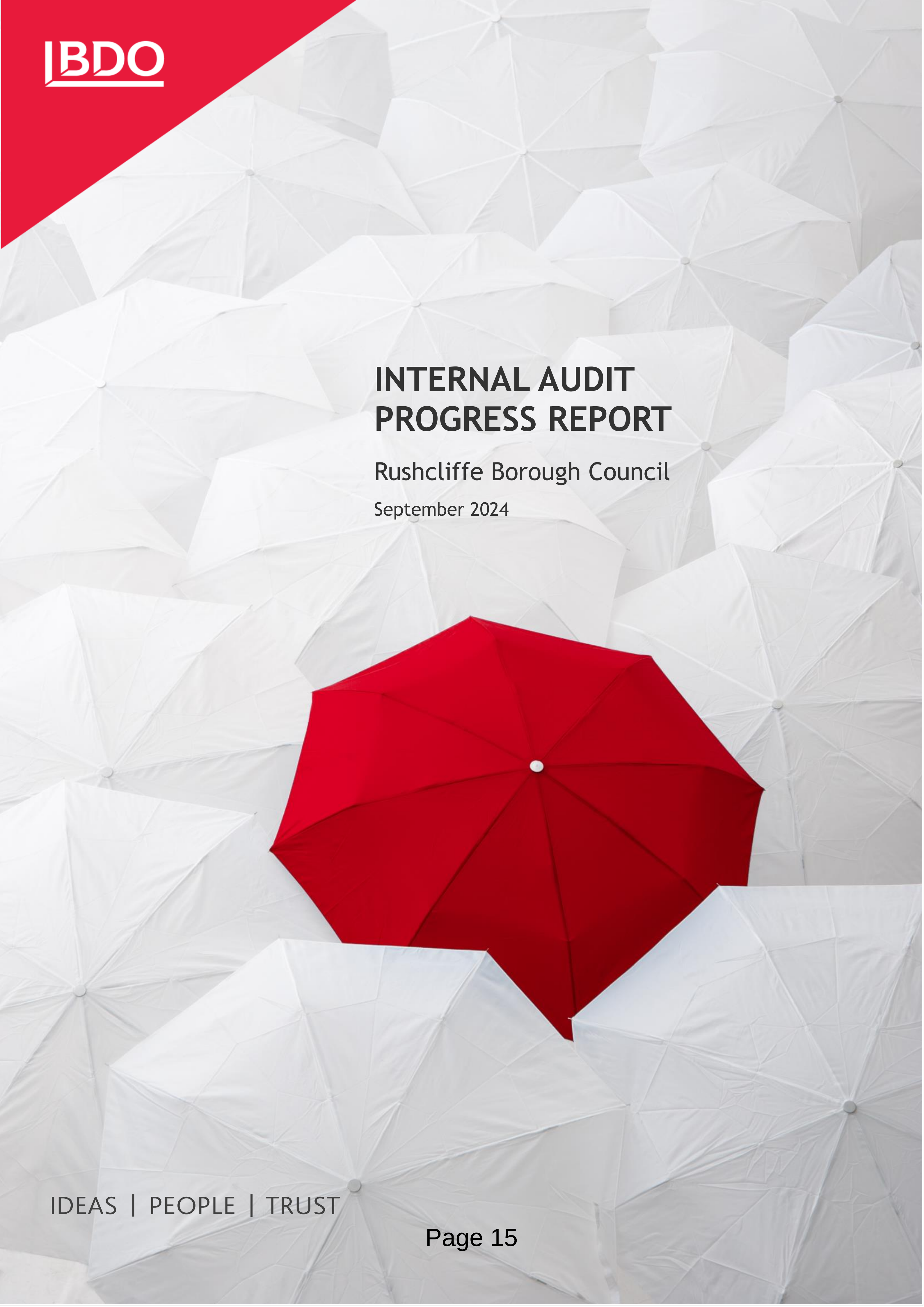
The Environment	There are no links between the recommendations of this report and the Council's Environment priority

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 1 progress report for 2024/25 (**Appendix A**) prepared by the Council's Internal Auditor.

For more information contact:	Peter Linfield Director of Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Internal Audit Plan 2024/25 Governance Scrutiny Group 22 February 2024
List of appendices:	Appendix A - Internal Audit Progress Report Q1 2024/25– BDO



INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council

September 2024

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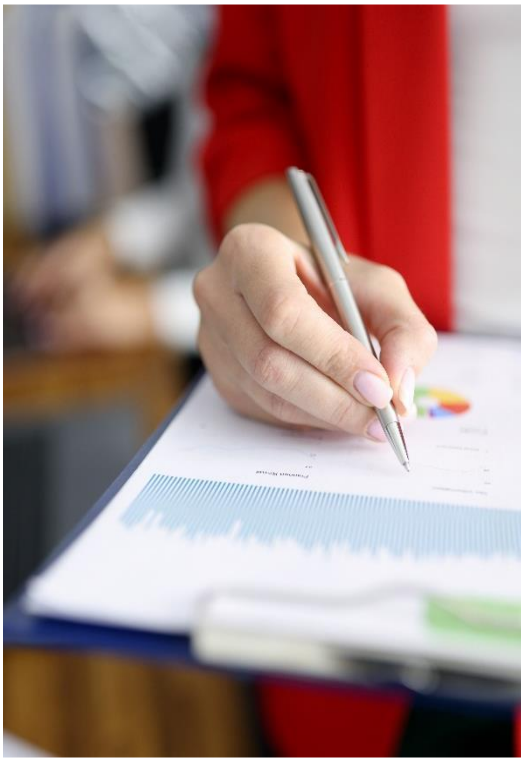
SUMMARY OF SEPTEMBER 2024 WORK

INTERNAL AUDIT

This report is intended to inform the Governance Scrutiny Group about the 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.

SEPTEMBER 2024 INTERNAL AUDIT PLAN

We are making good progress in the delivery of the September 2024 audit plan and are pleased to present the following reports to this Audit Committee meeting:

- Budgetary Control
- Main Financial Systems
- Workforce and Succession Planning
- Fraud Risk Assessment – Advisory Review

We are at reporting stage for the Cyber Security audit however this will be brought to the next Governance Scrutiny Group in November.

Planning is underway in respect of the following audits:

- Environment - Carbon Management Action Plan
- Equity, Diversity and Inclusion (EDI).

We anticipate presenting these reports at future Audit Committee meetings.

CHANGES TO THE SEPTEMBER 2024 INTERNAL AUDIT PLAN

There have been no changes to the Internal Audit Plan.

REVIEW OF SEPTEMBER 2024 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Budgetary Control	Head of Financial Services	September 2024	✓	✓	✓	S	S
Main Financial Systems	Head of Financial Services	September 2024	✓	✓	✓	S	M
Fraud Report	Head of Financial Services	September 2024	✓	✓	✓	N/A	N/A
Workforce and Succession Planning	Head of Financial Services	September 2024	✓	✓	✓	S	S
Cyber Security	Head of Financial Services	September 2024	✓	✓	✓		
Equality/Equity, Diversity and Inclusion (EDI)	Head of Financial Services	November 2024	✓				
Procurement	Head of Financial Services	February 2025					
Disabled Facilities Grant (DFG)	Head of Financial Services	February 2025					
Environment - Carbon Management Action Plan	Head of Financial Services	November 2024	✓				

BUDGETARY CONTROL

CRR REFERENCE: 12 - INADEQUATE CAPITAL RESOURCES, 13 - FEE INCOME VOLATILITY, 27 - INCREASES IN INTEREST RATES WHICH POTENTIALLY INCREASES THE BURDEN, IF THE COUNCIL HAS TO BORROW

Design Opinion	S Substantial	**Design Effectiveness**	S Substantial
Recommendations	0 0 2		

SCOPE

AREAS REVIEWED

We reviewed:

- The budget consultation and approval process and assessed whether it was robust and includes involvement of key stakeholders and evidence all budget holders had oversight of their budget prior to the implementation of the budget
- The Budget reports presented to Cabinet in respect of the Council's revenue budget and determined whether they were consistent and clearly outlined the Council's financial position and explained the reasons for any significant variances, where they occurred
- Relevant documentation, including budgetary control policies, procedures, and guidelines, this was predominately included within the Financial Regulations and Standing Orders
- Interviewed key personnel involved in the budget setting, management, and oversight processes, including five budget holders and five service leads
- Evaluated the robustness of the budget setting process, including the use of historical data, forecasting techniques, and stakeholder engagement
- Assessed the effectiveness of budget monitoring and reporting mechanisms, including the frequency, and accuracy of reports
- A sample of three budgets to assess the accuracy of budget setting, monitoring, and variance analysis
- Evaluated the governance structures and oversight mechanisms in place to ensure effective challenge and scrutiny of budgetary performance
- Assessed the clarity of roles and responsibilities related to budget management and the level of accountability and ownership at various levels
- Reviewed the adequacy of support and regularity of training provided to budget holders
- Minutes of management and Council meetings to assess the adequacy of scrutiny of budget performance
- Compared the Council's budget management reporting practices with those of other local authorities to identify potential areas for improvement.

AREAS OF STRENGTH

We identified the following areas of good practice:

- The budget consultation process involves input from all key stakeholders such as budget holders and service leads within budget challenge meetings and from Council members in budget sessions Budget Challenge meetings are held between Directors, Heads of Service, budget holders, and Finance team members in order to determine what the budget should be.
- The Council's budget was approved appropriately at the February 2024 Cabinet meeting followed by Council on 7 March 2024.

- From interviews with five Budget Holders and five Heads of Service, we confirmed that the opportunity for them to take part in budget challenge meetings had been provided, and all roles and responsibilities as a budget holder made clear to them.
- Quarterly budget reports provided to Cabinet are consistent and clearly outline the financial position for each of the four main budget areas. The reports breakdown any specific higher risk variances and the reasons for these. The budget is discussed in detail at each of the meetings.
- From interviews with five Budget Holders and five Heads of Service, we confirmed that the opportunity for them to take part in budget challenge meetings had been provided, and all roles and responsibilities as a budget holder made clear to them.
- Quarterly budget reports provided to Cabinet are consistent and clearly outline the financial position for each of the four main budget areas. The reports breakdown any specific higher risk variances and the reasons for these. The budget is discussed in detail at each of the meetings.
- The frequency of budget monitoring reports to management is effective as it includes monthly meetings to Performance Clinic (attended by Heads of Service) and quarterly reports to both the Corporate Overview Group and Cabinet. The accuracy of reporting was tested by tracing the data from Performance Clinic reports to Cabinet reports to ensure they are consistent. We found data to be accurate with only minor variances noted due to depreciation (which is reported at Cabinet level but not Performance Clinic as is out of operational control) and some minor cost code adjustments.
- The governance structure in place is strong as it includes scrutiny of budget performance at several levels including oversight of budget holders by Finance Business Partners on a monthly basis, scrutiny by Finance Business Partners in a monthly meeting with the Head of Service for Finance and monthly meetings at Performance Clinic which is attended by Finance representatives and Heads of Service. This is supported by oversight from the Corporate Overview Group and Cabinet on a quarterly basis. When compared to governance structures in other local authorities we found that the Council has similar or stronger controls to those we examined.
- All budget holders attended year end accruals and prepayment training in February 2024, this is held on an annual basis to refresh budget holders' skills. A training matrix is held which outlines the compliance for such training and records training needs analysis completed in early 2024.

AREAS OF CONCERN

Finding	Recommendation and Management Response
Budget holders may benefit from further training such as short sessions on challenging areas of the role and a 'how to' guide for the finance system. (Finding 1 – Low)	The Council should consider the budget holder suggestions detailed in the report and consider implementing such training and guidance. <u>Management Response</u> The Finance team are already in the process of arranging training sessions as it was identified during our regular meetings with budget holders that this would be beneficial. We have worked in conjunction with budget holders to develop a range of topics of most interest to them and these will take the form of bite-size sessions. We have already planned to deliver finance training (if necessary) for new starters as part of the induction process. As stated, the finance system procedure notes are accessible to all staff on the intranet but will be recommunicated to staff who have access to the finance system.

	Target Date: 30 October 2024
While there is a consistent baseline, there is an inconsistency in the level of detail provided across budget holders' completion of action logs and justifications for variances. (Finding 2 - Low).	2a. Finance Business Partners should ensure action logs are complete in their monthly meeting with budget holders. 2b. A standard rule should be set for all budget holders that variances over a certain threshold, for example £500, must be justified, even if this is not considered a concern, to demonstrate the budget holder's awareness of the variance and that this has been investigated. Management Response 2a. Action logs are completed in meetings and reviewed each month. The examples of missing dates did not affect the identification and completion of tasks and this was an isolated example. The budgets not reviewed in period 2 was due to staff sickness within Finance and also Annual Leave of Budget Holder, and decision was made to complete a full review in period 3 to ensure accurate reporting for quarter one. 2b. Finance Business Partners use professional judgment to assess the significance of variances which will differ for each budget. Prioritisation is based on the in-depth knowledge at a granular level by both the FBP and the budget holder and for smaller budget areas the value of the variances commented upon is proportional. Target Date: 2a. 30 August 2024 2b. N/A.

CONCLUSION

We conclude that the Council has a Substantial design and effectiveness of controls for its budgetary control.

Control Design

The control design is Substantial because the Council generally has a sound system of internal controls designed to achieve its system objectives with some exceptions. The governance structure ensures appropriate oversight of budget performance at several levels with regular reporting. The budget setting process ensures all key stakeholders' opinions were considered.

The Council has plans in place to enhance the training offered to budget holders by offering short training sessions on specific topics that challenge them. This has been effectively run in other departments (HR) and budget holders have input into the subjects to be covered.

Control Effectiveness

The control effectiveness is Substantial because the controls that are in place were consistently applied. Annual budget holder training was attended by all budget holders and training needs analysis has been completed. The reports provided to Performance Clinic and Cabinet were frequent, accurate and detailed to aid productive discussions.

	The Observations section of this report for a summary of the Council's 2023-24 financial year outturn, as published in the July 2024 Cabinet report pack. Some substantial variances were reported at each service level, however the underspend and overspend across the main service areas offset each other and the Council's overall performance is positive.

MAIN FINANCIAL SYSTEMS

CRR REFERENCE: 8 - FAILURE TO PREVENT OR DETECT FRAUD AND CORRUPTION AND 12 - INADEQUATE CAPITAL RESOURCES

Design Opinion	S	Substantial	Design Effectiveness	M	Moderate
Recommendations	0	0	4		

SCOPE

AREAS REVIEWED

We reviewed:

- Relevant documentation, including policies, procedures, and guidelines related to Accounts Receivables and Payroll
- A sample of new suppliers added to the system to verify that Council policy had been followed in the set up
- A sample of invoices from the listing of receivables, including some aged debt, to verify that accounts receivable processes were performed according to Council policy
- A sample of new starters, leavers and variations to pay to ensure this was accurate and had been calculated correctly for all staff
- Interviewed key personnel involved in these financial systems, including Finance, Human Resources, and Payroll staff
- Walkthroughs of the Accounts Receivables and Payroll processes to gain an understanding of the workflows and identify potential weaknesses
- A sample of payroll procedures completed by the Council, including monthly reconciliations
- Evaluated the segregation of duties and access controls within the systems to ensure appropriate levels of authorisation and prevention of unauthorised activities
- Evaluated the reporting mechanisms and management oversight of the payroll process as well as the account receivables to assess the effectiveness of monitoring and decision-making processes
- Credit note testing was not within the scope of this audit.

AREAS OF STRENGTH

We identified the following areas of good practice:

Payroll:

- As Gedling Borough Council (Gedling) processes the payroll, the Finance Team and HR at the Council have strong communication with Gedling to ensure accurate payroll processing. This includes a mid-month meeting between HR and Gedling payroll to confirm any changes to payroll in the month before the payroll is run. We confirmed these meetings happened.
- A robust process is in place to process payroll changes such as new starters, leavers or changes to salary as all changes require a form to be signed by the line manager of the individual and HR before being passed to Gedling to process. This process ensures a segregation of duties in the approval of salary changes and adding employees to the payroll. We reviewed five starters, five leavers and five changes to salary and found in all cases the appropriate form was signed and in place, the payslip change was correct and in the case of leavers their last payslip was evidenced in a timely manner from their leaving date.

- Payroll reconciliations are completed monthly between E-Fin and reports from Gedling, with a segregation of duties between the review and approver. The payroll being run by Gedling Borough Council means that there is an inbuilt oversight and segregation of duties in the payroll process.

Accounts Receivable:

- Within E-Fin an individual can either be set up as a requestor or approver apart from one user with admin access who has both. A previous audit demonstrated that no invoices/ PO were raised and approved by this individual.
- An arrears report is run monthly and issued to service leads which provides every invoice in debt, along with comments to the service lead such as recommendations to suspend services to the customer or details of the last recovery attempt. Another report is provided to the Section 151 Officer to present at Executive Management Team (EMT) meetings which highlights the highest risk debts by value and age. This provides oversight of the debt positions at both service and management levels.
- Of 15 invoices reviewed, reminders were issued correctly in 14 cases and in all cases appropriate further debt recovery was taken following the reminder stage.

AREAS OF CONCERN

Finding	Recommendation and Management Response
There is no segregation of duties in raising and approving journals within E-Fin and only journals over £10,000 are reviewed. This therefore relates to postings for payroll or income which are under £10,000. However there have been no incidents of journal errors from external audit testing (Finding 1 - Low).	The Council should consider the most effective way to create a segregation of duties in the journal process. As the Council does not want the control cost to outweigh the risk, the segregation of duties one solution may be to apply approval procedures to manual journal entries only. This could be approval via email, as seen in other organisations. In addition, the Council should consider including manual journals under £10,000 to the monthly review of journals over £10,000. Management Response The risk from posting low value journals is minimal and if present errors would be picked up in monthly budget monitoring, therefore this recommendation is noted but will not be implemented. Target Date: N/A IA Comment: We acknowledge that the Council will not be implementing this recommendation.
While suppliers of high value transactions and those procured through frameworks are subject to due diligence, low value or low risk new suppliers are set up without credit checks, and at present there is no way to record approvals of supplier set up within the system. (Finding 2 - Low).	2a. The Head of Financial Services should ensure the proposed workbox within the system is implemented to create an audit trail for the segregation of duties in new supplier set up.

	2b. The Head of Financial Services should ensure a monthly review of all new suppliers or changes to supplier details is run and it is ensured supporting evidence is held in these cases. 2c. The Head of Financial Services should consider implementing a threshold for invoices that can be made to a supplier without due diligence such as credit reports being run. <u>Management Response:</u> 2a. The workbox does already exist however we will work with IT to obtain an audit trail. 2b. The reports will be run and checked. 2c. As most low value suppliers are only paid when goods or services have been received and suppliers engaged through a framework have already undergone due diligence, the operational and financial risk is minimal. We will continue to perform credit checks on contracts of high value. Target Date: 30 September 2024
Four members of the HR team and three of the Finance team can change pay scales in the payroll system. As the segregation of duties control is that only staff at Gedling who process the payroll should have access to do so, we have raised this (Finding 3 – Low).	3a. The Council should ensure the access provided to the payroll system is corrected and they do not have the ability to change pay scales. 3b. An annual review of access to the payroll system should be conducted to ensure access is appropriate and has been changed back to correct access levels following temporary changes for events such as elections. <u>Management Response:</u> The above recommendations will be followed up. However if the Council processed its own payroll, relevant staff in Finance and HR would have access to change pay scales in the system and therefore this is not deemed a significant risk. Managers are sent salary information on a monthly basis and therefore would highlight any changes that had been made to pay scales. Salary changes would be identified in budget monitoring and be picked up by Gedling in exception reporting. Target Date: 31 August 2024

In one case, the separate review of the payroll reconciliation was not completed in a timely manner, although the reconciliation itself was completed on time (Finding 4 - Low).	The Council should determine the most effective way to ensure timely review of the reconciliation this may be placing responsibility on the preparer to chase the approver, adding the completion to a checklist for the approver as part of their monthly tasks or setting calendar reminders. Management Response: The completion of the payroll reconciliation and budget monitoring is the critical part of the process to identify any errors. The payroll reconciliation is on most occasions completed on time. The review of the payroll reconciliation adds a layer of assurance to the process and is ordinarily completed in a timely manner. The member of staff completing the reconciliation would also flag any errors immediately and therefore the risk of the delay in reviewing the reconciliation is minimal. Staff have been reminded to notify the reviewer when the reconciliation is ready for review. Target Date: 30 September 2024

CONCLUSION

We conclude that the Council has a Substantial design and Moderate effectiveness for its main financial systems. All our findings are low level.

Control Design

The control design is Substantial because the Council generally has a sound system of internal controls designed to achieve its objectives with some exceptions.

There is no segregation of duties in the raising and approval of journals. Journals may be posted incorrectly without being identified, however they would be picked up during budget monitoring. Low value new suppliers are not subject to credit checks due to the Councils cost benefit analysis of applying such as control.

Control Effectiveness

The control effectiveness is Moderate as controls were consistently applied in most cases, with some exceptions identified:

- Access to the payroll system is supposed to restrict Council staff from altering salary amounts, representing effective segregation of duties. However upon investigation seven staff did have the ability to do so. As this was made apparent to the Council during the course of the audit, the Council has already begun investigation to resolve this.
- In one case we found the review of sampled payroll reconciliations was not completed in a timely manner, however as there is a monthly reconciliation with a segregation of duties the control design is strong.

WORKFORCE AND SUCCESSION PLANNING

CRR REFERENCE: 2 - INSUFFICIENT STAFF CAPACITY, INCLUDING SKILLS AND KNOWLEDGE

Design Opinion	S	Substantial	**Design Effectiveness**	S	Substantial
Recommendations	0	0	2	

SCOPE

AREAS REVIEWED

We reviewed:

- Key documentation to check whether workforce and succession plans have been developed, and verified that any such plans are aligned to the People Strategy and offer a clear strategy for the learning and development opportunities for staff
- Explored whether senior and business critical roles have been identified and succession plans have been developed for these roles
- Assessed whether sufficient leadership training programmes have been developed and provided to staff that are identified as potential future leaders to ensure that they have adequate support to progress into these roles, in line with the succession plan
- Ascertained whether a review or assessment of the skills base has been conducted to identify service areas where there may be skills gaps and training has been provided to staff to deliver their roles and ensure that the workforce is fit for future requirements
- Assessed whether high performing or talented staff have been identified through the appraisals process or by other means
- Assessed whether learning and development programmes are in place and provided to high performing or business critical roles to promote staff retention and career progression.

AREAS OF STRENGTH

During the review we identified the following areas of good practice:

- The Council has a Succession Planning Framework in place which refers to the Chartered Institute of Personnel and Development (CIPD) and outlines the process and values of the Council. The steps are: 1. Strategic Alignment to Council goals; 2. How the Council is identifying leadership, critical and 'at risk' roles and 3. How the Council is identifying internal successors and the steps necessary to support and prepare them as well as checking that such individuals have willing for the roles. This aligns with guidance from bodies such as, for example, the Local Government Association (LGA).
- Supporting the Framework, we also obtained:
  - A ‘Strategic Alignment’ document which details actions required and is used to monitor progress on those actions
  - A succession planning document which contained a summary sheet detailing all leadership and other critical roles
  - Records of attendance on leadership and other trainings across Council staff.
- There is a Learning and Development Policy in place. The Council is proactive and supportive of staff wanting to undertake leadership training courses from the Institute of Leadership and Management (ILM). A Management Development record is in place which documents all managers and above and who have completed the

various ILM levels and whether they are potential successors for other senior roles, indicating joined up thinking between succession planning and training development.

- All staff are encouraged to access relevant training and lots of training opportunities are advertised via Staff Matters, where all staff are encouraged to apply, demonstrating an open and objective process. There are two training budgets at the Council: corporate training and departmental level budgets. For 2023/24 the corporate training budget was £57,200 and of this £43,193 was spent. Departmental training budgets vary and are decided during the annual budget reviews of each department by the finance department.
- The HR team maintains a log of all required training by reviewing all performance development reviews (PDRs) and having quarterly meetings with service managers to discuss staff performance. This helps identify good performers and any development needs required. We obtained the Management Development records and Corporate Training Plans which detail the individuals that have been put forward for or completed different training courses and how this cross-referenced to succession planning. Although, this could be formalised by aligning the PDR process to identifying high performers (see Finding 2).
- The Council has an EDI Steering Group which is attended by HR staff and initiatives regarding inclusivity in the workforce, such as support for specific demographics are regularly undertaken, for example support women during the menopause and for those struggling with mental health issues.

AREAS OF CONCERN

Finding	Recommendation and Management Response
While the Council has workforce and succession plans in place, we did not obtain detailed analysis of the current workforce and service demand, along with an analysis of forecast demand and future workforce requirements for services. We also observed some areas for improvement when benchmarking to the Chartered Institute for Personnel and Development (CIPD) guidance (Finding 1 - Low). It should be noted that no other local authorities we have worked with have produced this type of demand analysis, therefore the Council is not alone in this regard.	1a. The Strategic HR Manager should produce a breakdown of the workforce by department, location and role. The Strategic HR Manager should work with each Director/Service Manager to produce a current workforce analysis for their service (age, gender, tenure and diversity statistics) along with a skills inventory of current skills and competencies. HR/Service Managers should then also identify future workforce requirements based on forecast changes to demand as a result of upcoming legislation and technological advances, using PESTLE/SWOT analyses. Once that is complete, a documented skills gap analysis could be produced. This can feed into current workforce and succession planning work and be discussed by EMT. Any progress with the AI Strategy should be aligned to this work. 1b. The current succession plan document should be updated with the information relating to the four roles identified. 1c. The HR team should continue to produce specific development plans for individuals identified as successors. These plans should include the opportunity to 'act up'. Where relevant, additional potential

		successors should also be identified for the critical roles and plans developed for them too. 1d. The HR team should continue to produce specific development plans for individuals identified as successors. These plans should include the opportunity to 'act up'. Where relevant, additional potential successors should also be identified for the critical roles and plans developed for them too. **Management Response:** 1a. During the discussions with Directors and Service Managers we did look at forward thinking and how legislation or technology could impact the Council, a summary of these discussions is within the Succession Planning – Strategic Alignment document. This details where we have concern i.e. gaps in knowledge, experience or staffing levels and what action we could take. This was risk rated and a review date added. This has been seen by EMT and could be used to facilitate the conversations with the wider ELT.We don't currently have a skills inventory detailing workforce analysis and agree that we can look at this option, discuss with EMT and determine if this would be useful. 1b. Agreed 1c. We have identified critical roles within the Council where it is important that we have someone in post that regularly has the ability to 'act up'. We therefore now have a Deputy Section 151 Officer and a Deputy Monitoring Officer in post. HR will continue to produce development plans alongside the managers and highlight areas where they can 'act up' to gain experience. Target Date: 31 March 2025
	There is a potential risk that high performers are not identified through the current appraisal process, due to the lack of a scoring mechanism and/or requirement for managers to record an overall assessment of the performance of the staff member against specific criteria, which might make it more difficult to identify rising stars and/or to do this consistently and in an unbiased manner. Completion rate of Personal Development Reviews (PDRs)	a. The HR team should develop a Competencies Framework (the Framework) that describes the skills and requirements for each grade. This should be made available to staff and managers should reflect on the Framework when completing the PDRs. b. ELT should consider whether the PDR form should include a conclusion from the line manager on how well the individual has performed throughout

was 60% at the time of audit. This had been identified by the Council and work is underway to change the time of year of the PDRs for specific service areas to enable better completion rates. (Finding 1 – Low).	the year. At a minimum, line managers should be encouraged to communicate to the HR team at the end of the appraisals process for their teams anyone they have identified as high performers. The HR team should then review the list of names submitted by managers on an annual basis against the workforce and succession plans to join up thinking across the organisation. **Management Response** 2a. Some job roles do have Competency frameworks attached to them. These are in place where an employee has to meet a certain requirement in order to progress up the pay scale. These competency frameworks are shared with the relevant staff. We also have Job Family documentation that shows what skills and experience is required for different pay scales. The Job Family documentation is not shared widely with all employees but development of an employee version will be explored. 2b.This is completed informally at the moment. As a small local authority we feel that we are aware of who is doing well. We commit to reviewing the current PDR form to determine how we could capture this information more formally. Target Date: 31 March 2025

ADDED VALUE

- We benchmarked the Council's Succession Framework and supporting documents to CIPD's guidance and those of other similar public bodies.
- We provided some resources that the Council may find useful to support its workforce planning and management.

CONCLUSION

Overall, workforce and succession planning are well managed by the Council.

Control Design

- We have concluded a Substantial opinion on the design of controls, as the Council has controls in place to ensure regular dialogue between HR and departments, and has developed a workforce and succession plan strategy. The plans could be enhanced by additional work such as producing an analysis of current demand, staff productivity and forecasting how this may change in the short, medium and long term. We note however that this is a common finding in our audits of other local authorities. In addition, we found that development plans for key individuals who have been ear-marked as potential successors were not always formally documented.

Control Effectiveness

- We conclude the effectiveness of controls at the Council is Substantial because the Council has identified its critical and key roles and has succession plans in place for these roles, which cannot be said for other organisations that we benchmarked the Council against and therefore is performing above average with respect of this risk area.

- We recognise that there is no one-size-fits-all method for workforce and succession planning, and the fact that the Council currently enjoys high retention rates, high levels of job satisfaction and limited long-term vacancies. This has led us to conclude Substantial assurance with regard to control effectiveness.

FRAUD REPORT - FRAUD RISK ASSESSMENT

CRR REFERENCE: 8 - FAILURE TO IDENTIFY FRAUD AND CORRUPTION

SCOPE

BACKGROUND

We completed the Council's Annual Fraud Report, which was brought to the Governance Scrutiny Group in May 2024, where it was reported that the Council had BDO's Counter-Fraud team to complete a secondary element to this report: an advisory review on the Fraud Risk Assessment (FRA) that the Council has produced.

This is an overview of that work, however due to the nature of the work, the substance of the report will be reported as an exempt item.

AREAS REVIEWED

The BDO Counter Fraud team were asked to undertake a limited review of this and provide comments as part of this fraud report. Its scope was agreed as follows:

a) Obtain an understanding of the approach used to prepare and document the FRA;

b) Comment on the approach with reference to good practice, which in this instance is the methodology outlined under the GCFP Functional Standard for Counter Fraud (013)

   Comment on any clear gaps we see, if any, in relation to service areas/types of fraud risk and flag these as areas the Council may wish to consider and confirm if relevant to them

c) Provide high-level commentary about the completeness of the controls as documented, limited to considering whether the level of detail is sufficient and whether all types of fraud controls appear to have been considered; and

d) Use three selected focus areas (contract management, procurement, and development) to provide more detailed commentary by way of examples to illustrate any points covered in a) to d) above.

ADVISORY REVIEW - KEY POINTS

Methodology and Approach Employed by the Council

The BDO Counter Fraud team considered the approach taken by the Council against the principles of good practice guidance from the GCFP and raised a number of points relating to the starting point of the FRA with regard to identifying fraud risks; the audit trail; the risk scoring methodology and the level of detail regarding controls.

Completeness of the FRA

As highlighted in the limitations applying to our scope of work, the team did not undertake a full operational fraud risk assessment, and its review has been undertaken based only on the information as documented within the FRA. The extent to which the FRA is documented and the way in which certain risk areas are grouped, as well as the level of detail with which individual controls are described, means that it is difficult to readily identify red flags of potential gaps within the FRA. The team provided the Council with three high level points in this regard.

CONCLUSION

In summary, the BDO Counter Fraud team has provided feedback to the Council on how the FRA process could be strengthened in several areas. The fact that the Council has taken steps to better understand its fraud risks is positive since this is an area where local government organisations are often behind the curve in comparison to other areas of the public sector, in part due to the absence of a mandated counter fraud regime. This is also in the context of increasing tighter resources and managers having even more work pressures.

	We would encourage the Council to revisit the FRA with our feedback in mind and build on the work already undertaken.

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to local authority providers that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, Executive Directors and Members.

THE INTERNAL AUDIT AND RISK AGENDA

2024 looks to be another year of permacrisis with significant geopolitical disruption continuing.

Most of the world's major economies are undergoing elections in the coming year and the conflicts in the Ukraine and the Middle East continue to impact the global economy. Organisations that are only just beginning to recover from the disruption of three years of pandemic face further uncertainty in respect of inflation, interest rates, energy supply costs and talent shortages.

The world is constantly changing and evolving and so an ever-increasing array of challenges will always be heading our way. So how do internal auditors help their organisations 'realise' their potential?

You will have seen the recent announcement from the FRC on the updates to the UK Corporate Governance code. It puts the role of Internal Audit as the 'eyes and ears' of an organisation in the spotlight once again - where we will play a critical role providing insight into culture, effectiveness of risk management and controls. Internal Audit is in the privileged position to operate holistically across an organisation and therefore will support Management and the Board in identifying and the ongoing monitoring of those material controls.

The Internal Audit and Risk Agenda sets out some of the key challenges on the horizon that Internal Audit should be considering when thinking about the wider assurance footprint relevant for their organisations.

Article attached.

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

INTERNAL AUDIT AND RISK AGENDA SPOTLIGHT ON

Dive into some of the key risk areas that come up time and time again in our conversations with regulators, professional bodies, and importantly Head of IA & Risk - the topics of AI, Culture and ESG.

In a time of permacrisis, when it is more important than ever to make sure that we are prioritising the things that really matter, and that our finite resources are focused in the right areas, we asked our experts what Heads of Internal Audit should be thinking about.

Culture: Why is Culture important and how does it empower businesses to achieve their strategic goals? The following areas were covered as part of this video:

- What is a Culture audit?
- What would we typically include when we are doing a Culture audit?
- Why is Culture so important?
- What are the benefits of doing a culture audit?
- What is the difference between company culture and auditing risk culture?

Internal Audit & Risk Agenda Spotlight On: Culture (youtube.com)

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

TRANSFORMING PUBLIC PROCUREMENT - INTRODUCING THE PROCURMENT ACT

One in every three pounds of public money, some £300bn a year, is spent on public procurement.

The reforms proposed within the Procurement Act are important, because they will shake up our outdated procurement system, so that every pound goes further for our communities and public services. They will place value for money, public benefit, transparency and integrity at the heart of our procurement system; they will modernise and unify our systems and processes; and they will get tough on the poor performers and fraudsters.

The Act will reform the UK's public procurement regime, making it quicker, simpler, more transparent and better able to meet the UK's needs while remaining compliant with our international obligations. It will introduce a new regime that is based on value for money, competition and objective criteria in decision-making. It will create a simpler and more flexible, commercial system that better meets our country's needs. And it will more effectively open up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts. It will strengthen the approach to excluding suppliers where there is clear evidence of their involvement in Modern Slavery practices, and running throughout each part of the Bill is the theme of transparency. We want to deliver world-leading standards of transparency in public procurement and this Act paves the way for that.

The Transforming Public Procurement programme aims to improve the way public procurement is regulated in order to:

- Create a simpler and more flexible, commercial system that better meets our country's needs while remaining compliant with our international obligations
- Open up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts
- Embed transparency throughout the commercial lifecycle so that the spending of taxpayers' money can be properly scrutinised.

The Procurement Bill, which will reform the existing Procurement Rules, has now received Royal Assent. You can view the new Procurement Act on the UK legislation website, and the official record of the Bill's progress through Parliament, with all supporting documents on the Parliamentary website.

https://www.gov.uk/guidance/the-official-transforming-public-procurement-knowledge-drops

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

THE NEW WORKER PROTECTION ACT & SEXUAL HARASSMENT IN THE WORKPLACE

We explore the introduction of the Worker Protection Act 2023; outlining what the Act is, the intended impact, implications for employers and reasonable steps to addressing the compliance requirements. We also explore how employers can go beyond compliance to create a psychologically safe and ethical working environment for their people.

The Worker Protection Act 2023 comes into effect in October 2024 and places a legal duty on UK employers to actively prevent and address sexual harassment in the workplace. The Act is an amendment of the 2010 Equality Act and holds employers accountable to "take reasonable steps to prevent sexual harassment of employees in the course of their employment".

Rather than redressing past incidents, the Act will introduce the requirement for employers to take reasonable steps to protect their employees from the occurrence of sexual harassment. This includes when employees are working outside of their normal workplace and at workplace social events which will be considered an extension of the workplace under the Act.

At this time, it isn't clear what these "reasonable steps" will look like. However, as the guidance will introduce a mandate and onus for organisations to define and embed ethical preventative measures into their workplaces to prevent sexual harassment, it will require the urgent proactive assessment of processes, policies and working practices for many UK employers against the new requirements.

The New Worker Protection Act & sexual harassment in the workplace - BDO

FOR INFORMATION

For Members of the Governance Scrutiny Group and Executive Management.

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 Partner or Audit Manager.	G
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	G
Quality of Work	We have not received any further survey results since our last report in May 2024 where we received four survey responses for audits completed in 2023-24 with an average score of 4.5/5 for the overall audit experience. We also received an average score of 4.5/5 for the added value from our reports and the constructiveness of our recommendations. We continue to send out feedback surveys when issuing our final reports.	G

DELIVERY	KPI	RAG RATING
Completion of audit plan	We are halfway through the 2024-25 Internal Audit Plan, representing significant progress and likelihood of full completion of the plan by March 2025.	G

APPENDIX I

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION

Gurpreet Dulay

Gurpreet.Dulay@bdo.co.uk

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Governance Scrutiny Group

Thursday, 19 September 2024

Audit Completion Report 2023/24

Rushcliffe Borough Council

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 2023/24 financial year and also comments upon the Statement of Accounts and their quality.

1.2. Forvis Mazars have substantially completed the audit in respect of the financial statements for the year ended 31 March 2024 and on this same agenda, Forvis Mazars present their draft Annual Audit Report and Value for Money conclusion. 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. Forvis 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.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

a) Approve the findings of Forvis 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 2023/24 ('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. Section 4 details significant findings and risks addressed. Discussions were held with management on the Council's financial position and budget setting process in order to determine the Council's going concern status; Diversified/pooled investments and potential impact on the accounts (Reserves of £1.173m to mitigate this risk have previously been reported); Accruals for part-year payments and setting a de-minimus level for consistency; Treatment of long and short term creditors and debtors in the notes to the accounts relating to long-term contracts. These have been corrected in the final Statement of Accounts. Forvis Mazars have not identified any other significant issues during the audit.

4.3. Section 5 covers internal control recommendations. Page 18-21 detail internal control deficiencies identified during the audit. Forvis Mazars have not identified any significant deficiencies in the Council's internal controls.

4.4. Section 6 (page 23) of the Audit Completion Report identifies an unadjusted misstatement totalling £164k. However, it should be noted that whilst this figure includes £164k of 'expenditure recognised as a full year rather than 8 months' the true value of this error is £6k. The £164k is an extrapolated figure based on the £6k identified error and the sample size of the testing. Forvis Mazars will explain this further at the scrutiny meeting. There were a number of minor adjusted misstatements and disclosure amendments made and these are detailed on pages 24 and 25.

4.5. Section 7 of the report refers to the Value for Money process. This work is now complete and Forvis Mazars have not identified any significant weaknesses in arrangements. Commentary is provided in the Annual Audit Report.

4.6. The Council thanks Forvis Mazars for their work in completing the audit this far and acknowledges the challenging audit environment. In July 2024, in recognition of the challenges faced by internal audit, MHCLG announced plans to address the local audit backlog with extended publication dates, a series of backstop dates and disclaimed opinions. Creditably and unlike many other local authorities the Council is up to date with its audit sign off. The MHCLG measures should relieve some of the pressures across the sector and hopefully ensure future Rushcliffe audits remain on track.

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 Forvis 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 Forvis Mazars Audit Completion Report **(Appendix A)**

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

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Statement of Accounts 2023/24
List of appendices:	Appendix A – Forvis Mazars Audit Completion

	Report 2023/24 Appendix B – The Management Representation Letter 2023/24

Audit Completion Report

Rushcliffe Borough Council– year ended 31 March 2024

September 2024

forvis mazars

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

Forvis Mazars
2 Chamberlain Square
Birmingham
B3 3AX

19th September 2024

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2024

We are pleased to present our Audit Completion Report for the year ended 31 March 2024. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 30th May 2024.

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We have reviewed our Audit Strategy Memorandum and concluded that the significant audit risks and other key judgement areas set out in that report 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

Yours faithfully

Mark Surridge

Forvis Mazars LLP

Contents

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.

forvis mazars

01

Executive Summary

Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2023/24 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;
- Valuation of the LGPS defined benefit pension; and
- Valuation of land, buildings, and investment properties

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £164k. 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 2024.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

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

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

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

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

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

02

Status of the audit

Status of our audit

Our audit 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 satisfactory resolution of the outstanding matters set out below

Property, Plant, and Equipment
Our testing is complete, with the exception of our review of property valuations for assets not revalued in the year, as we are awaiting third party information from the NAO

Cash and cash equivalents
We have one outstanding third party confirmation for one of the Council's short term deposits

Pensions
We are reviewing the Council's pensions workings, and awaiting a response to our request for assurance from the pension fund auditors

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.

Status

- Likely to result in a material adjustment or a significant change to disclosures in the financial statements.
- Potential to result in a material adjustment or a significant change to disclosures in the financial statements.
- Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.
- Work on value for money arrangements

03

Audit Approach

Audit Approach

Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 30th May 2024.

Materiality

Our provisional materiality at the planning stage of the audit was set at £882k using a benchmark of 2% of gross revenue expenditure.

Based on the final financial statement figures, the final overall materiality we applied was £895k (final performance materiality: £671k, final clearly trivial threshold: £27k).

Reliance on internal audit

No reliance has been placed on internal audit for the 2023/24 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 & Equipment and Investment Property	Nick Berry and Leanne Ashmore (Internal Valuers)	None. Third party evidence is provided via the NAO to support our challenge of valuation assumptions
Pensions	Barnett Waddingham (Actuary for Nottinghamshire Pension Fund)	PwC (Consulting actuary appointed by the NAO)
Financial Instruments disclosures	Arlingclose (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
Employee Benefits Expenses	**Gedling Borough Council** The payroll entries included in Rushcliffe Borough Council's statement of accounts are significant. These disclosures derive from monthly payroll runs processed and administered by Gedling Borough Council.	We will review the controls over these transactions and document our understanding of the services provided. Additionally, we will conduct detailed audit testing of the relevant disclosures in the statement of accounts.

04

Significant findings

Significant findings

Significant findings, including key areas of management judgement

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

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

Significant Risks

Management override of controls	**Description of the risk** In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk 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 • journal entries 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

Significant findings

Valuation of the LGPS defined benefit pension	
	Description of the risk Rushcliffe Borough Council is an employer in the Local Government Pension Scheme, administered on a local level by the Nottinghamshire Pension Fund. The defined benefit assets and liabilities are significant items in the Council's balance sheet. In the 23/24 statement of accounts these amounted to: - Present value of defined benefit obligation - £89,611k - Fair value of plan assets - £78,694k The Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area.
	How we addressed this risk • Critically assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund’s Actuary; • 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; • 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; and • Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council’s financial statements. In the event of a pension surplus arising in 23/24, its accounting treatment will require specific consideration under IFRIC 14.
	Audit conclusion 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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Significant findings

Valuation of land, buildings, and investment properties	
	Description of the risk Land and buildings within Property, Plant and Equipment (PPE) and Investment Properties are significant items on the Council's balance sheet. The valuation of land and buildings is complex and involves a number of management assumptions and judgements. Due to the high degree of estimation uncertainty involved, we have identified a significant risk in this area. In the 23/24 statement accounts these items amounted to: - PPE Land and Buildings - £67,452k - Investment Properties - £23,789k
	How we addressed this risk • Critically assessing the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • 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; • 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; • Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2023/24 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers
	Audit conclusion 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 finalise our review of non revalued assets

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 2023/24 appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31st May and were of a good quality. However, good financial reporting means ensuring information in the financial statements is relevant and uncluttered. Thus Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards. Under *IAS 1 Presentation of Financial Statements*, an entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information. IFRS 18 Presentation and Disclosures in Financial Statements will replace IAS 1 from 2027/28 and includes more specific guidance on improving presentation of financial statements to avoid obscuring relevant information.

The 2023/24 draft financial statements presented to audit contained a number of accounting policies and accounting disclosures that could still be considered to be immaterial, for example:

- Intangible Assets (note 10 and policy xi)
- Assets held for sale (note 11)
- Accumulated absences account (and Policy vi)
- Policy vii
- Policy viii reference to long-term debt, soft market loans, and FVPL/FVOCI (if not applicable)
- Policy xii (inventory) and xiii (interests in companies and other entities)
- Policy xv reviewed for only relevant arrangements
- Xviii reviewed for relevant assets (e.g. donated assets)
- Note 40 and 41

As a consequence, we recommend that for 2024/25, the Council should formally review the materiality and presentation of its Statement of Accounts and present its findings to the Governance & Scrutiny Group to ensure any modifications or adaptations are transparently considered prior to removing in the 2024/25 Statement of Accounts. For example, this may involve the adoption of a full set of accounting policies by the Governance & Scrutiny Group, but only including those that are relevant in the published Statement of Accounts

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- 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.
- As reported in the prior year, the Council holds £14.038m 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. Whilst the council has made a commitment to hold these funds over the long-term, they have fallen in value by £1.082m since 2018/19. 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. The accounts also 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. The Council has appropriated funds of £1.173m into this reserve to mitigate the risk of the capital loss against the general fund.

Significant findings

Significant matters discussed with management continued

- The Council’s approach to recording multi-year income and expenditure is currently to record one full year of income/ expenditure in the first financial year, and none in the final year, even where the contract started part way through the year. We discussed that where income/ expenditure only relates to part of the year, the Council should apportion the income/ expenditure in order to only recognise the amount of income/ expenditure that has actually occurred in that financial year, ensuring that revenue is only recognised as and when performance obligations are met, as per IFRS 15. In addition, the Council told us that it does not accrue where the amount is not material. However, the Council has not set a de minimis amount for accruals. As such, what is considered to be material is currently down to individual’s judgement. We have recommended that the Council should set a de minimis as part of their accruals policy, to ensure consistency is applied, whilst ensuring that the impact would not lead to material errors.

- Through our testing, we identified that where the Council has long term debtors or creditors, relating to multi-year contracts, the Council had not split these between short term and long term debtors/ creditors in the accounts. Following this, the Council have undertaken a review to ensure all multi-year contracts have been identified, and adjusted, to ensure the values are correctly classified as short term, and long term within the financial statements.

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 2023/24 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.

forvis mazars

05

Internal control conclusions

Internal control conclusions

Overview of engagement

As part of our audit, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to communicate to the Governance Scrutiny Group any significant deficiencies in internal controls that we identified in during our audit.

Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Council's internal controls relevant to the preparation of the financial statements 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 the Council's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which 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 report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

The deficiencies in the Council's internal controls that we have identified as at the date of this report are set out on the following pages.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of the Governance Scrutiny Group

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations

We also record our observations on the Council's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Governance Scrutiny Group and/ or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Internal control conclusions

Significant deficiencies in internal control

In our view, significant deficiencies result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of strategic objectives. Our recommendations should be considered for immediate action.

We have not identified any significant deficiencies in internal control

Other deficiencies in internal control

In our view, there is a need to address the deficiencies in internal control set out in this section (which are not deemed to be significant deficiencies) to strengthen internal control or enhance business efficiency. Our recommendations should be actioned by management in the near future.

Description of deficiency

As part of our IT General Controls work on the ledger system, eFinancials, we noted that a small number of privileged users within the finance team itself were able to set up new accounts and re-initialise passwords. These users do not have back-end database access.

The risk associated with this issue is mitigated by the fact that the system does not allow a previously-used password, therefore these users would be unable to log into other accounts unnoticed.

Potential effects

There is a risk that privileged users within the finance team could access a second account and use this to make fraudulent entries

Recommendation

We recommend that password reinitialisation be restricted to IT staff only who are not members of the finance team

Management response

It is correct that we can amend passwords and this wouldn’t go unnoticed as passwords cannot be re-set back to a previous password. Having IT administer the passwords wouldn’t mitigate the risk as they also have user access to EFIN. Other mitigations in place are new creditors that have been set up are checked by another member of the team. We also run a report to check for multiple bank details for different creditors. There would need to be multiple ‘new’ users set up to be able to raise and authorise creditor payments as these cannot be done by the same user. We will look to generate a report on new users set up and ensure this is signed off by a non-administrator as I feel that this would address the risk.

Internal control conclusions

Other deficiencies in internal control continued

Description of deficiency

As part of our work on accounting policies, we identified that the 2023/24 accounting policies were not formally approved. Retrospective approval has now been obtained from the s151 officer.

Potential effects

Lack of approval process could result in the accounting policies not being fully tailored and appropriate for the current year's financial statements

Recommendation

We recommend that the accounting policies are approved in advance of the financial statements being published, with approval being obtained from the Governance Scrutiny Group where any significant changes are being proposed. Also see our comments on page 14.

Management response

The Accounting Policies were reviewed by the Deputy S151 officer, Senior Finance Business Partner and the Business Partners prior to the statement being published. These would ordinarily also be signed off by S151 officer and material changes would be taken to Governance Scrutiny Group if necessary

Description of deficiency

In the prior year, we identified an error on the bank reconciliation, that was due to be corrected in 2023/24. We found that the £9k error was brought forward into the 2023/24 bank reconciliation and has not yet been corrected.

Potential effects

Having unreconciled items on the bank reconciliations could result in the cash and bank balance in the accounts being misstated

Recommendation

We recommend that the Council investigate and amend this issue to ensure the bank reconciliation fully reconciles

Management response

This is a system anomaly due to the way that account code carries forward that is under investigation the finance system providers. We currently have to manually account for this until the ledger has been corrected

Internal control conclusions

Other deficiencies in internal control continued

Description of deficiency

We identified that whilst the Council have a de minimis level for accruals, this isn't currently applied to the splitting of multi-year income/ expenditure, and judgement is used to determine whether a transaction is significant enough to require apportioning across the respective years. In addition, where multi-year contracts are split across years, they are recognised in full years, rather than being apportioned to the number of months relevant to each year.

Potential effects

There is a risk that items which are material to the Council may not be appropriately accrued or apportioned, and therefore not recognised in the correct financial year

Recommendation

We recommend that the Council applies the de minimis specified in their accruals policy to all accruals, including the splitting of contracts across years, or that the Council specifies a de minimis level specifically for multi-year contracts. Any de-minimis level needs to consider the risk of material error arising as a result of not following proper accounting practice on high volume but low value transactions.

Management response

We agree we don't have a limit set for splitting multi-year transactions and we will look to implement this

forv/s mazars

Internal control conclusions

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

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.

Current position

During 2023/24 there was no declaration of interest form initially returned for one councillor, due to them being away from Councillor duties. This was however, subsequently received in July 2024. In addition, our review of Companies House identified one individual did not disclose a company they had an interest in. We have confirmed that that Council had no transactions with this company during the year.

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Summary of misstatements

Summary of misstatements

We set out below and on the following pages a summary of the misstatements we identified during our audit, above the trivial threshold for adjustment of 27k.

The first table in this section sets out the misstatements we identified which management has assessed as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. The second table outlines the misstatements we identified that have been adjusted by management.

Our overall materiality, performance materiality, and clearly trivial (reporting) threshold were reported in our Audit Summary Memorandum, issued on 30th May 2024. Any subsequent changes to those figures are set out in the section 3 of this report.

Unadjusted misstatements

Management has assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and does not plan to adjust. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	**Cr (£ '000)**	**Dr (£ '000)**	**Cr (£ '000)**
Dr Prepayments Cr Expenditure We identified a multi-year contract relating to 5 years from August 2023, however the Council had recognised a full year as expenditure in 23/24, rather than the 8 months from August. As this was identified as part of a sample, we extrapolated this error to estimate the total potential error, if we apply the error rate to our untested population. This gives us a total estimated error of £164k.		164	164	
Aggregate effect of unadjusted misstatements	**0**	**164**	**164**	**0**

We will obtain written representations confirming that, after considering the unadjusted misstatements, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

Summary of misstatements

Adjusted misstatements

The misstatements in the table below have been adjusted by management. We report all individual misstatements above our reporting threshold that we identify during our audit and which management had adjusted and any other misstatements we believe the Governance Scrutiny Group should be made aware of.

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Short Term Debtors – Trade Debtors Cr Short Term Creditors – Trade Creditors We identified an error whereby a reversal of expenditure had been incorrectly debited to creditors, instead of debtors. The value of this item was £22k. The Council's review found a further similar error of £12k, making the total adjustment required £35k.			35	35
Dr Short Term Creditors – Receipts in Advance Cr Long Term Creditors - Receipts in Advance We identified that the whole value for prepaid taxi licenses (£24k) had been recorded as short term, rather than splitting between long term and short term. The Council reviewed all receipts in advance for any other long-term items and identified applications for houses in multiple occupation (£48k). The total adjustment made was therefore £72k.			72	72
Dr Long Term Debtors – Prepayments Cr Short Term Debtors – Prepayments We identified a multi-year contract that had not been split between long term and short term. The value of the error was £55k. The Council identified through their review, a further error of £94k, giving a total error value £149k.			149	149
Aggregate effect of adjusted misstatements			**256**	**256**

Summary of misstatements

Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

- Main cashflow initially showed the incorrect year
- £663k agency staff costs were incorrectly classified as other service expenses rather than employee benefit costs within note 2 income and expenditure analysed by nature
- There were banding errors in note 24 officers' remuneration
- Note 8 PPE Movements – £43k Asset Under Construction movement incorrectly shown as Derecognition/Disposal instead of the transfers, to agree to the Infrastructure Assets transfer
- Note 8 PPE - rolling revaluations - Presentation error on the note for assets revalued in the year. This showed £64,004, and was corrected to £64,150
- Note 8 Capital Commitments stated £1.5m instead of £1.7m for Cotgrave and Keyworth Leisure Centre enhancements
- Note 12 Financial Instruments – the value for debtors initially incorrectly included prepayments, and the value for creditors incorrectly included receipts in advance, and excluded goods received not invoiced accruals
- Note 13 debtors – we identified £3.7m deferred consideration for Hollygate Lane disposal had been misclassified as Trade Debtors rather than Other Debtors
- Collection Fund Statement included reference to the incorrect year

07

Value for Money

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; and
- **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.

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We did not identify any risks of significant weaknesses through our planning work.

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

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We are presenting the draft Auditor's Annual Report to this meeting and will issue the final version once the audit opinion has been issued.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2024 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements is provided in the Auditor's Annual Report.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

D: Other communications

Appendix A: Draft management representation letter

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

Rushcliffe Borough Council- Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council for the year ended 31 March 2024 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 2023/24 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (“the Code Update”), published in November 2022, 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, 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, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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.

I confirm I have assessed the impact of any asset ceiling to be calculated on pension scheme assets and ensured, where applicable, that accounting adjustments have been made.

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.

Appendix A: Draft management representation letter continued

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, 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 carried out an assessment of council buildings for Reinforced Autoclaved Aerated Concrete (RAAC) and confirmed an impairment review is 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

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.

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.

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 any disclosure in the Narrative Report fairly reflects that assessment

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 any 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.

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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

We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Director of Finance and Corporate Services / s151 officer

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Rushcliffe Borough Council ("the Council) for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund statement, and notes to the financial statements, including material accounting policy information. 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2024 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 2023/24.

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 2023/24, 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.

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 2023/24, 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 2023/24 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.

Appendix B: Draft audit report continued

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, reviewing accounting estimates, and testing significant transactions outside the normal course of business, or otherwise unusual.

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. This description forms part of our auditor's report.

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

Matter on which we are required to report by exception

We are required to report to you if, in our view 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 2024.

We have nothing to report in this respect.

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 May 2024.

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.

Appendix B: Draft audit report continued

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 for 2022/23 and 2023/24.

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

Appendix C: Confirmation of our independence

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

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

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the s151 Officer 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.. 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.
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and where appropriate the Governance Scrutiny Group, confirming that a) they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b) they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud; c) they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. management; ii. employees who have significant roles in internal control; or iii. others where the fraud could have a material effect on the financial statements; and d) they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

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Contact

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

Dear Mark Surridge,

Rushcliffe Borough Council- Audit for Year Ended 31 March 2024

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council for the year ended 31 March 2024 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 2023/24 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022, 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, 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, including those measured at current and/or fair value
I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

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.

I confirm I have assessed the impact of any asset ceiling to be calculated on pension scheme assets and ensured, where applicable, that accounting adjustments have been made.

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, 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 carried out an assessment of council buildings for Reinforced Autoclaved Aerated Concrete (RAAC) and confirmed an impairment review is 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

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.

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.

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 any disclosure in the Narrative Report fairly reflects that assessment

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 any 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.

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
We confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements
I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Director of Finance and Corporate Services / s151 officer

Appendix

Schedule of unadjusted misstatements

Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Prepayments Cr Expenditure We identified a multi-year contract relating to 5 years from August 2023, however the Council had recognised a full year as expenditure in 23/24, rather than the 8 months from August. As this was identified as part of a sample, we extrapolated this error to estimate the total potential error, if we apply the error rate to our untested population. This gives us a total estimated error of £164k.		164	164	
Aggregate effect of unadjusted misstatements	**0**	**164**	**164**	**0**

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Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 19 September 2024

Draft Annual Audit Report

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. The attached Draft Annual Audit Report from Forvis Mazars summarises progress on the audit process for the 2023/24 financial year. It reiterates the key conclusions of the Audit Completion Report on the 2023/24 Accounts and the Report to those Charged with Governance, which are considered by the Governance Scrutiny Group on this agenda.

1.2. Forvis Mazars have completed their work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and the attached report provides commentary on the Council's arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising.

1.3. Forvis Mazars will issue their conclusion to the audit once any outstanding items have been resolved (see section 2 of the Audit Completion Report).

1.4. The report is very positive particularly given the continued pressures and the significant proportion of accounts that have not yet been signed off across the sector. No major concerns have been raised and no actions are required in relation to the report.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the receipt of the Draft Annual Audit Report at Appendix A.

3. Reasons for Recommendation

To ensure that due regard has been given to issues and concerns raised by the Council's external auditors.

4. Supporting Information

4.1. The Auditors Annual Report for 2023/24 is attached at Appendix A.

4.2. The sector remains under considerable pressure due to a backlog of audits however the Council is in the minority and is up to date with its audit sign off. Delays in Forvis Mazars gaining assurance from the Pension Fund Accounts (Nottinghamshire County Council being the accountable body) mean that the accounts sign-off may again for the fifth year not meet the statutory deadline of 30 September 2024. However the opinion should be issued well in advance of the governments 'backstop' date of 28th February 2025. There were no significant issues that have arisen during the 2023/24 financial year.

4.3. Forvis Mazars are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The table below summarises the outcomes of their work against each of the three reporting criteria, including whether they have identified any significant weaknesses in arrangements or made other recommendations.

Reporting Criteria	Identified risks of significant weakness?	Actual risks of significant weakness?	Other recommendations made?
Financial Sustainability	No	No	No
Governance	No	No	No
Improving economy, efficiency and effectiveness	No	No	No

5. Risks and Uncertainties

There is a risk that due to the aforementioned backlogs and delays in the audit of the pension fund, the Council's accounts for 2024/25 may not meet the statutory deadline for sign-off by 30 September 2025 however with a series of measures announced by Government the pressure across the sector should reduce ensuring audits remain on track. The Council maintain ongoing dialogue with Forvis Mazars on new matters and the timetable for the 2024/25 audit.

6. Implications

6.1. Financial Implications

The existing budget covers the scale fee for audit work of £128k (£41k for 2022/23) which increased substantially as a result of a national tender by PSAA. The scale fee now includes fees in relation to new audit requirements which were previously charged as fee variations. This is consistent with other authorities and reflects supply and demand in the audit market and the backlog of work and the impact on audit firms resourcing the work. The Council has received additional grant funding of £18k towards this increase There are proposed fee variations of £9k (£15k in 22/23) relating to additional audit work on new auditing standard ISA315 (further work in relation to IT system controls).

6.2. Legal Implications

There are no direct 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	None
Efficient Services	Undertaking a programme of external audit ensures that proper and efficient services are delivered by the Council.
Sustainable Growth	None
The Environment	None

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group note the receipt of the Annual Audit Report at Appendix A.

For more information contact:	Peter Linfield Director - Finance and Corporate Services Tel: 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	None.
List of appendices:	Appendix A – Forvis Mazars Annual Audit Report 2023/24

Auditor’s Annual Report DRAFT

Rushcliffe Borough Council– year ended 31 March 2024

September 2024

Contents

01

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Rushcliffe Borough Council ('the Council') for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements

We have not yet issued our audit report. At the date of reporting, subject to satisfactory clearance of outstanding items, we expect to issue an unqualified opinion.

Value for Money arrangements

We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2024 and of its financial performance for the year then ended. We have not yet issued our audit report, but we expect it will give an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in our Audit Completion Report (ACR). In the ACR we also outline the uncorrected misstatements we identified and any internal control recommendations we made, as well as qualitative aspects of the Council's accounting practices. All the detail was published as part of the 19th September 2024 Governance Scrutiny Group papers on the Council's website

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
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 2023/24 audit.

03

Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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.

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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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** We make these recommendations for improvement where we have identified a significant weakness in the Councill's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

forvis mazars

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	12	No	No	No
Governance	15	No	No	No
Improving economy, efficiency and effectiveness	19	No	No	No

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VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services

Overall commentary on Financial Sustainability

Significant weakness in 2022/23	Nil.
Significant weaknesses identified in 2023/24	Nil.

Position brought forward from 2022/23

We reported in our Annual Auditor's Report for 2022/23, that we had:

- Reviewed the 2022/23 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2023/24 General Fund Budget.
- Reviewed the Council's Annual governance Statement for any significant issues and considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2022/23. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2023/24.

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2023/24. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with Officers and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including regular reporting to Members and well-established arrangements for year-end financial reporting.

2023/24 Budget Setting and the Medium-Term Financial Strategy

We considered the 2023/24 budget setting process, including the Medium Term Financial Strategy as part of our work on the 2022/23 review of arrangements, with no significant concerns arising. The budget for 2023/24 and updated medium term financial strategy to 2027/28 went to Cabinet in February 2023. The MTFS sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities. The MTFS integrates revenue allocations, savings targets and capital investment and provides the budget for the next financial year and provides indicative budgets and future council tax and housing rent levels for the period covered by the strategy. We read the report to the March 2023 full council meeting as evidence of adequate arrangements in place for budget setting and management in reflection of changes.

We were satisfied that the Budget Report for 2023/24 adequately explains revenue and capital budgets, with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance.

2023/24 Financial Statement performance

The Council reported its financial outturn position in the 2023/24 Statement of Accounts and in the financial outturn report presented to Cabinet in July 2024, which highlighted an overall revenue efficiency position of £1.663m, and an underspend on the capital programme of £5.710m. The £1.663m is allocated for significant risks for 2024/25 onwards including biodiversity net gain, replacement finance and income management systems and housing benefit rent increases and for service demand such as Homes for Ukraine and Safer Streets. The capital underspend is largely being carried forward for the completion of existing projects.

There is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

In 2023/24, the Council spent £4.4m on capital additions per Note 8 of the financial statements. Our testing of these balances did not identify any concerns. Furthermore, there is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council's policy for setting the Minimum Revenue Provision.

We have carried out a high-level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement. The Council's balance sheet position does not highlight any concerns. The Council's useable reserves have increased from £23.5m in 2022/23 to £27.1m in 2023/24, with:

- General Fund Reserves of £2.6m, no change from the prior year
- Earmarked General Fund Reserves of £20.9m, up from £19.7m in 2022/23
- Capital Receipts Reserve of £3.4m, up from £1.1m in 2022/23
- Capital Grants Reserves of £98k, down from £154k in 2022/23.

Overall commentary on Financial Sustainability - continued

The Council's reserves position does not indicate a risk of significant weakness in VFM arrangements for financial sustainability and provides some mitigation against future financial challenges and will assist in addressing future volatility and support savings and efficiencies plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

Local Government Pension Scheme (LGPS)

Based on the Council’s draft financial statements we noticed the following movements in respect of their share of the LGPS:

- Fair value of employer assets increased by £5.7m from £73m (2022/23) to £78.7m (2023/23); and
- The Present value of funded liabilities increased by £384k from £89.2m (2022/23) to £89.6m (2023/24).

Significant reduction in the net pension liability is consistent with what we are seeing across the sector and does not indicate any significant weakness in the Council’s arrangements.

Arrangements for the identification, management and monitoring of funding gaps and savings

For the 2023/24 General Fund budget, the Council set a balanced budget which relied on a savings target aimed at delivering efficiency savings and cuts against services totalling £622k.

We reviewed the Revenue And Capital Outturn Position for 2023/24 provided to Cabinet on 9th July 2024. The report confirms a £1.663m favourable variance against budget resulting in appropriation to reserves for future service demand.

The level of general fund reserves and ongoing budgetary control arrangements has led us to believe satisfactory arrangements are in place. We do, however, see it as an area to be challenged by officers and members to ensure appropriate action is taken to maintain service levels under increasing cost pressures beyond 2023/24.

2024/25 Budget Setting and the Medium-Term Financial Strategy

We reviewed the Medium Term Financial Strategy (MTFS) set from 2024/25 to 2028/29 and confirmed it supports the Council’s priorities communicated in its Corporate Strategy. The budget for 2024/25 and updated medium term financial strategy to 2028/29 was approved at Full Council in March 2024. The MTFS sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council’s vision and strategic priorities. The MTFS integrates revenue allocations, savings targets and capital investment and provides the budget for the next financial year and provides indicative budgets and future council tax levels for the period covered by the strategy. The MTFS adequately identifies the financial implications from 2024 to 2029 noting that the key assumptions underpinning expenditure budgets through the MTFS included CPI, pay increases of 2-5% annually, pension contribution rates, return on cash investments and an increase of around 2% to the Council Tax base.

To keep the General Fund working balance minimum level for 2024/25, 2025/26, and 2026/27 additional transformation savings or income generation are required of £1.357m

We are satisfied that based on the information presented to Cabinet, the Council will have adequate levels of General Fund working balances across the medium term to prevent a significant risk to the Council’s financial sustainability.

Based on the above considerations we are satisfied there is not a significant weakness in the Council’s arrangements in relation to financial sustainability for the year ended 31 March 2024.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks

VFM arrangements – Governance

Overall commentary on Governance

Significant weakness in 2022/23	Nil.
Significant weaknesses identified in 2023/24	Nil.

Position brought forward from 2022/23

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from the previous year.

The Authority's governance structure

The Council 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 effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Our review of corporate governance arrangements confirms the Council has an agreed Constitution, setting out how it operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council.

Our review of Council and Group papers confirms that a template covering report is used for all reports, ensuring the purpose, implications, and recommendations are clear. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made

Risk management and internal control

The Council has an established risk management strategy and systems in place which are built into the governance structure of the organisation. There is an approved Risk Management Strategy which includes the Council's approach to managing risk, guidance, the Council's risk appetite and roles and responsibilities.

The Governance Scrutiny Group (GSG) is responsible for maintaining an independent oversight of risk management issues and considering the effectiveness of the implementation of the risk management strategy. The GSG is presented with the risk register on a regular basis and provides challenge as part of the process. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council's purposes.

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. The Governance Scrutiny Group are responsible for review of the Council's Annual Governance Statement No significant weaknesses in internal control have been identified from our work to date and Internal Audit has not identified or raised any significant concerns. We reviewed the Annual Governance Statement as part of our work on the financial statements with no significant issues arising.

Internal Audit

To provide assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud, the Council has an out of house Internal Audit function (provided by BDO). The annual Internal Audit plan is agreed with management at the start of the financial year and is reviewed by Governance Scrutiny Group prior to final approval. The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2023/24 and 2024/25 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are regularly presented to the Governance Scrutiny Group meeting including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Group to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides and Annual Report including an opinion, based on the work completed during the year, on the overall adequacy and effectiveness of the council's control environment. The Annual internal audit report provides a summary of Internal Audit work undertaken during 2023/24 and provides an opinion on the organisation's governance, risk management and internal control environment. Overall, they were able to provide Substantial Assurance that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services. In comparison to 2022/23, there has been a decrease in the number of both low level and medium findings.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance

Governance Scrutiny Group

The Council has an established Governance Scrutiny Group that incorporates the functions of an Audit Committee. We have confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control.

We have attended Governance Scrutiny Group meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council's requirements. Our attendance at Governance Scrutiny Group has confirmed there continues to be an appropriate level of effective challenge.

Key observation: recommended practice is for local authorities to have an Audit Committee and not confuse responsibilities with scrutiny. Whereas Scrutiny is concerned with the review of policy, its formulation and implementation, audit operates to ensure that the governance and risk environment within the Council is effective and that financial management is fit for purpose. Proposals from the Redmond Review recommended independent members on Audit Committees to ensure membership included an adequate level of skill and experience to be able to challenge the complexities of local government finance and governance. This is something the Council may wish to consider for 2025.

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. We have reviewed the budget setting arrangements through observation and discussions with Officers and no matters have been identified indicating a significant weakness in arrangements.

The framework includes:

- Clear responsibilities, including the role of the Cabinet and drawing up initial proposals; the Overview and Governance Scrutiny Group providing consultation; and the Council in making the final decision on whether to adopt the proposals.
- Close working between the finance team and with external advisors and neighbouring councils to agree the key budget assumptions, which are challenged and agreed through the budget review process by Management, Governance Scrutiny Group and Council.

We read the assumptions underpinning the Medium-Term Financial Strategy (MTFS) as included in reports to the Cabinet. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

Over the duration of the MTFS, the general fund shows a planned consistent balance of £2.604m, every year to 2028/29. Proposals to achieve this outcome are laid out in the report and include the need to deliver additional transformation plan savings totalling £1.738m across the 5 years, with a target of £733k for 2024/25, as well as a need to draw on reserves from 2025/26. The use of general fund and earmarked reserves to support the revenue budget are not significant, at an estimated £526k in 2025/26, and is currently estimated to be for one year.

Following approval of the budget, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. There are rules in place regarding the reporting of budget variances and budget changes. There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Strategy reports are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

We have reviewed minutes of meetings and the year end financial outturn reports presented to the Cabinet during the year as well as the narrative statement to the financial statements. In addition, we have reviewed capital expenditure as presented in the financial statements with no issues arising from our testing of additions.

forvis mazars

Overall commentary on the Governance reporting criteria - continued

We also reviewed the capital programme as included within the Council's 2024/25 approved MTFS, noting that the consolidated Capital Programme for the next three years from 2023/24 to 2026/27 is funded predominantly from capital receipts, capital grants and contributions, with no requirement to borrow. We have held regular discussions with officers regarding arrangements for the management and funding of capital programme, and noted no issues.

	2024/25	2025/26	2026/27
Total capital programme (£'000)	**11,079**	**8,196**	**2,005**
Funded by:			
Usable Capital Receipts	2,989	5,999	292
Government Grants	2,745	695	695
Use of Reserves	2,053	680	1,018
Section 106 monies	3,292	822	0
Borrowing	0	0	0
Total funding	**11,079**	**8,196**	**2,005**

S106 planning agreements

The accounts include £46.006m for S106 contributions not yet recognised as income due to conditions not yet being met. £210,037 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.

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

£'000	21/22	22/23	23/24
Fair value of investments	15,222	13,766	14,038
Pooled funds adjustment account (unusable reserve)	223	-1,235	-961
General fund balance	2,604	2,604	2,604
Earmarked Revenue Reserves	23,575	19,673	20,947

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 £1.082m. 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.

	18/19	19/20	20/21	21/22	22/23	23/24	Total
Net gain/ loss on pooled investments	0.024m	-1.238m	1.143m	0.173m	-1.457m	£0.273m	-1.082m
Treasury Capital Depreciation Reserve balance	-	-	-	-	0.973m	1.173m	

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VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Through our discussions with the council, we 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. The additions to this reserve in year are £200k. The current net loss on value of the pooled investments is £1.1m and this will be crystalised 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. From the work performed on the financial statements, we considered the Council's pooled investment funds and how an earmarked reserve of £1.2m has been set aside to go towards mitigating the current loss in value of these investments. We are satisfied this does not present a risk of significant weakness in arrangements.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Governance criteria for the year ended 31 March 2024.

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VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Significant weakness in 2022/23	Nil.
Significant weaknesses identified in 2023/24	Nil.

Position brought forward from 2022/23

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements brought forward from the prior year.

Performance Monitoring

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Strategy setting out what it wants to achieve for local residents and communities and is published on its website. The Council's overall financial objectives and strategy are documented in the Council's budget and Medium-Term Financial Strategy which is reviewed and updated annually.

Our review of minutes and reports confirms Members receive regular reporting on performance measures. We reviewed the performance outturn for 2023/24 as evidence of the Council's approach to evaluating performance. In our view, reports contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements to assess performance and identify areas for action.

Procurement

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, has not identified any issues relating to procurement.

The Council has a Procurement Strategy and set of Contract Procurement Rules which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability.

Our work on the financial statements has not identified any significant internal control deficiencies.

Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, and car parking contracts. It has also entered into a partnership to improve resilience surrounding procurement advice working with Nottinghamshire County Council. Work continues with regards to the Freeport with the Leader of the Council sitting on the Board for the Freeport.

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 role of the Freeport is critical with regards to this key gateway into the Borough. 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. The Freeport presents 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 Chief Executive of the Council is a Director of the Development Corporation (DevCo) an interim vehicle to help deliver development of the power station site. The Council has committed £0.5m (an earmarked reserve) to support the Development Corporation with contributions from North West Leicestershire, Broxtowe Leicestershire and Nottinghamshire councils. The Leader sits on the Oversight Authority.

The Council is involved in the Devolution Deal proposals with other Derbyshire and Nottinghamshire authorities. With the East Midlands Mayor now 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.

We do not consider these to be significant in relation to our VFM commentary.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2024.

04

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, instructions regarding sampled components have not yet been received.

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Other reporting responsibilities and our fees

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Governance Scrutiny Group in May 2024. Having completed our work for the 2023/24 financial year, we can confirm that our fees are as follows:

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice	128,376	40,626
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	Included in the scale fee	2,887
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	9,410	5,700
Other additional testing –additional testing arising from Streetwise insourcing	N/A	1,000
Additional fees in respect of the VFM Commentary	Included in scale fee	6,000
Total fees	**137,786**	**56,213**

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

Contact

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Manager
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Governance Scrutiny Group

Thursday, 19 September 2024

Approval of the Statement of Accounts 2023/24

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 2023/24 to be approved by the Governance Scrutiny Group.

1.2 The Council's external auditors have provided their Audit Completion Report and Draft Annual Audit Report and Value for Money Conclusion which are considered as separate items on this agenda.

1.3 There was a delay in submitting the Statement of Accounts for approval due to a delay in pension assurances (for the fifth year) with Nottinghamshire County Council being the accountable body. This is completely outside the Council's control although Forvis Mazars are now the auditors for NCC (previously Grant Thornton) and their completion is expected imminently.

2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

a) Approve the Statement of Accounts for 2023/24 **(Appendix A)** including the Annual Governance Statement at Section B page XXXI

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 2023/24 ('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 2023/24 ('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 Forvis 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 2023/24 is included at Appendix A. This includes the Council's Annual Governance Statement (AGS) at section B page XXXI which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group, 30 May 2024.

4.4 There have been no significant issues arising from the audit regarding the work undertaken by officers. Last year a hybrid approach with both teams working together at the Council offices and virtually was adopted and improved the process for testing and speed of resolving enquiries, this was continued for the 2023/24 audit. We appreciate the efficiency that the Forvis 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 four months. This is much improved with the audit in past years which have taking in excess of 6 months.

4.5 There remains a high level of review work on defined benefit pensions (the Pension Fund Accounts and Property Plant & Equipment (PPE) this year as with last three years) as required by the auditing standards. The valuations element of the PPE review commenced as part of interim audit to expedite the final audit.

4.6 The Audit Completion Report details an unadjusted misstatement as identified by Forvis Mazars during the audit. This misstatement totals £164k (although this is extrapolated misstatement with the actual figure £6k). Management have chosen not to amend the accounts on the grounds of this not being material (as defined by Forvis Mazars in the Audit Plan) and Forvis Mazars have agreed to this approach.

4.7 A summary of salient points from the Statement of Accounts 2023/24 is provided below:

- Net Revenue surplus of £0.259m, additional interest and reduced expenditure on utilities helped to offset the cost of a property legal claim and reduced income from planning and Rushcliffe Oaks Crematorium

- Overall Net Budget Variance of £1.663m surplus including additional grants, Nottinghamshire Business Rates Pool surplus as a result of growth in Business Rates
- Net Transfer to reserves of £1.958m net of the use of reserves to fund capital expenditure (£0.684m) the overall transfer is £1.274m
- £5.069m transferred to reserves, £1.414m was New Homes Bonus (NHB) and £1.663m to the Organisation Stabilisation (OS) Reserve to meet carry forwards and reserve appropriations including £0.425m to the climate change reserve, £0.331m for replacement finance and income systems and £0.235m for Housing Benefit costs
- £3.795m use of Reserves included the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of Rushcliffe Arena and Bingham Arena and Enterprise Centre (£1.311m); funding capital expenditure (0.684m), and the balance for planned transfers to meet revenue commitments including collection fund deficit of £0.353m
- Council overall Net Worth has increased by £5.864m to £112.135m
  - Cash and cash equivalents have increased by £12.1m as a result of increase in Section 106 balances and underspends in the capital programme. Pension liability has reduced by £5.3m due to a change in actuarial assumptions
  - This is offset by a decrease in investment property £7.2m due to the disposal of Hollygate Lane Agricultural Land, capital grants received in advance £6.6m (due to Section 106 contributions received in year) and a £1m decrease in in short term fixed investments
- Investments held at 31 March 2024 totalled £71.527m (increase from £60.125m 2022/23)
- Overall Earmarked Reserves balance at 31 March 2024 of £20.947m (increased from £19.673m) mostly in relation to the in-year efficiencies
- General Fund balance remains at £2.604m
- Main areas of Capital Expenditure were;
  - Vehicle, Plant and Equipment £2.762m mainly due to the vehicle replacement programme which includes replacement of nine refuse vehicles (£1.839m) and purchase of Streetwise vehicles from lease contracts (£0.328m)
  - Other Grants & Contributions £2.174m, primarily Disabled Facilities and Better Care funding grants £0.996m, Home Upgrade Grants (HUG1) and Local Area Delivery Grants (LAD3) £0.435 and support for registered housing providers for affordable housing £0.416m

  - Assets Under Construction £1.271m on Cotgrave and Keyworth Leisure Centre enhancement works including energy efficient measures as part of the Councils commitment to carbon reduction

  - Capital Expenditure in the year was mostly funded by historical capital receipts and the final payment of the overage agreement at Sharphill Woods £3.026m and Government grants £2.540m, balanced with £0.684m from reserves. There was no requirement for external borrowing

- The collection fund as of 31 March 2024 is in a surplus position for both Business Rates £0.356m and for Council Tax £98k. These funds will be distributed to the preceptors in 2025/26. The Council's share is £142k and £10k respectively

- Major Service Developments include the investment in play areas, enhancement of leisure facilities, new website, distribution of UKSPF (UK Shared Prosperity) and REPF (Rural England Prosperity) funding. In response to major flooding incidents during 2023/24 the council has created an earmarked reserve for flood grants and flood resilience

- To support the Council's objective to be carbon neutral by 2030, the climate change reserve has been utilised to support the delivery of a number of projects; this included the introduction of Hydrotreated Vegetable Oil (HVO) in the Council's refuse fleet as alternative to diesel, electric charging at Rushcliffe Country Park and green technologies at Rushcliffe Oaks Crematorium and Bingham Arena and Enterprise Centre. The climate change reserve was topped up from 2023/24 efficiencies to support future carbon reduction projects. In 2024/25 this will include works on Cotgrave and Keyworth leisure centres and the Council will continue to identify further carbon reduction initiatives

- Whilst the Council is currently in a relatively stable financial position, there remain medium term budget challenges in particular uncertainty in relation to the funding of local government and in particular business rates and both changes in Government Policy and specific legislation in relation to areas such as 'Simpler Recycling'. The ongoing impact of inflation, the challenge of finding new efficiencies and depleting capital resources create ongoing budget pressures. This must be balanced with continuing to provide core services and achieve corporate priorities which require additional resources.

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 2023/24 is £128k (plus additional proposed £9k for ISA315), this is significantly higher than the previous year (£56k including variations) as a result of the inclusion of new audit requirements which were previously additional to the scale fee. A government grant of £18k was received to offset the increased cost of audit.

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

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

8 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group:

a) Approve the Statement of Accounts for 2023/24 **(Appendix A)** including the Annual Governance Statement at Section B page XXXI

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.

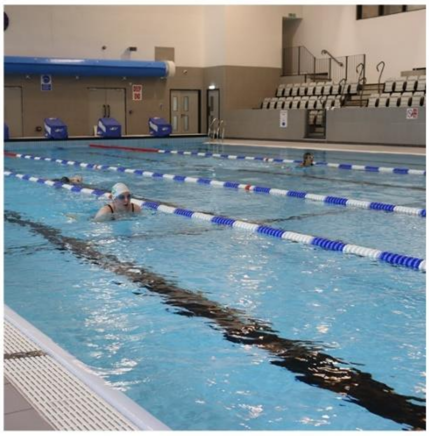
For more information contact:	Peter Linfield Director - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Not applicable
List of appendices (if any):	Appendix A – Statement of Accounts 2023/24

Rushcliffe
Borough Council

Statement of Accounts

2023 - 2024





Rushcliffe
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Contents

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 2023/24 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 2023/24.

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 residents and businesses in the form of grants and reliefs. The cost-of-living crisis continues to impact on the Council's income and expenditure, inflationary increases have been built into future year budgets, however future rates are still uncertain, and this may pose an ongoing pressure. 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.

Peter Linfield

Deputy CEO and 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). They are 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. The Council's Statement of Assurance for 2023/24 (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 50 to 68 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 2024-27 is reported quarterly to the Council's Corporate Overview Group. A new Corporate Strategy was approved by Council 7th December 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.

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Last year we supported 40 organisations including small businesses, community groups and parish councils with over £400,000 of grants

Rushcliffe Oaks Crematorium opened giving families comfort and support in their time of need

The most popular Proms in Park event ever with over 8,000 people attending

First national swim gala, hosted by Calverton and Bingham Swimming Club, held at new Bingham Arena site

Safer Streets 4 project in Trent Bridge was delivered and Home Office agreed Safer Streets 5 proposal ensuring new CCTV for Bingham

Typically collection rates are amongst the highest in the country. For council tax 99.1% and business rates 98.7%

Another very popular West Bridgford Christmas lights switch on attracts thousands

Celebrating Rushcliffe Awards receives record number of nominations

77 homes now benefitting from extra energy saving in their homes to lower utility bills thanks to Local Area Delivery project

Pension credit take up supplying over £50,000 of extra much needed support to residents

Over £200k of investment in playgrounds, refurbishing popular existing play areas and introducing new inclusive features

More sites receiving Green Flag awards than ever before including a first at Sharphill Woods

As well as achieving all of this, we also:

- Emptied **3.3 million** bins
- Delivered updates to over **25,000** followers on social media
- Helped **269** individuals who were at risk of becoming homeless to find somewhere to live.
- Answered over **88,000** calls from our residents
- Dealt with over **20,000** enquiries to our Customer Services team
- Helped dozens of businesses with over **£190,000** of business support grants
- 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
- Maintained Council Tax rates for Band D properties lower than **75%** of all local authorities in the country

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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 (RMG) and Governance Scrutiny Group provides scrutiny of risk registers.

The Executive Management Team has met as the Council's 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 30 corporate risks, 16 operational risks and 3 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 2023-24 are:

Risks removed:

- CRR_ FCS06 Lack of funding from partners
- CRR_ FCS26 Short term loss/failure of main ICT systems
- OR_DEG01 Failure to manage legionella issues
- OR_NS02 Disruption and lack of fuel preventing collection of domestic waste

Risks added or proposed by Risk Management Group:

- Failure by Returning Officer and elections staff to comply with the relevant legislation and/or deliver the practical aspects of the election, as a result of improper resourcing or inadequate training, leading to an adverse impact on reputation and results in legal challenges
- Council is forced to find alternative supplier or bring back in-house a service ceasing to be delivered by a public sector partner, leading to increased costs and operational pressure
- Dissatisfaction within the local community, as a result of ineffective administration of the UKSPF fund for the borough, leading to the potential loss of future funding and a failure to realise the benefits of UKSPF
- Failure to deliver the Compulsory Purchase Order at Flintham as a result of poor partnership working, leading to an inability to make the site safe and available for development

Following recommendations from Zurich, all risk descriptions have been rewritten to better describe what the risk is, what triggers the risk to occur and the impact of the risk occurring.

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 (largely driven by pay and utility cost increases) and government funding reductions with uncertainty due to one-year settlement.	Medium	Medium	Going concern report presented to Governance Group to confirm that the Council has sufficient reserves to withstand the short-term financial shocks. Budget set to include latest assumptions on inflationary increases. Further plans for the transformation strategy to mitigate risk over the longer term. Budget reporting processes and use of budget efficiencies and reserves. Maintain reserves at a sufficient level.
Fluctuation in Business Rates linked to changes in the local economy and revaluation of major business rates payers.	High	Medium	Utilising NNDR1 (Government business rates return) for business rates forecast for next year which takes into account valuations. Continued monitoring of the collection rates and appeals for business rates. Use of reserves as necessary to mitigate 'one-off shocks'.
Central Government policy changes e.g. Fairer Funding, ceasing NHB and Business Rates reset leading to reduced revenue; or increased demand on resources for example environmental policy changes with regards to waste will create future financial risk (Extended Producer Responsibility (EPR) and weekly food collections).	Medium	Medium	Engagement in consultation in policy creation and communicating to senior management and members the financial impact of changes via the MTFS. Budget at safety net position for business rates in years of uncertainty. Inclusion of demand and/or income in the MTFS and Capital Programme and calculations to understand the impact of any proposals.
Insufficient staff capacity – skills, knowledge, and	Medium	Medium	Ensuring market rates are being paid, internal staff development

Risk	Likelihood	Impact	Action
availability etc impacting on the Council ability to operate efficiently and to deliver the transformation plan.			and promotion and development of staff benefits package. If necessary, use of agency support.
Environmental carbon reduction and bio-net diversity commitments leading to greater pressure on revenue and capital budgets.	High	Medium	Climate Change Reserve being replenished, ongoing review of significant projects and outcome of scrutiny review. A vehicle replacement reserve which will help fund, for example, electric vehicles. Apply for external funding where possible.
Increased demand for services such as homelessness and migration or general housing growth.	Medium	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	High	Performance indicators and current financial due diligence via quarterly reporting to Cabinet and Corporate Overview Group (COG). Adjusting cost base as necessary.
Risk of increased capital programme costs due to either increased demand (e.g.DFGs, Traveller’s site) or inflation.	High	High	Continuation of the waiting list for Disabled Facilities Grants (DFGs). Working with Notts’ authorities on a more equitable distribution of resources. Further resource in capital reserves to be appropriated if efficiencies are identified.
Insufficient capital resources to fund the capital programme.	Medium	Medium	Ongoing cashflow management. The Council has the ultimate recourse to borrow. Review of Capital Programme to prioritise.
Opportunity for additional business rates from the Freeport/Development Corporation 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.

Risk	Likelihood	Impact	Action
Risk of financial loss resulting from the decline in the capital value of pooled investments.	Medium	Medium	Treasury Capital Depreciation Reserve to mitigate any losses. Regular monitoring of environment and fund values. Seek advice from Treasury Advisors on strategy going forward.
The ongoing impact of flooding in the borough linked to climate change.	Medium	Medium	The Council continues to deliver flood relief schemes and bears the impact of the Internal Drainage Board levy. Contingency budget maybe utilised if the levy continues to rise. New Flood Resilience Reserve created.
Understanding the impact on RBC of the Combined Mayoral Authority.	Medium	Medium	Continue to play a role in the inaugural year of the authority, and going forward, and report implications back to Council through its usual governance processes.

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4. Revenue Expenditure and Income

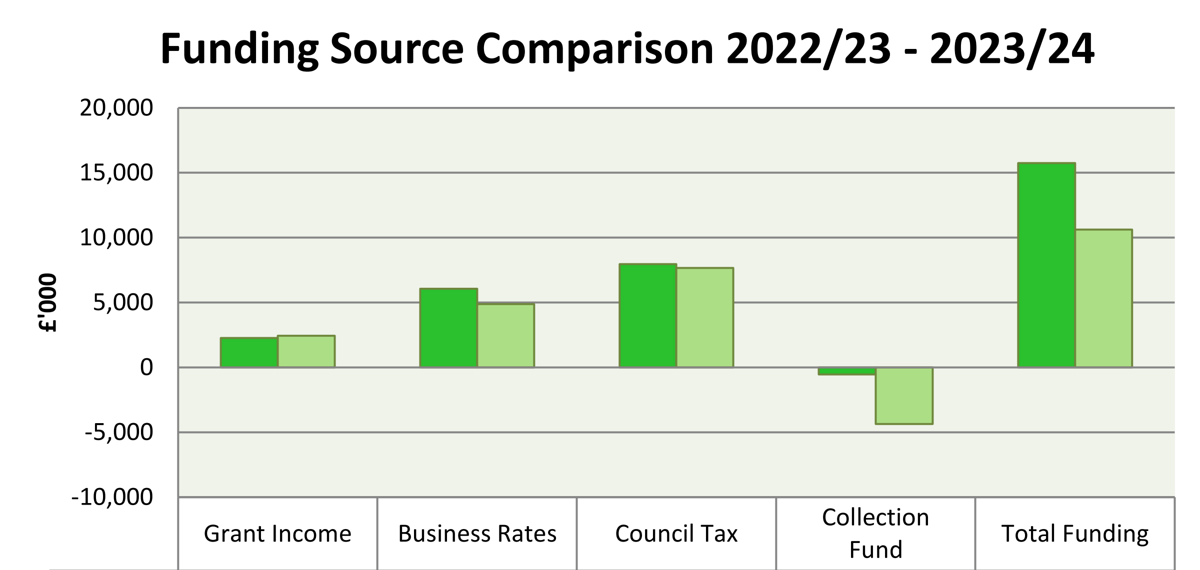
The Council receives and spends money from various sources. The income comes primarily from local residents in the form of Council Tax, and local businesses as Business Rates. Each year the Council spends its money on key services, delivered in accordance with our local priorities and legal requirements.

When setting the budget for 2023/24 inflation and pay awards were the main areas of risk, the budget allowed for a 4% growth in staffing costs, the actual increase averaged 6% but was offset by vacancies during the year. Utilities budgets were set at a prudent level and, as fuel prices were lower than expected, has resulted in reduced expenditure of £0.261m for 2023/24. Interest rates remained high during the year, and this has delivered £0.528m of additional interest. Main overspends related to a property related legal claim £0.445m reduced income from planning £0.351 due to drop in demand from new developments, Rushcliffe Oaks Crematorium £0.213m (overall net surplus £61k) due to trading estimates being overly ambitious in the first year (original assumptions distorted by the impact of Covid) and Streetwise £0.131m due to legacy contracts pre-transfer to the in-house model.

The following table demonstrates where money was spent in 2023/24, showing a net underspend on direct costs of £0.315m against budget. This underspend is increased by additional grant income and business rates pool to give an overall underspend of £1.663m.

	Original Budget £'000	Revised Budget £'000	Revised Outturn £'000	Revised Variance £'000
Chief Executive	2,314	2,319	2,807	488
Finance & Corporate	4,100	4,078	3,431	(647)
Development and Economic Growth	(155)	55	432	377
Neighbourhoods	7,649	8,243	7,766	(477)
Sub Total	**13,908**	**14,695**	**14,436**	**(259)**
Capital Accounting Reversals	(1,895)	(1,895)	(1,895)	0
Minimum Revenue Provision	1,311	1,311	1,255	(56)
Total Net Service Expenditure	**13,324**	**14,111**	**13,796**	**(315)**
Grant Income (including New Homes Bonus)	(2,054)	(2,054)	(2,273)	(219)
Business Rates (including SBRR)	(4,905)	(4,905)	(6,065)	(1,160)
Council Tax	(7,953)	(7,953)	(7,953)	0
Collection Fund Deficit	506	506	537	31
Total Funding	**(14,406)**	**(14,406)**	**(15,754)**	**(1,348)**
Net Transfer to/(from) Reserves	**1,082**	**295**	**1,958**	**1,663**

The main sources of revenue funding are detailed below. The table demonstrates the Council's reliance on local taxation to fund net council expenditure. Of the grants funding, £1.414m 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 has continued to be extended by a further year, and again extended with £1.5m due for 2024/25.



	Grant Income	Business Rates	Council Tax	Collection Fund	Total Funding
2023/24	2,273	6,065	7,953	(537)	15,754
2022/23	2,450	4,879	7,667	(4,364)	10,632

Source: Financial Outturn Report 2023/24

The deficit position on the Collection Fund (page 67) at 31 March 2023 of £1.917m has been recovered from Rushcliffe Borough Council and the major preceptors, the balance as at 31 March 2024 is a surplus of £0.454m this will be redistributed during 2024/25.

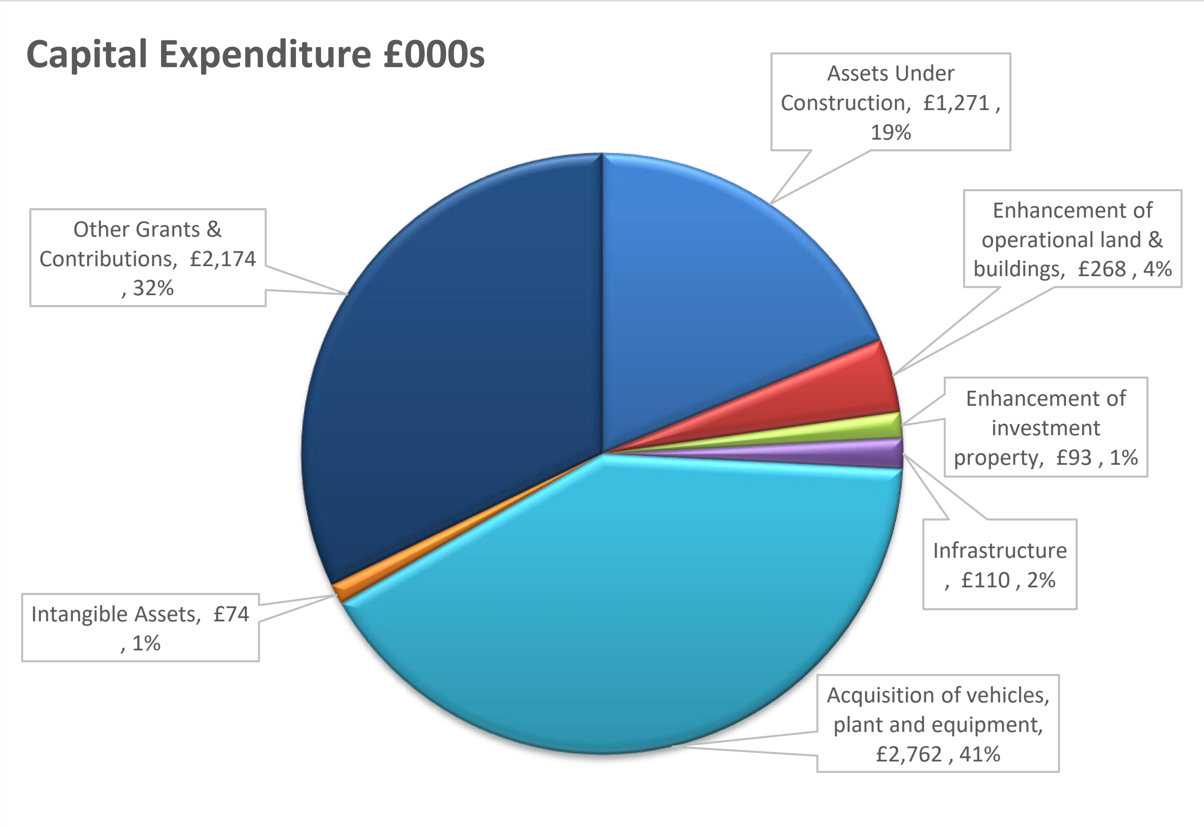
The Movement in Reserves Statement (page 3) demonstrates prudent financial management throughout the year, with the Council having had few reasons to call on its reserves. The original planned net transfer to reserves of £1.082m was and adjusted to £0.295m to reflect carry forward commitments. At the end of the year there is a net transfer to reserves of £1.958m, a net increase of £1.663m. Overall Earmarked reserves have increased by £1.274m (£1.958m revenue and £0.684m capital).

The £1.274m net transfer to reserves is made up of £5.069m transferred to reserves net of £3.795 transferred from reserves. Of the £5.069m transferred to reserves, £1.414m was New Homes Bonus (NHB) and £1.663m to the Organisation Stabilisation (OS) Reserve to meet carry forwards and reserve appropriations (including £0.425m to the climate change reserve, £0.331m for replacement finance and income systems, £0.235m for rising Housing Benefit costs and £0.1m for Development Corporation). Much of the £3.795m use of Reserves was the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of Rushcliffe Arena and Bingham Arena and Enterprise Centre (£1.311m); and planned transfers to meet revenue commitments. The General Fund Reserve Balance therefore remains unchanged from 2022/23 at £2.604m. Reserves are available to meet future cost pressures thus:

- Enabling delivery of the transformation programme by which the Council will balance future budgets and continue to deliver high quality services;
- Smoothing saving requirements between financial years;
- Enabling the Council to deal with the volatility from changes to central government funding methodology (such as Fairer Funding Review and retained business rates which have been further delayed);
- 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; and
- Allowing the Council to facilitate growth and pursue opportunities such as the Development Corporation and Freeport.

5. Capital Expenditure and Income

The following chart shows the breakdown of Capital Expenditure in 2023/24:



Source: Capital Expenditure and Financing (note 29)

The chart above shows the main area of capital expenditure relates to acquisition of vehicles, plant and equipment £2.762m, 41%, with the release of Capital Grants and Contributions as the next highest £2.174m, 32%. 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 2023/24 comprise:

Vehicle, Plant and Equipment - £2.762m. The majority of which relates to the vehicle replacement programme £2.328m. This includes the replacement of 9 refuse vehicles £1.839m and the purchase of Streetwise vehicles from lease contracts £0.328m.

Other Grants and Contributions - £2.174m. Monies released to finance capital assets owned by third parties. Primarily this expenditure was on Disabled Facilities and Better Care Funding Grants £0.996m, Home Upgrade Grants (HUG1) and Local Area Delivery Grants (LAD3) Green Energy Grants £0.435m and support for registered housing providers for affordable housing £0.416m

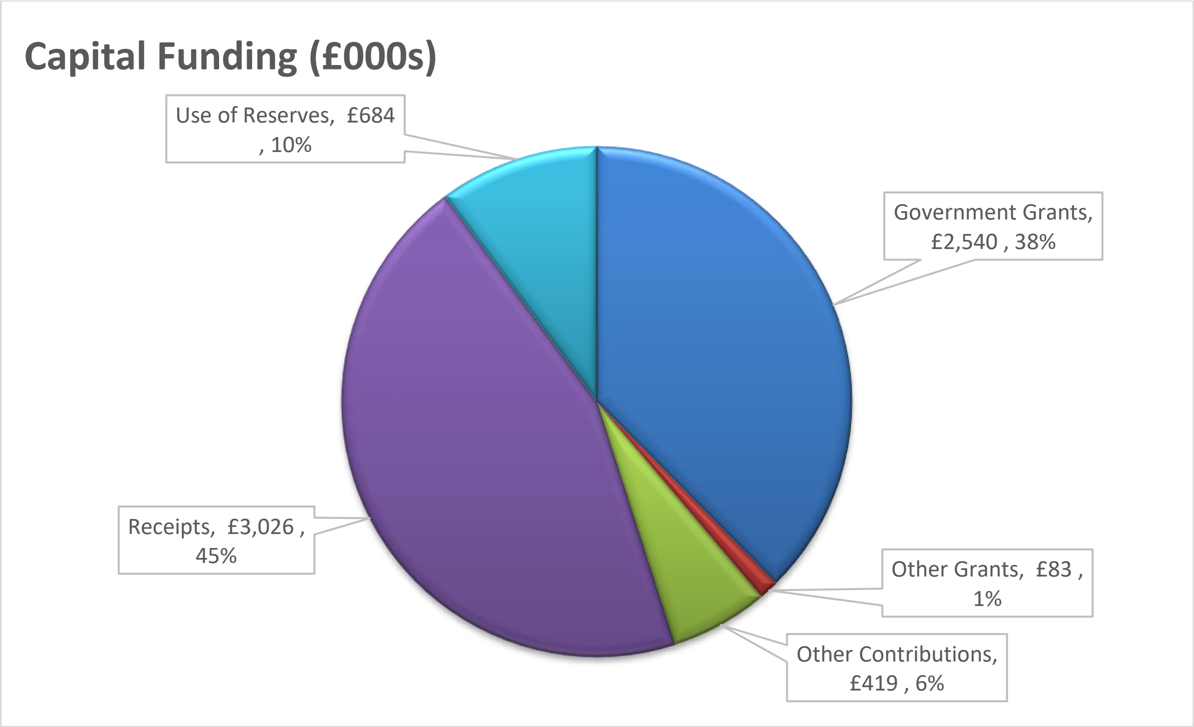
Assets Under Construction - £1.271m. Of which, £1.265m has been spent on Cotgrave and Keyworth Leisure Centres as part the enhancement works which include energy efficient measures as part of the Councils commitment to carbon reduction.

Bingham Arena

The Council has to ensure its Capital Programme is affordable and sustainable. In 2023/24 the Council spent £6.8m compared to an overall Capital Programme of £12.5m giving rise to a variance of £5.7m. This is mainly due to programme rephasing and the carry forward commitments which total a net of £4.2m. The most significant of which are £0.763m for support for registered housing providers for affordable housing, £0.480m retrofit grants for energy saving measures and carbon reduction, £0.4m for Rushcliffe Oaks post enhancement works and potential VAT payment and £0.356m HUG green energy grant funding. In addition, savings of £1.558m have been realised mainly due to the completion of two large projects; Bingham Arena and Enterprise Centre £0.678m and Rushcliffe Oaks Crematorium £0.797m.

Inside the Chapel at Rushcliffe Oaks Crematorium

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



Source: Capital Expenditure and Capital Financing - Note 29 (excluding items used to bring down internal borrowing; application of capital receipts £1.5m, Section 106 £0.6m and MRP £1.3m)

Capital resources available in 2023/24 allowed for all capital expenditure to be met without recourse to external borrowing. The key elements of funding comprise:

Capital Receipts - £3.026m 45% of capital expenditure was covered by capital receipts. The final sum from the overage agreement in place at Sharphill Wood was received in 2023/24. These sums, together with historical capital receipts, were used to fund: £2.028m vehicle replacements, £0.208m Cotgrave and Keyworth Leisure Centre enhancements and £0.133m Disabled Facilities Grants.

One of Rushcliffe’s Waste Collection Fleet

Government Grants - £2.540m 38%, of this, £0.950m Salix Funding for Cotgrave Leisure Centre, £0.762m awarded to the Council under the ‘Better Care Funding’ arrangements used specifically to fund Disabled Facilities Grants; and £0.435m came from the Department for Energy Security and Net Zero in relation to HUG (Home Upgrade Grants) and LAD (Local Area Delivery Grants) Green Energy Grants.

Use of Reserves - £0.684m 10% of expenditure: £0.3m for vehicle replacement, £0.15m for play area replacement and £0.1m for Cotgrave Leisure Centre Enhancements.

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 £1.3m 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. In 2023/24, the Council was able to apply £1.5m capital receipts and £0.6m Developer Contributions to reduce the Capital Financing Requirement. This will mitigate MRP charges in future years.

At 31 March 2024, the balance in the Usable Capital Receipts Reserve stood at £3.422m (2022/23 £1.085m). 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. During 2023/24 £7.590m of capital receipts were received, of which £7.4m is due to the disposal of Hollygate Lane with £3.7m deferred to 2024/25.

Looking ahead, the Council has approved a Capital Programme for 2024/25 which includes the continuation of the major enhancement works to Cotgrave and Keyworth Leisure Centres, ongoing support for registered housing providers and Disabled Facilities Grants and enhancements to community buildings. The Council 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 2024, 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.

6. Major Service Developments and Future Challenges

Despite the ongoing impact of the cost-of-living and inflationary pressures, further compounded by national living wage increases and pay negotiations, the Council has again met the many challenges the financial year posed.

The Council continues to invest significantly in its services and assets and is dedicating more resources to green projects and mitigating the impact of localised flooding. It has over the past year continued to distribute funding to improve the energy efficiency of homes within the borough and has supported local residents and businesses by distributing dozens of UK Shared Prosperity Fund project grants.

The Council is currently debt-free and therefore not impacted by significant increases in interest rates on borrowing faced by some authorities and in a time of significant pressures and real terms decreases in funding, is continuing to embrace opportunities that support the economic growth and development in the Borough and maintain discretionary services valued by residents.

Budgets have focused on challenges but built on opportunities whilst responding effectively to the combination of the legacy of Covid and international conflict has had on inflation. The Council faces further challenges going forward and is not immune to the risks faced by many other councils across the country. The Council continues to identify efficiencies and has had to do so given inflation pressures outstripping growth in Council Tax income. The stable financial position compared to many councils is in conjunction with keeping Council Tax low and further assisting residents with cost-of-living increases.

The objective remains to continue to deliver excellent services to the community whilst supporting the most vulnerable such as the homeless and balancing support of tackling climate change, improving the environment and focusing on continuing to grow the Borough as a great place to both live and work.

Budget pinch points are not far away with a pincer movement on the Council's finances as both revenue and capital resources face their own pressures. With revenue the ongoing impact of inflation has increased the challenge of finding both economies and efficiencies going forward. For capital resources are being exhausted and new avenues of funding, whether that is through external funding or disposing of assets, for example, are essential to ensure core services continue to be provided.

Quality of Life

The council has continued to enhance the quality of life for its residents including;

- **Investment in play areas:**
    - Adbolton Lane play area in Lady Bay, £80k, with 11 new items added, featuring work to increase accessibility options such as an inclusive wheelchair see-saw
    - West Bridgford's popular Boundary Road play area, £63k of refurbishment, including the installation of a new multi-climbing unit and accessible see-saw.

Opening of the new Adbolton Playground in Ladybay

- **Enhancement of leisure facilities:**

Rushcliffe Country Park remains a leisure focal point of the borough and in July 2023 received national recognition, being named the best budget and family-friendly picnic spot in England.

There was continued investment in the park including:

  - building a new natural wood shelter adjacent to the Café to provide visitors additional seating for all weathers
  - £45k capital investment in path repairs
  - New and refurbished toilets and shade sails to enhance the visitor experience

Following the opening of the £20m Bingham Arena and Enterprise Centre last year there is a further capital programme of £24m investment over the next five years, which includes improvements at Keyworth and Cotgrave leisure centres.

- **Improvements to customer experience**

A new public facing website was created and launched in May 2023, including extensive work to update content, streamline navigation and to improve user experience with specific focus on accessibility needs.

- **Supporting local groups and Parish Councils**

The Council secured UKSPF grants for community groups and Parish Councils aiding dozens of development projects over the last 12 months that included benefiting many residents with a review of housing benefits claims, energy rebates and pension credit take up. UKSPF funding has also been utilised to fund a life-saving defibrillator project for sports venues with fourteen sports venues in the borough benefitting from the Safe Hearts in Sport initiative, which has equipped the venues, sports clubs and their coaches / volunteers with the tools and resources to ensure anyone facing a cardiac emergency is prepared and knows what to do.

Local groups have been supported via the Reach Rushcliffe fund, providing more than £9k worth of financial support. They have included funding to help re-develop Ruddington Paradise Allotments, a community garden co-ordinated by Rushcliffe Social Prescribing team to support residents' health and mental wellbeing. A charity raising football team, Sands United FC Nottingham, who support bereaved fathers have also benefitted from funding to aid their growth and development.

- **Hosting a varied schedule of events**

Thousands of residents once again attended Council events such as Lark in the Park, Taste of Rushcliffe and Sunday Cinema Experience, with the standout being Proms in the Park, which attracted over 8,000 visitors throughout the day, a record for the event.

All items on the 2023 events calendar received overwhelmingly positive feedback including the annual Christmas Lights Switch-On in West Bridgford. There was also a first national swim gala hosted at Bingham Arena, highlighting its status and quality as a venue to be considered just months after opening.

The high-profile Celebrating Rushcliffe Awards were again hosted by the Council, bringing together finalists chosen from a record number of nominations across ten categories, each sponsored by a local business with the winners announced at the event, shining a light on amazing people and businesses within the borough.

A tribute band entertain the biggest ever crowd at Proms in the Park

- **Improving community safety**

To help maintain and improve the safety of residents, the Safer Streets 4 project in the Trent Bridge area, implemented new CCTV and support for local businesses to trade more safely and was later complemented by the Safer Streets 5 project in Bingham approving further CCTV support.

The Council's Home Alarms service which provides homeowners and private tenants with independence and reassurance at the touch of a button, secured its eighth consecutive customer satisfaction rating of 100%.

Efficient Services

The Council has ensured that its services deliver value for money whilst addressing the significant budget pressures the Council must address over the medium term. The Medium-Term Financial Strategy (MTFS) has been developed at a time of significant economic uncertainty with inflation remaining elevated impacting on residents, businesses, and the Council. Whilst the Council faces financial constraints, both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth and the aim of encouraging economic development in the Borough and supporting the vulnerable, to achieve the Council's Corporate Priorities.

Detailed budget proposals for 2024/25 included a Transformation and Efficiency Plan (TEP) to deliver the anticipated efficiency and savings requirement and meet the requirements of the Government's Productivity Plans. The MTFS reflects the significant increases in inflation offset partially by the positive effect on the Council's investment returns due to higher interest rates but also the further delay in Business Rates reset.

Council Tax for 2024/25 increased by £3.93 to £157.88 (2.55%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country. In line with changes in Levelling-Up legislation, the Council introduced a premium for properties classified as 'second homes premium' with 100% of the amount of Council Tax charged after one year of a property being empty, further assisting bringing properties back into use at a time of increased housing shortage.

Business Rates have been affected by the de-commissioning of Ratcliffe on Soar Power Station, reducing income to 50% in 2024/25 and zero from 2025/26 although much of the loss in income has been mitigated by the growth in business rates within the borough. Ongoing delays to proposals for a review of the Business Rates system, continues to make forecasting difficult but the Council anticipates that the reset will be delayed until 2026/27 at the earliest and has therefore set a budget of £5.463m in 2024/25 and projections for 2025/26 of £5.676m in retained Business Rates.

New Homes Bonus (NHB) was due to cease after 2023/24, however, in the settlement it was announced that the Council would receive a final payment in 2024/25. It is not yet known if there will be a replacement for this scheme and therefore the Council has assumed zero from 2025/26. The General Election and its results will impact future public financial policy and we await clarity on this going forward.

The budget allows for 5% growth in staffing costs for 2024/25 with salary costs rising due largely to the impact of the rising minimum national living wage impacting national wage settlements. Inflationary pressures continue with increases assumed for fuel (8%), contracts (3%- 6%) and utilities (3%) These pressures demonstrate the cost-of-living challenges facing residents, businesses and the Council.

Some fees and charges have been increased to offset increased costs caused by abnormal inflation and pay increases although limiting these in areas for the more vulnerable residents such as the Council's Home Alarms service. Commercial investment income will reach £2m over the period of the MTFS accounting for 16% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments.

The net budget position over 5 years shows an overall deficit of £1.585m (4% of annual gross expenditure) and whilst this can comfortably be accommodated by use of reserves in the short term, taking into account resource predictions, spending plans and savings, further transformation and efficiency savings will need to be identified to bridge the gap although this gives the Council time to understand the financial landscape after the next general election. Given pressures already materialising in relation to Housing Benefit and the impact on employees, contracts and supplies and services, of inflation, the budgetary gap is expected to worsen.

The Council has a number of earmarked reserves held primarily to support delivery of Council priorities and mitigate specific risk and this year, in response to the recent flooding, includes a new Flood Grant and Resilience Reserve. The balance of reserves overall is largely stable over five years, reducing slightly from £8.7m to £7.4m mostly as a result of the use of the Organisation Stabilisation Reserve to balance the deficit over the period of the MTFS. The financial environment remains volatile therefore it is essential that the Council maintain sufficient reserves to ensure the Council can withstand any unexpected shocks. With low levels of external funding anticipated, the Council must identify resources to continue to grow the borough.

Officers work to contain flooding

During 2023/24, the Council reviewed its Customer Access Strategy which ensures the continuation of in-person customer contact points whilst simultaneously developing more ways that our residents can contact us online. Online licensing forms have also now become operational. Additionally, a range of innovative digital projects to increase the number of self-serve actions that residents can complete on our website has been delivered. This is alongside the use of technology internally to reduce waste and increase efficiency.

The move to bring street cleansing and ground maintenance functions back in-house via Streetwise in September 2022 has been a successful one and continues to help 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 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, including the state-of-the-art facilities in Bingham and West Bridgford. To keep progressing these such facilities, a £4.1m investment in refurbishments and energy upgrades to Cotgrave and Keyworth Leisure Centres was announced, partly funded by Salix grant income of £1.2m, with the delivery set to take place across the next two years. Working with a support grant from the Department of Levelling Up Housing and Communities, Cotgrave Leisure Centre and Gresham Sports Park have installed new Changing Places toilets to ensure greater access for people with mobility challenges to engage with sport at the sites.

For the third consecutive year the Council received a ‘Substantial’ overall opinion in its annual internal audit report in 2023/24 which is the highest level of assurance and is rarely awarded. This is a significant achievement particularly during continued challenging circumstances thus demonstrating the Councils positive culture for maintaining effective controls. The Council’s external auditors also approved the Council’s 2022/23 accounts including a positive opinion on the Council’s Value for Money.

Devolution, with the election of a Mayor of the East Midlands took place in May 2024. The long-term impact on Rushcliffe of devolution remains to be seen, but in the short term the expectation is it will impact upper tier authorities more significantly. We will continue to work with local authority partners to ensure we maximise opportunities for Rushcliffe residents.

Sustainable Growth.

The Council have continued to support the businesses of Rushcliffe, not least 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.

High Street Advisor supporting local businesses.

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 September 2024). The Council 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 adoption of a Local Development Order (LDO) which grants 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 Council received £2.571m over three years (Capital and Revenue funding) from the UK Shared Prosperity Fund (UKSPF) for investment in local projects and £0.596m 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, awarding 21 businesses grants over two years. Through UKSPF joint commissioning for business support, East Midlands Chamber were appointed to deliver and support businesses across Rushcliffe and to date have engaged with around 120 businesses from across the borough via one-to-ones or workshop and training courses.

Meanwhile, the UKSPF joint commissioning for people and skills has supported the appointment of Nottinghamshire Futures to deliver support for local residents to access employment or training opportunities. This is alongside other support in place including skills funding, funded internship placements and a programme of training including low carbon, digital and ESOL (English for Speakers of Other Languages). UKSPF funding has also supported RBC's new scheme to support community wellbeing projects in Rushcliffe with grants between £500 and £5,000 to tackle cost of living pressures, loneliness and isolation.

The Council continues to review its existing assets to ensure they remain fit for purpose reports this biennially to both Cabinet and the Governance Group with the last report in February 2024.

The Environment.

The Council's Climate Change reserve created in 2020 has been utilised for a number of projects including:

- Green technology measures at the new build Bingham Arena and Rushcliffe Oaks Crematorium delivering 78% and 80% less carbon respectively
- CENEX fleet review, looking at alternative fuel sources including the transition to Hydrotreated Vegetable Oil for waste vehicles. 21 vehicles have been converted cutting carbon dioxide emissions by 90%, this will be further rolled out to other smaller vehicles during 2024/25.
- Electric car charging points at Rushcliffe County Park

Further initiatives have been delivered through external funding from a variety of sources including Home Upgrade Grants, Local Area Delivery Grants, Salix and OZEF (Office for Zero Emission Vehicles).

Rushcliffe Country Park (RCP) received its 17th consecutive Green Flag Award in January 2024, acknowledging the green space as one of the country's best parks, whilst Sharphill Wood also received its first coverted Green Flag Award.

Rushcliffe Country Park received 17th consecutive Green Flag Award

Energy audits for ten council owned properties took place, with the Council now reviewing the recommendations and looking at possible quick and early wins in response. Low carbon business support and skills support is also being provided.

In partnership with the private sector, Waste Investigations Support Limited (WISE) have continued to enforce the full range of environmental crimes, keeping fly-tipping low and at zero cost to Council taxpayers. The Council tops the recycling and composting league in Nottinghamshire and the garden waste service continues to offer good value for money to over 30,000 subscribers.

The Council's target is carbon neutral by 2030 for its operations and for the whole Borough by 2050. There is 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. The reserve has been topped up by £0.425m from 2023/24 underspends for carbon offsetting and there are plans to further increase this in 2024/25 using additional funding and New Homes Bonus to support this target.

The Council continues to proactively identify further 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 implementing recommendations from the fleet and infrastructure audit. A further £250k will be invested in solar energy at Cotgrave Leisure Centre on new solar panels to enable the site to run more efficiently whilst also saving up to £25k on running costs.

The Council's budget is still delivering investment in further green projects and protection for residents from the impacts of flooding. In 2024/25, the Council will establish a Flood Grant and Resilience Reserve of £28k, to help local properties in flooding emergencies and address gaps in the current national guidance when the national flood scheme is in operation.

There are also policies on No-Mow areas to act as summer pollinator sites and encourage wildlife and habitats to thrive, expanding to 30 sites in May 2023 covering three hectares and the approved Public Space Protection Order which ensures dog owners must carry a bag. For the fifth year, the successful free tree scheme has seen the project supply over 1,000 further free trees to local residents and community groups, meaning more than 11,000 have to date been distributed as part of the Council's strategy to provide sustainable environments. The Council approved a new policy providing further guidance on managing and protecting its trees and hedgerows that play a vital role in combatting climate change and enhancing wildlife, as well as implementing a new evaluation technique to help monitor and review green assets.

The policy will run until 2028. In line with Government legislation the Council is also delivering further biodiversity plans to help protect habitats for wildlife in new developments and nature recovery.

One of the many 'No Mow' sites in the Borough encouraging biodiversity

The Green Doctor programme which supports local residents, with funding from UKSPF, by providing energy efficiency advice and free energy efficiency items such as draught excluders is being continued into 2024/25.

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 £0.588m. There have been a number of changes, most significantly Borough Council Elections held in 2023/24, a property related legal claim, increase in costs related to Toothill following the move to Bingham Arena partially offset by improved performance at Edwalton Golf Course.

The decrease in Other Operating Expenditure of £6.153m arises mainly from the gain from disposal of Sharphill overage £5.967m included in 2022/23.

The increase in Financing and Investment Income and Expenditure £3.457m relates to the favourable movements in Fair Value of Investment Properties £0.638m, the capital value of the Council's Treasury Investments £1.728m, pension interest costs £0.348m (all technical in nature) and increased investment income £0.749m.

There is a favourable movement in Taxation and Non-Specific Grants of £1.584m in 2023/24 owing mainly to a release of Section 106 monies for Bingham Arena and Enterprise Centre £0.625m and an increase in Council Tax £0.530m due to growth in the taxbase and 2% increase in charge.

The movements above have resulted in an overall surplus on the Provision of Services of £1.669m compared to a surplus of £3.369m in 2022/23.

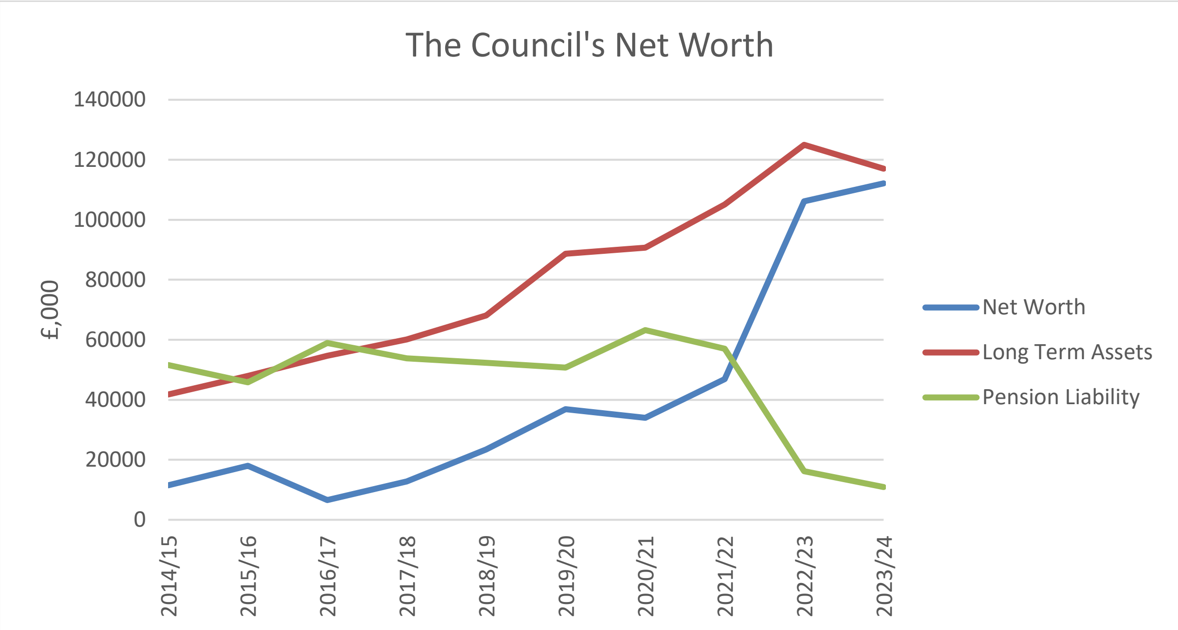
Revaluations on non-current assets has resulted in a decrease of £0.884m compared to an increase of £11.679m in 2022/23, when leisure centres benefited from significant increases in build cost indices and inflation.

There have also been pension adjustments changes in actuarial assumptions (Surplus of £5.077m compared to a surplus in the previous year of £43,420m) The 2022/23 actuarial gain (technical adjustment) was much higher as a result of the significant increase in discount rate which effectively reduced the value of the pension liability.

Movement in Reserves Statement (Page 3) – 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 Council's Assets, Liabilities and Reserves at the year-end date (31st March). The Council's overall net worth has increased by £5.9m to £112.135m. In the year, the cash and cash equivalents have increased by £12.1m as a result of increase in Section 106 balances and underspends in the Capital Programme. The Pension Liability accounts reflects the valuations by the actuary and, as mentioned above, a change in actuarial assumptions with a net decrease of £5.3m in liabilities. Investment Property has decreased by £7.2m mainly due to the disposal of Hollygate Lane Agricultural Land, short term fixed investments have decreased by £1m this reflects movement between liquid and fixed term. Capital Grants Received in Advance have increased by £6.6m mainly due to new Section 106 contributions received in year of £16m net of £10m released to fund schemes in year.

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, the net worth has increased in 2023/24 to £112.135m. There is an inverse relationship between net worth and pension liability, in previous years (namely 2022/23) this is represented by a significant increase in net worth and a corresponding reduction in pension liability. The long-term assets include the investment properties and has reduced in 2023/24 due to the sale of Hollygate Lane as mentioned above.



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 9-49) – these provide supporting context to the above Statements.

Accounting Policies (Pages 50-68) – these explain the bases of the figures presented in the accounts.

Rushcliffe
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8. Supplementary Financial Statements

Collection Fund (pages 69-71) – 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. For 2023/24 there is a surplus of £0.356m on the Business Rates section of the Collection Fund (£0.1m 2022/23) and a surplus on Council Tax of £0.1m (deficit of £2m at the end of 2022/23) The surplus and deficit position fluctuates year on year as this is based on estimates for the year compared to the outturn position and the extent to which these differ.

9. Summary

There is an increasing number of Councils under pressure from rising costs and the impact that the cost-of-living is having on Council income, and this is likely to continue to be a pressure in the future. The Council is not immune to these pressures and has continued to identify efficiencies during the year to balance the increased cost pressures and the outturn position shows a positive outcome in what is a very challenging economic environment. The Council has, and continues to face, many significant financial challenges. Delayed funding settlements and unexpected financial pressures (such as the War in Ukraine and recent troubles in the Middle East) which make financial planning challenging. In this volatile environment, a culture of prudence is essential, however, the Council 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 has topped up the Climate Change Reserve by £0.425m mainly to support the potential acquisition of land for carbon offsetting. Other pressures include the need to replace the Council's finance and income systems and rising housing benefits costs; and appropriations to reservese from 2023/24 underspends have been made to ensure these can be achieved. Ongoing pay and energy cost inflation has placed a strain on the Council's future finances and the Transformation and Efficiency Programme will require much vigour and some challenging decisions. A new Corporate Plan was approved 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 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. In addition, members of the public have a statutory right to inspect the accounts before the annual audit is completed. The availability of the accounts for inspection is advertised on our website at www.rushcliffe.gov.uk.

Peter Linfield

Director - Finance and Corporate Services

31st May 2024

Rushcliffe
Borough Council

B. ANNUAL GOVERNANCE STATEMENT 2023/24

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 2024 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

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

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium-term financial strategy to 2028/29 and an updated Corporate Strategy covering the period 2024 to 2027. The document is 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 also incorporates the Council's Productivity Plan (a requirement introduced by Government as part of the 2024/25 financial settlement). This outlines how the Council will meet its financial challenges until 2028/29. The Transformation and Efficiency Strategy focuses upon three key elements – income generation, transformation and business cost reduction and aligns to the Productivity requirements (Service Transformation, Technology and Reducing Waste). 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 continues to face significant financial pressures. The 2024/25 Medium Term Financial Strategy (MTFS) predicts a net budget deficit over 5 years of £1.6m (4% of annual gross expenditure) and whilst this can comfortably be accommodated from reserves in the short term, the Council's priority will be to identify and deliver robust plans to transform processes and deliver efficiencies; and focus on opportunities to grow the Borough and manage the impact of growth and the changing socio-political, financial and environmental climate. The impact of both the Ukraine and Middle East conflicts continue to create much economic uncertainty impacting particularly on fuel and energy prices. Whilst pay increases are expected to decline, the salaries base budget has increased significantly over the past 3 years. This undoubtedly presents risk to the Council's budget position. That said the Council has a Contingency budget of £0.3m and will look to any further revenue budget efficiencies to support budget pressures. Other pay and service challenges arise from the ability to attract and retain staff. Inflation does have an impact on who we trade with which in turn impacts supplies and services, transport and premises budget lines.

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 2023/24 (at Quarter 3) of £0.665m for 2023/24 mostly as a result of Business Rates Pool surplus and additional grants received. This represents a variance of 4.53% of Net Service Expenditure. Much of which is committed with carry forward requests to meet service challenges. 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 ongoing high inflation linked to both rising employee and 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 (Productivity Plan) as part of its ongoing financial governance arrangements. 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 2026/27, 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 included 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 circa £1.9m (2024/25) to £2m (2028/29) 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 2023 and a further review is planned in 2024 reflecting procurement legislation changes.

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 2023/24, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2023/24, 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 twice, in September 2023 and February 2024. At the last meeting in February there were 38 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.

Risk managers have worked to evaluate risk descriptions as proposed by Zurich in the Risk Health Check in 2020. This work is complete, and the exercise resulted in new risks being identified and old risks being removed and reported and agreed by Governance Scrutiny Group. The next report in autumn 2024 will contain the new risks and reworded risk descriptions, building on the Council's focus to address the ongoing impact of the cost-of-living and inflationary pressures, compounded by national living wage increases and pay negotiations.

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.

Learning and Development is an essential part of being a Councillor. The Council adopted a Councillors' Learning and Development Policy in July 2021, and the Councillor Induction Programme is a vital element of that Policy.

The Induction Programme consisted of an Induction Handbook, three targeted sessions over the ten days following the Borough Elections in May 2023, together with details of an extensive training programme for the year, which was delivered in-person, virtually and via the Council's e-learning platform.

A number of topics were mandatory to allow Councillors to be able to sit on committees, including planning, licensing and standards, together with courses on GDPR, understanding local government finance, risk management, motions at Council and scrutiny. Councillor Individual Training Records continue to be updated and periodically sent to each Councillor for their information.

During 2023/24, the MDG met twice to evaluate the Induction Programme, the training programme for the year and the development of the programme for 2024/25.

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 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*

Rushcliffe Reports magazine – the Council's newsletter for residents – was circulated to over 52,000 households on two occasions and a digital update to the growing online audiences, setting out key updates on a new leisure centre opening, popular music, food and children's events and request feedback on the Corporate Strategy and its priorities.

Further projects including a refreshed Communication and Engagement Strategy are responding to the evolving to picture building on 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.

In a more hybrid and digital driven era, the Council has continued strong regular updates through developing effective relationships with the local media matched with tailoring relatable content on its social media channels to its key demographics to engage more subscribers across, passing 20,000 followers on all channels.

During 2023/24, the Council continued developing its electronic free subscription newsletter to stakeholders with the launch of a dedicated Garden Waste update to service users, another communication method that now sees over 18,000 residents gardening hints, tips and updates on the service direct to their inbox.

Customer satisfaction surveys continued with key customer facing services such as the Home Alarms service. The latter received a 100% satisfaction rating from users for an eighth consecutive year. The feedback received from these exercises will continue to be used to improve services to all customers. 2.8

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, and car parking contracts. We have also entered into a partnership to improve resilience surrounding procurement advice working with Nottinghamshire County Council. Work continues with regards to the Freeport with the Leader of the Council sitting on the Board for the Freeport.

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 role of the Freeport is critical with regards to this key gateway into the Borough. 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. The Freeport presents 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 Chief Executive of the Council is a Director of the Development Corporation (DevCo) an interim vehicle to help deliver development of the power station site. The Council has committed £0.5m (an earmarked reserve) to support the Development Corporation with contributions from North West Leicestershire, Broxtowe Leicestershire and Nottinghamshire councils. The Leader sits on the Oversight Authority.

The Council is involved in the Devolution Deal proposals with other Derbyshire and Nottinghamshire authorities. With the East Midlands Mayor now 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
- The Capital and Investment Strategy

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, topics covered include are as diverse as East Midlands Airport, Social Housing Models, and Smoke Control Areas. 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 Development and Infrastructure and Connectivity and Communications.

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. BDO this year had their contract extended until 2027/28. 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. Whilst this was later than expected, with the accounts signed-off in December 2023 we are in a better position than many authorities with some several years behind regarding their financial statements being certified. We continue to work with the auditors to ensure the end of September deadline is met. A positive Value For Money conclusion was given by Mazars in their February report.

4 **IMPORTANT GOVERNANCE ISSUES**

4.1 **Issues Identified, Budget and Ongoing Pressures and Inflation, the Peer Review, the CIPFA Financial Management Code, and other issues and proposed remedial action**

Current budget position

2023/24 and 2024/25 budgets are again under pressure due to expenditure pressures in relation to energy and pay inflation. We are anticipating budget efficiencies for 2023/43 of around £1.66m mainly due to additional business rates income. This is not unexpected and will meet service pressures such as in relation to the 'homes for Ukraine' scheme and 'safer streets' funding. There are also anticipated additional pressures in relation to Finance and income System replacement and a commitment to increase the Climate Change Reserve for bio-diversity net gain.

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.

As we said we would do, we have asked a neighbouring authority to review the Council's self-assessment and this is assessment is given at Appendix A. The approach used is to give a RAG rating and has also 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.

The Peer Review and Other Issues

The Council had a Corporate Peer Review in early 2024. This was largely very positive with no significant issues identified. Recommendations were made and reported to Cabinet along with an Action Plan and/or comments in relation to the recommendations. The Peer Challenge Team will be reviewing progress in relation to the Action Plan in the Autumn of 2024.

Given all of the challenges linked to rising inflation combined with medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the Council has balanced its budget. However, there is the challenge of £1.25m of efficiencies to be identified over the next 2 years, taking into account the £1.7m efficiencies in the Transformation Programme. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements and dovetails with the Council's Productivity Plan (an 'ask' regarding the 2024/25 financial settlement). Whilst the expectation is pay and utility inflation will reduce, the base budget is already substantially inflated. Pay inflation is linked largely to government policy on the national minimum living wage but also labour market pressures generally affecting recruitment. There is also a knock-on effect on supplies and service costs, and we are already aware of cost pressures arising above and beyond those already in the budget. Fortunately the Council's robust current financial position, at least in the short term, enables some mitigation regarding such cost pressures.

Going forward, there will also be service based pressures linked to statutory changes in relation to planning (Levelling-Up Act) and waste services (Simpler Recycling and the Environment Act) with details on guidance and funding being drip-fed from Government. This is a risk to both service provision and the budget going forward. 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.

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. Under CIPFA guidance it cannot borrow to fund commercial activity.

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 2026/27, given the likelihood of a late General Election which creates more uncertainty regarding the timeliness of the 2025/26 financial settlement. New Homes Bonus has already been subject to consultation in 2021, as yet there has been no feedback from Government as to its future.

In the past we have referenced the risk of power station appeals. However given the reduction in business rates for the power station over time, the income has been eroded and its loss is now less of a risk. Business rates for the power station have reduced to around £0.8m (50% retained by central government) from £6m several years ago. 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 external auditors have noted a number of risks in their Audit Strategy Memorandum 2023/24 (which are similar to their 2022/23 Memorandum), 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 our day-to-day operations, particularly in the light of recent global cyber security threats. The Council continues to look at ensuring systems are hosted in 'the cloud' to mitigate such risks.

Despite the challenging economic environment, the Council remains committed to reducing its carbon footprint and continues to deliver excellent services. The Climate

Change Reserve remains and with the challenge of delivering on biodiversity net gain targets and carbon offsetting, the Council continues to future proof this reserve to fund future initiatives.

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

Issue	Reporting to	Methodology	Timescale
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 2025
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 2025

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: September 2024

Signed:

Councillor N Clarke (Leader)

Date: September 2024

Rushcliffe Borough Council

Appendix A

Financial Management Code Review

	Financial Management Standard	Evidence and Comments	Risk Rating
Section 1: The Responsibilities of the Chief Finance Officer and Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Audit conclusion on 2022/23 accounts was the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023. General Fund reserve levels have been maintained above the minimum required level and the balance on other usable reserves is expected to reduce from £15m to £10m over the medium term. Despite inflation challenges excellent performance has been maintained (as per Finance and Performance reports) In year budgets 2023/24 are broadly on target. The Head Of Internal Audit's audit conclusion is taken into consideration and comments included in the AGS if necessary. We comply with the requirements of the code	
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	CFO is CIPFA qualified with 34 years of local government experience; and reports to CEO; CFO role detailed in the Constitution; CFO sits on Executive Management Team, influencing material decisions and ensuring financial implications are provided in all reports. The CFO leads on corporate fraud. Through the Finance team treasury performance is monitored and reported to Governance Scrutiny Group throughout the year.	

Section 2: Governance and Financial Management Style

C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	BDO (internal audit report for 2022/23) The organisation has a substantial assurance framework for risk management, governance and internal control. Statement in the AGS in the STAC for 2022/23 demonstrating compliance. Accounts signed off by audit.
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	The Governance Group scrutinise Constitution changes and reviews the adequacy of Governance arrangements, such as risk management and approving the Annual Governance Statement. The Head Of Internal Audit’s audit conclusion is taken into consideration and comments included in the AGS if necessary.
E	The financial management style of the authority supports financial sustainability.	The Council has developed a Transformation Programme and made in excess of £5m in budget efficiencies with a further £1.7m planned. The Council monitors its Transformation and Efficiency Plan as part of monthly budget monitoring but this is also reported to COG and Cabinet as part of quarterly performance indicators and financial monitoring. It maintains a portfolio of commercial assets that generates just under £3m of income receipts annually. There are a sustained level of reserves commensurate with its risk appetite.

Section 3: Long to Medium-Term Financial Management

F	The authority has carried out a credible and transparent financial resilience assessment.	Budget setting for 2024/25 includes a statement from CFO that the estimates are robust. Budgets were set in conjunction with senior managers and members and appropriate challenge made. Budgets are balanced and reserves healthy and we have an achievable Transformation and efficiency plan monitored monthly. An independent review by consultants confirms the council has robust finances. Appendix A shows the 2021-22 CIPFA Resilience Index with relatively low risk. Independent benchmarking confirms this position. The Council has also participated in the LG Peer review in January 2024 and this concluded that the Council has a robust, current financial position, endorsed by its auditors. External and internal auditors were equally impressed with the Council's management of its finances and its responses to audit recommendations generally.
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	We have a 5 year MTFS reported to Members and we have reported the authority's position as a Going Concern. The Risk Register is constantly evolving and is updated as new risks emerge. Horizon scanning and discussions at Risk Management Group ensure that wider risks are considered. During 2024, the Council has conducted a Fraud Risk Assessment that will be reviewed by the Council's internal auditors BDO.
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Capital Strategy shows that plans are affordable prudent and sustainable – all PI's are set and monitored, MRP is set to repay debt
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	5 year MTFS in place, projects and outcomes linked to corporate plan and proposals are scrutinised against the corporate plan and these feed into the departmental service plans. The Council will aim to review its capital plans over a longer time period to ensure future budgets are robust.

Section 4: The Annual Budget

J	The authority complies with its statutory obligations in respect of the budget setting process.	The Council complies with its statutory obligations in respect of the budget setting process as set out in the Local Government Finance Act (1992). A legal and balanced budget and corresponding Council Tax levels have been set by Council by the statutory deadline of 11 March and assurance has been provided by the CFO regarding the robustness of estimates and adequacy of reserve levels.	
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	The budget setting report comments upon the expenditure plans, reserves and risk and includes a statement from the CFO giving a positive assurance that the budget is balanced, robust and affordable	

Section 5: Stakeholder Engagement and Business Plans

L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Budget was made available to residents via Cabinet agenda prior to approval at Council. The MTFS resources the corporate Strategy which has been out for consultation to the residents of the Borough. Elected members given the opportunity to scrutinise and comment upon. Member workshops involve members at budget setting. We consult with Stakeholders on key projects e.g. Bingham Car Parking and the Crematorium.	

M	The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	For capital investment appraisals and business cases the Council uses the agreed approach outlined in the Capital and Treasury Strategy and are subject to approval by Asset Investment Group. Projects that do not satisfy the set criteria (Net Present Value, Internal Rate of Return and impact on the General Fund and assessment matrix of non-financial criteria) are not approved in their current form. Specific appraisals are reported to Governance Group. Financial comments are required on reports to highlight and demonstrate consideration of financial impact and allow scrutiny of, and challenge to the proposals. The Council considers the impact on the climate of any investment or development proposals and actively seeks to ensure these are positive for the environment such as the new Crematorium and improvements to its Leisure Centres.

Section 6: Monitoring Financial Performance

N	The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Monthly reports are considered by budget holders, which is in turn reported to and scrutinised by Service Managers. Issues identified current concerns are reported to EMT. Quarterly Finance and performance reports are presented to Cabinet and COG. Reports include a section on financial implications, performance and risk. Monthly reports are sent to EMT on aged debt and outstanding items of concern. TM reports are taken quarterly and at year end to GSG and more detailed meetings are held monthly in the finance team. The finance officers involved in TM undertake regular training and treasury advisors deliver annual training for members
O	The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	EMT are actively involved in budget workshops which demonstrates the position on Revenue, Capital and Reserves and sit at Full Council when the budget is approved

Section 7: External Financial Reporting

P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	The CFO's responsibilities are set out in the "Statement of Responsibilities" within the STAC. This statement clearly sets out that the CFO is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom. The annual audit letter confirms that the 2022/23 STAC has been prepared in accordance with the code.	
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	The outturn figures are reported to Cabinet and included in the narrative sections of the statement of accounts. Variances are clearly identified including highlighting those that are 'accounting adjustments'. Use of underspends are clearly identified in the report, including carry forward requests and these are approved by Cabinet.	

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Rushcliffe
Borough Council

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

To be added post audit of 2023/24 Statement of Accounts.

Rushcliffe
Borough Council

Statement of Accounts

2023 – 2024

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 Deputy CEO and Director (Finance and Corporate Services) hereafter called the Director.
- 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 2024.

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 2024 and its income and expenditure for the financial year ended 31 March 2024.

Date:

Peter Linfield, Deputy CEO and Director - Finance and Corporate Services

E. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR 1 APRIL 2023 TO 31 MARCH 2024

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.

2022/23				Note	2023/24		
Gross Exp £'000	Income £'000	Net Exp £'000			Gross Exp £'000	Income £'000	Net Exp £'000
2,226	(44)	2,182	Chief Executive		2,717	(34)	2,683
3,825	(1,898)	1,927	Development and Economic Growth		5,087	(2,675)	2,412
17,424	(12,764)	4,660	Finance and Corporate		17,350	(12,715)	4,635
15,306	(6,775)	8,531	Neighbourhoods		15,858	(7,700)	8,158
38,781	**(21,481)**	**17,300**	**Cost of Services**		**41,012**	**(23,124)**	**17,888**
		(3,200)	Other Operating Expenditure	5			2,953
		1,349	Financing and Investment Income and Expenditure	6			(2,108)
		(18,818)	Taxation and Non-Specific Grant Income	7			(20,402)
		(3,369)	**(Surplus)/Deficit on Provision of Services**				**(1,669)**
		(11,679)	(Surplus)/Deficit on Revaluation of Non-Current Assets				884
		(43,420)	Actuarial (Gains)/Losses on Pension Assets / Liabilities	32			(5,077)
		(55,099)	**Other Comprehensive Income and Expenditure**				**(4,193)**
		(58,468)	**Total Comprehensive Income and Expenditure**				**(5,862)**

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.

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E. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2023 TO 31 MARCH 2024

		Total Usable Reserves						
		General Fund Balance	Earmarked GF Reserves (Note 4)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 19)	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2023		**2,604**	**19,673**	**1,085**	**154**	**23,516**	**82,755**	**106,271**
Movement in Reserves during 2023/24								0
Surplus/(Deficit) on the provision of services		1,669	0	0	0	1,669	0	1,669
Other Comprehensive Income and Expenditure		0	0	0	0	0	4,195	4,195
Other Recognisable Gains/(Losses)		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		**1,669**	**0**	**0**	**0**	**1,669**	**4,195**	**5,864**
Adjustments between accounting basis & funding basis under regulations	(3)	(395)	0	2,337	(56)	1,886	(1,886)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,274**	**0**	**2,337**	**(56)**	**3,555**	**2,309**	**5,864**
Reserves	(4)	(1,274)	1,274	0	0	0	0	0
Increase (Decrease) in year		**0**	**1,274**	**2,337**	**(56)**	**3,555**	**2,309**	**5,864**
Balance as at 31 March 2024		**2,604**	**20,947**	**3,422**	**98**	**27,071**	**85,064**	**112,135**

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

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

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

E. THE FINANCIAL STATEMENTS

BALANCE SHEET

AS AT 31 MARCH 2024

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 March 2023 (Restated) £'000		Note	31/03/2024 £'000
77,890	Property, Plant and Equipment	8	77,492
111	Heritage Assets		105
31,030	Investment Property	9	23,789
106	Intangible Assets	10	125
13,766	Long Term Investments	12	14,038
1,563	Long Term Debtors*	13	1,611
124,466	**Long Term Assets**		**117,160**
32,000	Short Term Investments	12	31,000
6,946	Short Term Debtors*	13	8,642
14,359	Cash and Cash Equivalents	12,15	26,489
53,305	**Current Assets**		**66,131**
(10,609)	Short Term Creditors	16	(9,285)
(10,609)	**Current Liabilities**		**(9,285)**
(1,313)	Long Term Provisions*	17	(890)
(138)	Long Term Creditors*	16	(224)
(43,221)	Capital Grant Receipts in Advance	27	(49,840)
(16,219)	Pension Liabilities	32	(10,917)
(60,891)	**Long Term Liabilities**		**(61,871)**
106,271	**Net Assets**		**112,135**
1,085	Usable Capital Receipts Reserve	MIRS	3,422
2,604	General Fund Balance	MIRS	2,604
19,673	Earmarked Reserves	4	20,947
154	Capital Grants Unapplied	MIRS	98
23,516	**Usable Reserves**	MIRS	**27,071**
82,755	**Unusable Reserves**	19	**85,064**
106,271	**Total Reserves**		**112,135**

*£0.521m Housing Benefit debtors reclassified as Short Term Debtors from Long Term Debtors £0.138m leaseholder deposits reclassified as Long Term Creditors from Long Term Provisions

E. THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT

AS AT 31 MARCH 2024 (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 2023 £'000		Note	31 Mar 2024 £'000
(3,369)	Net (surplus) or deficit on the provision of services		(1,669)
10,140	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(11,040)
6,051	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		7,479
12,822	**Net cash flow from Operating Activities**	20	**(5,230)**
16,357	Investing Activities	21	(6,289)
(3,666)	Financing Activities	22	(611)
25,513	**Net (increase) or decrease in cash and cash equivalents**		**(12,130)**
(39,872)	Cash and cash equivalents as at 1 April	15	(14,359)
(14,359)	**Cash and cash equivalents as at 31 March**	15	**(26,489)**

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E. THE FINANCIAL STATEMENTS

EXPENDITURE AND FUNDING ANALYSIS AND NOTES FOR THE YEAR 1 APRIL 2023 TO 31 MARCH 2024

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.

2022/23				2023/24		
Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis (Note 3) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000		Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis (Note 3) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
2,136	46	2,182	Chief Executive	2,807	(124)	2,683
1,803	124	1,927	Development and Economic Growth	1,982	430	2,412
4,080	580	4,660	Finance and Corporate	4,585	50	4,635
6,675	1,856	8,531	Neighbourhoods	6,374	1,784	8,158
14,694	**2,606**	**17,300**	**Net Cost of Services**	**15,748**	**2,140**	**17,888**
(10,792)	(9,877)	(20,669)	Other Income and Expenditure	(17,022)	(2,535)	(19,557)
3,902	**(7,271)**	**(3,369)**	**(Surplus) or Deficit**	**(1,274)**	**(395)**	**(1,669)**
2,604			Opening General Fund Balance	2,604		
3,902			Surplus/(Deficit) on General Fund in Year	1,274		
(3,902)			Transfer (to)/from Earmarked Reserves	**(1,274)**		
2,604			**Closing General Fund Balance at 31 March**	**2,604**		

F. NOTES TO THE ACCOUNTS

1. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

2023/24 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	(124)	0	(124)
Development and Economic Growth	621	(191)	0	430
Finance and Corporate Services	224	(174)	0	50
Neighbourhoods	2,234	(450)	0	1,784
Net Cost of Service	**3,079**	**(939)**	**0**	**2,140**
Other income and expenditure from the Expenditure & Funding Analysis	(2,882)	714	(367)	(2,535)
General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services	**197**	**(225)**	**(367)**	**(395)**

Note 1a Adjustments for Capital Purposes

Net cost of services Line – this column adds in depreciation and impairment and revaluation gains and losses.

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:

2022/23 £'000		2023/24 £'000
	Expenditure	
12,772	Employee Benefit Expenses	12,836
24,977	Other Services Expenses	25,759
3,948	Depreciation, amortisation, impairment	2,782
1,062	Interest Payments	716
2,440	Precepts and Levies	2,998
1,456	Loss in fair value of diversified investment	0
0	Loss recognised from changes in the fair value of properties	1,059
46,655	**Total Expenditure**	**46,150**
	Income	
(6,365)	Fees, Charges and Other Service Income	(8,325)
(20,738)	Government Grants and Contributions	(22,095)
(13,210)	Income from Council Tax, NDR	(13,306)
(5,961)	Gain on the Disposal of Assets	(1)
(667)	Profit recognised from changes in the fair value of properties	0
0	Gain in fair value of diversified investment	(272)
(3,083)	Interest and Investment Income	(3,820)
(50,024)	**Total Income**	**(47,819)**
(3,369)	**(Surplus)/Deficit on Provision of Services**	**(1,669)**

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.

2022/23					2023/24			
Usable Reserves					Usable Reserves			
General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000		General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movements in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account:								
				Reversal of items debited or credited to the CIES:				
(1,757)	0	0	1,757	Charges for depreciation and impairment of non-current assets	(2,777)	0	0	2,777
(2,125)	0	0	2,125	Revaluation losses on Property Plant and Equipment	49	0	0	(49)
667	0	0	(667)	Movements in the market value of Investment Properties	(1,059)	0	0	1,059
(65)	0	0	65	Amortisation of intangible assets	(54)	0	0	54
2,732	0	0	(2,732)	Capital grants and contributions applied	3,607	0	0	(3,607)
0	0	0	0	Income in relation of Donated Assets	0	0	0	0
(2,236)	0	0	2,236	Revenue expenditure funded from capital under statute	(2,175)	0	0	2,175
(22)	0	0	22	Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(7,478)	0	0	7,478
				Insertion of items not debited or credited to the CIES:				
1,017	0	0	(1,017)	Statutory provision for the financing of capital investment	1,255	0	0	(1,255)
1,243	0	0	(1,243)	Capital expenditure charged against the General Fund	684	0	0	(684)
Adjustments primarily involving the Capital Grants Unapplied Account:								
52	0	(52)	0	Capital grants and contributions unapplied credited to the CIES	0	0	0	0
0	0	58	(58)	Application of grants to capital financing transferred to the CAA	0	0	56	(56)
Adjustments primarily involving the Capital Receipts Reserve:								
5,999	(6,408)	0	409	Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	7,478	(7,590)	0	112
0	4,386	0	(4,386)	Capital Receipts applied	0	4,526	0	(4,526)
0	1,767	0	(1,767)	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0	3,700	0	(3,700)
0	(5)	0	5	Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(2,973)	0	2,973
Adjustments primarily involving the Financial Instruments Adjustment Account:								
0	0	0	0	Amount by which finance costs charged to the CIES are different from statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve:								
(4,112)	0	0	4,112	Reversal of items relating to retirement benefits debited or credited to the CIES	(2,476)	0	0	2,476
2,448	0	0	(2,448)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,701	0	0	(2,701)
Adjustments primarily involving the Collection Fund Adjustment Account:								
4,887	0	0	(4,887)	Amount by which council tax & business rate income credited to the CIES is different from statutory requirements	367	0	0	(367)
Adjustments primarily involving the Accumulated Absences Account:								
0	0	0	0	Amount by which officer remuneration charged to the CIES on an accruals basis is different from statutory requirements	0	0	0	0
Adjustments primarily involving the Pooled Fund Investment Account:								
(1,457)	0	0	1,457	Change in revaluation of value of investments not charged to the Surplus/Deficit on the Provision of Services	273	0	0	(273)
7,271	**(260)**	**6**	**(7,017)**	**Total Adjustments**	**395**	**(2,337)**	**56**	**1,886**

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 2023 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2024 £'000
Investment Reserves				
Regeneration and Community Projects	2,112	1,267	(153)	3,226
Investment Properties	549	325	(79)	795
New Homes Bonus	9,549	1,414	(1,311)	9,652
Corporate Reserves				
Organisation Stabilisation Reserve	2,635	1,663	(1,037)	3,261
Climate Change	329	0	(128)	201
Treasury Capital Depreciation	973	200	0	1,173
Collection Fund Reserve	1,438	0	(353)	1,085
Development Corporation	365	0	(165)	200
Risk and Insurance	100	0	0	100
Planning Appeals	349	0	0	349
Elections	201	0	(150)	51
Operating Reserves				
Planning	131	0	(75)	56
Leisure Centre Maintenance	57	15	(44)	28
Vehicle Replacement Reserve	885	185	(300)	770
Total	**19,673**	**5,069**	**(3,795)**	**20,947**

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 economic growth within the Borough, not ring-fenced solely for housing projects.

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:

2022/23 £'000		2023/24 £'000
2,440	Parish Council Precepts	2,556
327	Internal Drainage Board Levies	442
(5,967)	(Gain) or Loss on the disposal of non-current assets*	(45)
(3,200)	**Total**	**2,953**

* £5.91m relating to overage for Sharphill Wood 2022/23

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:

2022/23 £'000		2023/24 £'000
10	Interest payable and similar charges	16
1,062	Pensions interest cost and expected return on pension assets	714
1,456	Movement in the fair value of property/diversified income	(272)
(1,139)	Interest receivable and similar income	(1,888)
(40)	Income and Expenditure in relation to Investment Properties and changes in their fair value	(678)
1,349	**Total**	**(2,108)**

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 are higher in 2022/23 due to Green Energy Grants including; Salix and Home Upgrade (HUG).

The detailed breakdown of Grants is shown in Note 27.

2022/23 £'000		2023/24 £'000
(10,015)	Council Tax income	(10,545)
(3,195)	Business Rates income	(2,761)
(2,381)	Business Rates Sec 31 Grants	(3,095)
(857)	Capital grants and contributions (Note 27)	(1,728)
(1,587)	New Homes Bonus (Note 27)	(1,414)
	Non-ring-fenced government grants (Note 27)	
(81)	- Covid 19 Grants	0
(702)	- Other Non Specific Grant	(859)
(18,818)	**Total**	**(20,402)**

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8. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2023/24

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
Cost or Valuation						
At 1 April 2023	**71,265**	**8,715**	**2,791**	**329**	**43**	**83,143**
Additions/Asset Merge	268	2,762	110	0	1,271	4,411
Transfers	(1,152)	0	43	0	(43)	(1,152)
Revaluation (+/-) recognised in the Revaluation Reserve	(2,763)	0	0	0	0	(2,763)
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	61	(14)	0	0	0	47
Derecognition - Disposals	(46)	(1,755)	(53)	0	0	(1,854)
At 31 March 2024	**67,633**	**9,708**	**2,891**	**329**	**1,271**	**81,832**
Accumulated Depreciation or Impairment						
At 1 April 2023	**(252)**	**(4,550)**	**(451)**	**0**	**0**	**(5,253)**
Depreciation charge	(1,839)	(818)	(114)	0	0	(2,771)
Depreciation transfer	26	0	0	0	0	26
Depreciation written out to the Revaluation Reserve	1,880	0	0	0	0	1,880
Depreciation written out to the Surplus/Deficit on Provision of Services	0	2	0	0	0	2
Derecognition - Disposals	4	1,719	53	0	0	1,776
At 31 March 2024	**(181)**	**(3,647)**	**(512)**	**0**	**0**	**(4,340)**
Net Book Value at 31 March 2024	**67,452**	**6,061**	**2,379**	**329**	**1,271**	**77,492**
Net Book Value at 31 March 2023	**71,013**	**4,165**	**2,340**	**329**	**43**	**77,890**

Movements on Balances 2022/23

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

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 2024, the Council was contractually committed to works totalling £2.672m for the acquisition, construction, and enhancement of property and grants to third parties in 2024/25. Significant items of contract and other costs comprise: Cotgrave and Keyworth Leisure Centre enhancements £1.7m; Disabled Facilities Grants £0.355m; Vehicle Acquisition £0.151m; and Greythorn Drive Play Area £0.102m.

Revaluations

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

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

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

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

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	**232**	**9,708**	**2,891**	**329**	**1,271**	**14,431**
Valued at fair value as at:						
31-Mar-22	1,516					1,516
31-Mar-23	1,735					1,735
31-Mar-24	64,150					64,150
Total Cost or Valuation	**67,633**	**9,708**	**2,891**	**329**	**1,271**	**81,832**

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.

2022/23 £'000		2023/24 £'000
(1,925)	Rental and Service Charge Income from Investment Property	(2,110)
342	Direct Operating Expenses arising from Investment Property	301
(1,583)	**Net (Gain)/Loss**	**(1,809)**

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 2023/24 and 2022/23.

9. INVESTMENT PROPERTIES CONTINUED

2022/23 £000		2023/24 £000
30,753	**Balance at start of the year**	**31,030**
293	Enhancements	93
(3)	Disposals	(7,400)
667	Net gains/(losses) from fair value adjustments	(1,059)
0	Write back depreciation/impairment on revaluation	(26)
(680)	Transfers	1,151
31,030	**Total**	**23,789**

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

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

10. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £54k in 2023/24 (£65k 2022/23) was charged to the Information Technology cost centre within Finance and Corporate Service Area.

Movements on Intangible Fixed Assets

2022/23 £'000		2023/24 £'000
	Balance at start of year	
404	Gross carrying amount	330
(277)	Accumulated amortisation	(224)
127	**Net carrying amount at start of year**	**106**
44	Purchases	73
(118)	Disposals	(129)
	Amortisation	
(65)	Amortisation for the period	(54)
118	Amortisation on disposals	129
106	**Net carrying amount at end of year**	**125**
	Comprising:	
330	Gross carrying amounts	274
(224)	Accumulated amortisation	(149)
106	**Balance Sheet amount at 31 March**	**125**

The Council had no contractual commitments for the acquisition of Intangible Assets at 31.3.24

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.

2022/23 £'000		2023/24 £'000
0	**Balance at the start of the year**	**0**
0	Assets Sold	0
0	**Balance at the end of the year**	**0**

CIPFA code of Practice specifies that Investment Properties, which meet the classification criteria for assets held for sale, must continue to be accounted for as Investment Property and these are held at Fair Value. The Council has not elected to have a separate category within Investment Property for sale assets. At the Balance Sheet date, the Council held one Investment Property (Candleby Lane Industrial Estate) for sale subject to contract negotiations. Estimated sale proceeds circa £100k.

12. FINANCIAL INSTRUMENTS

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

Long-Term Restated 31-Mar-23	Current 31-Mar-23	Total 31-Mar-23		Long-Term 31-Mar-24	Current 31-Mar-24	Total 31-Mar-24
£000	£000	£000		£000	£000	£000
			Investments			
	46,359	46,359	Loans and Receivables		57,489	57,489
2,018		2,018	CCLA Property	1,970		1,970
1,839		1,839	CCLA Diversified	1,930		1,930
984		984	Enhanced Cash Plus	1,005		1,005
4,365		4,365	Aegon	4,598		4,598
4,560		4,560	Ninety-One	4,535		4,535
13,766	**46,359**	**60,125**	**Total Investments**	**14,038**	**57,489**	**71,527**
			Debtors			
1,563	5,795	7,358	Loans and Receivables *	1,462	6,995	8,457
1,563	**5,795**	**7,358**	**Total Debtors**	**1,462**	**6,995**	**8,457**
			Borrowings			
0	0	0	Financial Liabilities at Amortised Cost	0	0	0
0	**0**	**0**	**Total Borrowing**	**0**	**0**	**0**
			Creditors			
(43,221)	(6,861)	(50,082)	Financial Liabilities at Amortised Cost	(49,992)	(5,674)	(55,666)
(43,221)	**(6,861)**	**(50,082)**	**Total Creditors**	**(49,992)**	**(5,674)**	**(55,666)**

* £0.521m Housing Benefit debtors reclassified as Short Term Debtors from Long Term Debtors

Valuation Assumptions

Investments held at 31 March 2024 amounted to £71.215m, consisting of £31m of fixed term investments where the instrument carries the same interest rate for the whole term, £26.177m of deposits in the Money Market and Call Account funds where, in general, the rate only alters with movements in the Bank rate, and £14.038m in funds valued at bid price for the shares which the Council holds. Cash and Bank included in total current investments are £0.312m 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 effective interest rate (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 £14.038m 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). The 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

2022/23 (Restated)			2023/24	
Short Term £'000	Long Term £'000		Short Term £'000	Long Term £'000
725	0	Trade	1,352	0
336	0	Prepayment	825	149
6,639	1,563	Other*	7,227	1,462
(754)	0	Provision for impairment losses	(762)	0
6,946	**1,563**	**Total Debtors**	**8,642**	**1,611**

* Housing Benefit debtors have been moved from long term to short term debtors

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

2022/23 £'000		2023/24 £'000
561	Council Tax	609
323	Non-Domestic Rates	414
884	**Total Debtors for Local Taxation**	**1,023**

15. CASH AND CASH EQUIVALENTS

2022/23 £'000		2023/24 £'000
1	Cash Held by the Council	1
209	Bank Current Accounts	311
14,149	Short Term Deposits	26,177
14,359	**Total Cash and Cash Equivalents**	**26,489**

16. CREDITORS

2022/23 (Restated)			2023/24	
Long Term £'000	Short Term £'000		Long Term £'000	Short Term £'000
0	(4,435)	Trade	(72)	(4,360)
(138)	(6,174)	Other*	(152)	(4,925)
(138)	**(10,609)**	**Total**	**(224)**	**(9,285)**

*Leaseholder deposits have been reclassified from provisions to long-term creditors

17. PROVISIONS

2022/23 Long Term NDR Appeals £'000		2023/24 Long Term NDR Appeals £'000
1,863	**Balance at 1 April**	**1,313**
(400)	Change in provisions in year	367
(150)	Amount utilised in year	(790)
1,313	**Balance at 31 March**	**890**

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 £2.225 million with Rushcliffe's share at 40% and the difference is to be met by major preceptors - Central Government (50%), Nottinghamshire County Council (9%) and Fire Authority (1%).

18. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (MIRS) Page 3. There is a breakdown of Earmarked Reserves in note 4.

19. UNUSABLE RESERVES

Balance at 31 March 2023 £'000		Balance at 31 March 2024 £'000
25,889	Revaluation Reserve	24,169
71,593	Capital Adjustment Account	68,953
(16,219)	Pension Reserve	(10,917)
2,973	Deferred Capital Receipts	3,700
(193)	Collection Fund Adjustment Account	174
(54)	Accumulated Absences Account	(54)
(1,234)	Pooled Funds Adjustment Account	(961)
82,755		**85,064**

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 31 March 2023 £'000		Balance at 31 March 2024 £'000
14,443	**Balance at 1 April**	**25,889**
12,013	Upward revaluation of assets	2,157
(335)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,040)
26,121	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**25,006**
(232)	Difference between fair value depreciation and historical cost depreciation	(649)
0	Accumulated gains on assets sold or scrapped	(188)
(232)	**Amount written off to the Capital Adjustment Account**	**(837)**
25,889	**Balance at 31 March**	**24,169**

Capital Adjustment Account

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

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

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

Balance at 31 March 2023 £'000		Balance at 31 March 2024 £'000
67,872	**Balance at 1 April**	**71,593**
	Reversal of items relating to capital expenditure debited or credited to the CIES:	
(1,757)	Charges for depreciation and impairment of non-current assets	(2,777)
(2,125)	Revaluation losses on Property, Plant and Equipment	49
(65)	Amortisation of intangible assets	(54)
(2,236)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(2,175)
(22)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(7,478)
232	Adjusting amounts written out of the Revaluation Reserve	837
(409)	Write down Long-term Debtors	(112)
(6,382)	Net written out amount of the cost of non-current assets consumed in the year	**(11,710)**
	Capital financing applied in the year:	
4,386	Use of Capital Receipts to finance new capital expenditure	4,526
2,732	Capital grants and contributions credited to the CIES that have been applied to capital financing	3,607
58	Application of grants to capital financing from the Capital Grants Unapplied Account	57
1,017	Statutory provision for the financing of capital investment charged against the General Fund	1,255
1,243	Capital expenditure charged against the General Fund	684
9,436		**10,129**
667	Movements in the market value of Investment Properties debited or credited to the CIES	(1,059)
667		**(1,059)**
71,593	**Balance at 31 March**	**68,953**

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 31 March 2023 £'000		Balance at 31 March 2024 £'000
(58,930)	**Balance at 1 April**	**(16,219)**
955	Streetwise Environmental Deficit Removal	0
43,420	Remeasurement of the net defined benefit liability/(asset)	5,077
(4,112)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services	(2,476)
2,448	Employer's pensions contributions and direct payments to pensioners payable in the year	2,701
(16,219)	**Balance at 31 March**	**(10,917)**

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 31 March 2023 £'000		Balance at 31 March 2024 £'000
1,210	**Balance at 1 April**	**2,973**
2,968	Transfer from the CIES deferred sale proceeds	3,700
(5)	Transfer to the Capital Receipts Reserve on receipt of cash	(2,973)
(1,200)	Transfer to the CIES deferred sale proceeds	0
2,973	**Balance at 31 March**	**3,700**

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.

Balance at 31 March 2023 £'000		Balance at 31 March 2024 £'000
(5,080)	**Balance at 1 April**	**(193)**
4,887	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	367
(193)		**174**

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 2023/24.

Balance at 31 March 2023 £'000		Balance at 31 March 2024 £'000
(54)	**Balance at 1 April**	**(54)**
0	Settlement or cancellation of accrual made at the end of the preceding year	0
0	Amounts accrued at the end of the current year	0
0	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0
(54)	**Balance at 31 March**	**(54)**

Pooled Funds Adjustment Account

The Pooled Funds Adjustment Account contains the gains or losses made by the Council arising from changes 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 invested £15m in pooled investments which as at 31 March 2024 was valued at £14.038m. 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 currently £0.961m. The statutory override was due to end 31 March 2023 but has been extended a further 2 years. Any gain or losses at the end of the override period will be charged to the Net Cost of Services in the Revenue Accounts. The Council currently hold a Treasury Capital Depreciation Reserve (£1.173m) to mitigate the potential impact (Note 4).

Balance at 31 March 2023 £'000		Balance at 31 March 2024 £'000
223	**Balance at 1 April**	**(1,234)**
(1,457)	Fair value movements transferred to/from the General Fund in accordance with the statutory requirements	273
(1,234)	**Balance at 31 March**	**(961)**

20. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2022/23 Restated £'000		2023/24 £'000
(3,369)	**Net (Surplus) or Deficit on the Provision of Services**	**(1,669)**
	Adjust for Non-Cash Movements	
(1,757)	Depreciation	(2,777)
(2,125)	Impairment and downward valuations	49
(65)	Amortisation	(54)
75	(Increase)/decrease in loss allowances	8
13,817	(Increase)/decrease in creditors	1,134
3,038	Increase/(decrease) in debtors	(1,785)
(3,537)	Movement in pension liability	225
(22)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(7,478)
1,505	Movement in Provisions	423
(789)	Other non-cash items charged to the net surplus or deficit on the provision of services	(785)
10,140	**Net surplus/(deficit) on provision of services for non cash movements**	**(11,040)**
	Adjust Net Surplus or Deficit for items that are Investing or Financing Activities	
52	Capital Grants credited to the Surplus/Deficit on Provision of Services	0
5,999	Proceeds from sale of property, plant and equipment, investment property and intangible assets	7,479
6,051	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**7,479**
12,822	**Net Cashflows from Operating Activities**	**(5,230)**

20. CASHFLOW STATEMENT – OPERATING ACTIVITIES CONTINUED

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
(215)	Interest received	(742)
10	Interest paid	14
(595)	Dividends received	(697)
(800)	**Total**	**(1,425)**

21. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2022/23 £'000		20230/24 £'000
13,340	Purchase of property, plant and equipment, investment property and intangible assets	5,090
40,000	Purchase of short-term and long- term investments	48,000
5	Other payments for investing activities	10
(7,692)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(3,648)
(21,000)	Proceeds from short-term and long-term investments	(49,000)
(7,879)	Capital Grants Received (Government)	(6,619)
(417)	Other receipts from investing activities	(122)
16,357	**Net cash flow from investing activities**	**(6,289)**

22. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2022/23 £'000		2023/24 £'000
(3,666)	Other payments for financing activities	(611)
(3,666)	**Net cash flow from Financing activities**	**(611)**

23. MEMBERS' ALLOWANCES

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

2022/23 £'000		2023/24 £'000
280	Basic Allowances	291
90	Special Responsibility Allowances	93
6	Other Expenses	5
376	**Total Expenditure**	**389**

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	2023/24	128,668	0	23,638	152,306
	2022/23	121,443	0	21,250	142,693
Deputy CEO and Director - Finance & Corporate Services	2023/24	101,330	0	18,710	120,040
	2022/23	95,969	0	16,840	112,809
Deputy CEO and Director - Neighbourhoods	2023/24	98,500	0	18,162	116,662
	2022/23	93,165	0	16,339	109,504
Director - Growth & Economic Development	2023/24	95,175	0	17,607	112,782
	2022/23	89,831	0	15,770	105,601
Service Manager Executive Department (Role includes Borough Solicitor & Monitoring Officer duties)	2023/24	72,399	0	13,394	85,793
	2022/23	70,594	0	12,382	82,976

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

Number of Employees 2022/23	Remuneration Band	Number of Employees 2023/24
4	£50,000 - £54,999	5
0	£55,000 - £59,999	5
4	£60,000 - £64,999	0
1	£65,000 - £69,999	3
0	£70,000 - £74,999	2
9	**Total**	**15**

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 2023/24 are set out in the table below.

2023/24				
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Exit Packages	
			Number	£'000
£0 - £20,000	0	1	1	3
TOTAL	**0**	**1**	**1**	**3**

The Council terminated 4 contracts in 2022/23.

26. EXTERNAL AUDIT COSTS

The Council has been advised (or estimated) of the following costs in relation to audit services provided by the Council's appointed external auditors relating to 2023/24.

2022/23 £'000		2023/24 £'000
67	Fees in respect of external audit of statement of accounts	128
67	**Total**	**128**

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 2023/24 and 2022/23.

2022/23 £'000		2023/24 £'000
83	Section 106 contributions - Bingham Hub & Leisure Centre	0
685	ERDF Bingham Offices	5
46	UK Shared Prosperity Fund - Rushcliffe Country Park & open spaces	59
3	Nottingham City Council - Emergency planning Moorbridge	0
38	Changing Places - Rushcliffe Country Park toilets	102
2	Friends of Rushcliffe Country Park - Enhancements	28
0	Salix Energy Grants	899
0	Section 106 contributions	625
0	English cricket Board	10
857	**Total Capital Grants (Note 7)**	**1,728**
1,587	New Homes Bonus (Note 7)	1,414
2,381	NDR Section 31 Grant (Note 7)	3,095
81	COVID Grants (Note 7)	0
702	Other non-ringfenced grants (Note 7)	859
5,608	**Total**	**7,096**

27. GRANT INCOME CONTINUED

The following grants were credited to services.

2022/23 £'000		2023/24 £'000
113	DLUHC - NDR Cost of Collection	115
12,104	DWP - Housing Benefit Subsidy and Council Tax Rebates	12,138
154	DWP - Housing Benefit Administration	167
79	DWP - Council Tax Administration	0
193	DLUHC - Homelessness Support Grant	325
695	DLUHC- Disabled Facilities Grant (REFCUS)	762
1,203	DLUHC - Local Authority Delivery Green Energy Grants	435
96	DLUHC - Green Energy Grants	0
120	Notts PCC - Safer Streets	149
172	UK Shared Prosperity Fund	490
0	UK Shared Prosperity Fund (REFCUS)	145
0	Rural England Prosperity Fund (REFCUS)	76
201	Total of grants below £50k	197
15,130	**Total**	**14,999**

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:

2022/23 £'000		2023/24 £'000
40,137	S106 Planning Agreements	46,006
2,946	CIL Planning Agreements	3,543
	Other Grants:	
7	UK Shared Prosperity Fund - Rushcliffe Country Park shelters	18
2	Changing Places - Rushcliffe Country park	0
23	Home Upgrade Grant	170
56	Local Authority Delivery grant	0
40	Nottinghamshire County Council DFG top up	20
0	Rural England Prosperity Fund	73
	Other Receipts :	
10	Sale Deposit (Hollygate Lane)	10
43,221	**Total**	**49,840**

The Council received the following revenue grants receipts in advance

2022/23 £'000		2023/24 £'000
15	Local Authority Delivery Grant	0
107	UK Shared Prosperity Fund	21
14	Family Annexe Grant	35
1	Home Upgrade Grant	0
137	**Total**	**56**

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 2023/24 are shown in Note 23. The Members could potentially have a material related party transaction with the Council. During 2023/24 the Council, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. During the year 2023/24 the following amounts were transacted with related parties: A contract totalling £50,000 was awarded from UKSPF funding in 2024/25 to a local provider of jobs and skills advice in which one member declared interest.

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 2023/24 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 £2.556m and Internal Drainage Board levies of £0.442m 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. 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.

2022/23		2023/24
£'000		£'000
7,283	**Opening Capital Financing Requirement**	**13,266**
	Capital Investment:	
12,847	Property, Plant & Equipment	4,411
0	Heritage Assets	0
293	Investment Properties	93
44	Intangible Assets	74
2,235	Revenue Expenditure Funded from Capital Under Statute	2,174
	Sources of Finance:	
(4,386)	Capital Receipts	(4,526)
(2,790)	Government Grants & Other Contributions	(3,664)
(1,243)	Direct Revenue Contributions	(684)
(1,017)	Minimum Revenue Provision	(1,255)
13,266	**Closing Capital Financing Requirement**	**9,889**
	Explanation of movements in year	
5,983	Increase/(decrease) in the underlying need to borrow (unsupported by Government financial assistance)	(3,377)
5,983	**Increase/(Decrease) in Capital Financing Requirement**	**(3,377)**

30. LEASES

Council as a Lessor

Finance Leases

The Council leases out land for investment purposes generating income of £0.041m 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:

2022/23 £'000		2023/24 £'000
1,806	Not later than one year	1,949
5,687	Later than one year and not later than five years	5,635
3,504	Later than five years	3,218
10,997	**Total**	**10,802**

Council as a Lessee

The Council has 2 operating leases: Eastcroft for Waste and Recycling operations and Rushcliffe Customer Services at a Contact Centre West Bridgford. Neither lease exceeds 10 years with the substantive (asset life) risks and rewards of asset ownership remaining with the lessor. The lease with Eastcroft has been renegotiated for a further 10 years which is reflected in the overall increase in minimum lease payments. The Contact Centre lease will be revisited this 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:

2022/23 £'000		2023/24 £'000
178	Not later than one year	203
120	Later than one year and not later than five years	820
60	Later than five years	910
358	**Total**	**1,933**

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 31/03/2024 identified no material impairment to any of the Council's assets.

The revaluation exercise for 2023/24 gave rise to a net revaluation loss of £0.822m on Operational Land and Buildings. Of this, a net £883k debit was charged to the Revaluation Reserve (Note 19); and a net £61k was credited to the surplus and deficit on the provision of services to reverse previously recognised losses. In addition, there was a £12k revaluation loss on a Beavertail Van making the total net credit to the surplus and deficit on provision of services £49k.

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, 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 on based on career average revalued 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 2022 Triennial Valuation identified a primary contribution rate of 18.5% plus the repayments required to eliminate the deficit in the fund was £2.16m spread over 3 years.

The principal risks to the Council of the scheme are:

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

- Interest rate Risk. The Fund’s liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.

- Inflation Risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity Risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.
- Regulatory Risk. Regulatory uncertainties could result in benefit changes to past of future benefits which could result in additional costs.
- Orphan Risk. As many unrelated employers participate in each fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that fund.

These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note 36vi.

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

Transactions relating to retirement benefits

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

The liabilities of the fund are valued using a discount rate based on market yields on high quality corporate bonds and the method used is Single Equivalent Discount Rate (SEDR). Inflation assumptions affect the rate at which benefits increase and therefore the value of future liabilities. The method used to estimate inflation is the Single Equivalent Inflation Rate (SEIR), further adjusted to reflect the expectation that pension increases will be based on CPI. (Consumer Prices Index)

Asset returns can be very volatile from year to year and will vary by LGPS fund. A typical LGPS fund might have achieved a return in excess of 10% for the period 31 March 2023 to 31 March 2024. 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 and on asset performance for the remaining two months of to 31 March 2024. .

2022/23 £'000	Local Government Pension Scheme	2023/24 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,779	Current Service Cost	1,725
36	Administration Expenses	37
235	Settlements and Curtailments	0
	Financing and Investment Income and Expenditure	
1,062	Net Interest Expense	714
4,112	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**2,476**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
3,533	Return on plan assets (excluding the amount included in the net interest expense)	(2,895)
(7,642)	Actuarial (Gains) and Losses arising on changes in demographic assumptions	(1,270)
(48,267)	Actuarial (Gains) and Losses arising on changes in financial assumptions	(1,392)
250	Other Actuarial Gains / Losses on Asset	0
8,706	Other Experience	480
(43,420)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement**	**(5,077)**
	Movement in Reserves Statement	
(4,112)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(2,476)**
	Actual amount charged against the General Fund for Pensions in the year	
1,445	Employers contributions payable to scheme	**2,610**

2022/23 £'000	Discretionary Benefits	2023/24 £'000
85	Retirement benefits payable to pensioners	91

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:

2022/23 £'000	Local Government Pension Scheme	2023/24 £'000
89,227	Present value of the defined benefit obligation	89,611
(73,008)	Fair Value Plan Assets	(78,694)
16,219	**Net liability arising from defined benefit obligation**	**10,917**

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

2022/23 £'000	Local Government Pension Scheme	2023/24 £'000
73,142	**Opening Fair Value of Scheme Assets**	**73,008**
2,654	Interest Income	3,489
(3,532)	The return on plan assets, excluding the amount included in the net i	2,895
(250)	Other actuarial gains	0
1,530	Contributions from employer	2,701
544	Contributions from employees into the scheme	622
(3,864)	Benefits Paid	(3,984)
2,820	Settlements	0
(36)	Other	(37)
73,008	**Closing Fair value of scheme assets**	**78,694**

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

2022/23 £'000	Local Government Pension Scheme	2023/24 £'000
130,199	**Opening Balance 1 April**	**89,227**
2,779	Current Service Costs	1,725
3,717	Interest Cost	4,203
544	Contributions by scheme participants	622
	Remeasurement gains/(loss):	
(7,642)	Actuarial (Gains) and Losses arising from changes in demographic assumptions	(1,270)
(48,267)	Actuarial (Gains) and Losses arising from changes in financial assumptions	(1,392)
8,706	Other experience	480
3,055	(Gains) and Losses on Settlements / Curtailments	0
(3,779)	Benefits Paid	(3,893)
(85)	Unfunded Pension Payments	(91)
89,227	**Closing Balance 31 March**	**89,611**

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

2022/23 £'000	Local Government Pension Scheme	2023/24 £'000
42,126	Equities	47,590
1,513	Gilts	1,884
4,554	Other Bonds	3,904
8,940	Property	8,366
15,875	Others	16,950
73,008	**Total Assets**	**78,694**

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 29% are UK investments, 71% are overseas investments. Of the Gilts allocation above, 67% are UK fixed interest Gilts and 33% are UK index linked Gilts. Of the Other Bonds allocation above, 17% are UK corporates, 83% are overseas corporates. All of the above are listed in a market.

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 2022.

McCloud & Sargeant Judgements

Regulation in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. These may affect the value of liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report. An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

The principal assumptions used by the actuary have been:

2022/23	Local Government Pension Scheme	2023/24
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
20.7	Men	20.4
23.5	Women	23.3
	Longevity at 65 for future pensioners	
22.0	Men	21.7
25.0	Women	24.7
4.80%	Rate for Discounting Scheme Liabilities	4.90%
2.90%	Rate of Increase in Pensions (Per Annum)	2.90%
3.30%	Rate of increase in RPI Inflation	3.25%
3.90%	Rate of Increase in Salaries (Per Annum)	3.90%

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

Adjustment to the discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	88,302	89,611	90,952
Projected service cost	(1,580)	1,639	1,699
Adjustment to the long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	89,723	89,611	89,499
Projected service cost	1,640	1,639	(1,638)
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	90,864	89,611	88,387
Projected service cost	1,700	1,639	(1,580)
Adjustment to life expectancy assumptions	**+ 1 Year**	**None**	**- 1 Year**
Present value of total obligation	93,338	89,611	86,051
Projected service cost	1,699	1,639	(1,580)

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 2023/24 is 18.5% (2022/23 17.6%). A monetary contribution of £0.84m was paid by the authority in 2023/24. This contribution will reduce over the 3-year period (£0.72m in 2024/25 and £0.6m in 2025/26). 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 2025

Projected Pension Expense	2024/25 £'000
Service cost	1,639
Net Interest on the defined liability (asset)	473
Administration Expenses	36
Total	**2,148**
Employer contributions	2,485

Note: These projections are based on the assumptions as at 31 March 2024, 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 2024.

33. CONTINGENT LIABILITIES

At the 31st of March 2024 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 2024 the Council has one contingent assets requiring disclosure:

The Council is party to a collective claim relating to the price fixing of refuse vehicles purchased between 1997 and 2014. A revised estimate of damages suggests the Council's share of any award is expected to be in the range of £0.523m to £0.777m. These figures are subject to any individual settlement agreements among the six defendant groups, the Litigation Funding Agreement and deduction of funding and legal costs prior to distribution.

35. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. There remains a risk that the Council's deposits could be unrecoverable in the event of an institution failing, but there was no evidence at the 31 March 2024 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:

2022/23 (*restated) £'000	Debtors past due but not impaired	2023/24 £'000
115	Less than three months*	132
121	Three to nine months	55
2,971	Nine months to one year**	4
759	More than one year	686

***Decrease 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.

Financial Institution	Length of Investment	Amount £'000
Standard Chartered	183 days	3,000
Standard Chartered	183 days	3,000
Rushmoor Borough Council	364 days	5,000
Moray Council	365 days	5,000
North Lanarkshire	365 days	5,000
Central Bedfordshire Council	30 Days	5,000
Stockport Metro Borough Council	126 Days	5,000
Total ShortTerm Investments		**31,000**
Blackrock	Call	458
Ccla - Psdf	Call	140
Federated Investors (Uk)	Call	5,368
Goldman Sachs Asset Management	Call	267
Handelsbanken Plc	Call	12
Hsbc Asset Management	Call	334
Invesco Aim	Call	7,643
Aberdeen Asset Management	Call	1,307
Bank Of Scotland Plc	Call	1
Bank Of Scotland Plc	32 Days	113
Barclays Bank Plc	Call	7
Barclays Bank Plc	32 Days	4,668
Handelsbanken Plc	35 Days	13
Santander Uk Plc	Call	450
Santander Uk Plc	35 Days	87
HSBC ESG	Call	5,309
Total Call/MMF (Note 15)		**26,177**

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 2024, if interest rates had been 1% higher or lower with all variables held constant, the effect would be:

2022/23 £000		**2023/24** £000
431	Increase in Interest Receivable on Variable Rate Investments	143
431	**Impact on Surplus or Deficit on the Provision of Services**	**143**

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 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24 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 updated 10 April 2024.

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 Movement in Reserves Statement (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 MIRS 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 MIRS, 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 MIRS, 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 MIRS.

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 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 Better World Fund (Formerly 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 awarded to Rushcliffe Borough Council 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 MIRS. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area. The charge came into force on 7th October 2019.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

x. Heritage Assets

The Council has Heritage Assets; a small art collection; war memorabilia (war memorial and commemorative bench); and Covid Memorial Obelisk. Heritage Assets are carried at valuation rather than current of fair value reflecting the fact that sales and exchanges are uncommon. The Art Collection is valued at insurance valuation and the War Memorial, bench and Obelisk at depreciated historic cost as they are infrastructure assets. The treatment of revaluation gains and losses is in accordance with the Council's accounting policies on property, plant and equipment.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment, for example, where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

Art collection

The assets within the art collection are deemed to have indeterminate lives; hence the Council does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation. Purchases are initially recognised at cost and donations are recognised at valuation.

War Memorial and Bench and Covid Memorial Obelisk

The War Memorial, Commemorative Bench and Obelisk are sited in West Bridgford and held at Depreciated Historical Cost (a proxy for current value).

xi. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (for example, software licences). These are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the MIRS 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 does not have 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 MIRS and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for any sale proceeds greater than £10,000).

xv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

An exception is made where leases were in existence prior to the introduction of IFRS 16 and not treated in accordance with proper practice as at 31st March 2010. Under the terms of the Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2010 no 454, the Council may continue to account for money received in accordance with the original type of leases.

Leases classified as Investment Properties are not required to show a split between the land and building elements.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of a specific asset.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the MIRS 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 MIRS. 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) in the MIRS. 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 MIRS.

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 MIRS.

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

Property, Plant and Equipment	
Other Land and Buildings	Existing Use Value (EUV)
Vehicles and Plant	Depreciated Historical Cost
Infrastructure	Depreciated Historical Cost
Community Assets	Depreciated Historical Cost
Assets Under Construction	Depreciated Historical Cost

Assets included in the Balance Sheet at fair value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every three years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus and Deficit on the Provision of Services line of the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction) and assets held for a commercial return (i.e., investment properties). It is calculated as follows:

Property, Plant and Equipment	
Other Land and Buildings	Straight line – over the useful life of the asset
	Straight line – over the useful life of the asset
Vehicles and Plant	Straight line – over the useful life of the asset
Infrastructure	

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 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 MIRS.

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 MIRS.

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 MIRS.

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 MIRS. 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 MIRS 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 MIRS 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 only where it is deemed unrecoverable from His 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 MIRS . 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 2023/24 (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 2024/25 Code where disclosures are required in the 2023/24

financial statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

a) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily implement IFRS 16 in the 2023/24 year)

b) Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

c) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

d) Non-current Liabilities with Covenants (Amendments to IAS 1)

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)

f) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

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 2026/27 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 £60k on service costs.

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

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 £1.580m and an increase of £1.699m 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. There has been no evidence so far to suggest that elevated inflation and the increased cost of living has impacted on collection of debt however this will continue to be monitored. At 31st March 2024, the Council had sundry debtor balances of £0.855m and Housing Benefit (HB) debtors of £0.649m. Provisions for impairment are made according to the age of the debt. The provisions amount to £0.128m and £0.110m, 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 £0.890m, with a further £1.335m in relation to other precepting authorities and the Government (Note 17). 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 3.4%, the 2024/25 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

2022/23				2023/24		
Council Tax £'000	NDR £'000	TOTAL £'000		Council Tax £'000	NDR £'000	TOTAL £'000
			INCOME			
99,504		**99,504**	Council Tax	106,860		**106,860**
	27,781	**27,781**	Income from business ratepayers		28,205	**28,205**
99,504	**27,781**	**127,285**		**106,860**	**28,205**	**135,065**
			EXPENDITURE			
			Precepts and Demands			
74,621		**74,621**	· Nottinghamshire County Council	79,406		**79,406**
11,540		**11,540**	· Nottinghamshire Police Authority	12,401		**12,401**
3,838		**3,838**	· Nottinghamshire Fire Authority	4,127		**4,127**
10,107		**10,107**	· Rushcliffe Borough Council	10,509		**10,509**
			Business Rate			
	13,357	**13,357**	· Payments to Government		14,452	**14,452**
	2,404	**2,404**	· Payments to Nottinghamshire County Council		2,601	**2,601**
	267	**267**	· Payments to Nottinghamshire Fire Authority		289	**289**
	10,688	**10,688**	· Payments to Rushcliffe Borough Council		11,561	**11,561**
	113	**113**	· Costs of Collection		115	**115**
	498	**498**	· Renewable Energy		871	**871**
	52	**52**	· Transitional Protection Payment			**0**
			Impairment of Debts/Appeals			
(15)		**(15)**	· Write ons	(278)		**(278)**
333	25	**358**	· Allowance for Impairment	324	21	**345**
	(1,375)	**(1,375)**	· Provision for appeals		(1,058)	**(1,058)**
			Contributions			
(465)	(10,792)	**(11,257)**	· Distribution of 22-23 estimated Collection Fund surplus/(deficit)	(1,746)	(901)	**(2,647)**
99,959	**15,237**	**115,196**		**104,743**	**27,951**	**132,694**
(455)	12,544	12,089	**Movement on Fund Balance**	2,117	254	**2,371**
(1,564)	(12,442)	**(14,006)**	**Opening Fund Balance Surplus/(Deficit)**	(2,019)	102	**(1,917)**
(2,019)	**102**	(1,917)	**Closing Fund Balance Surplus/(Deficit)**	**98**	**356**	**454**

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
2022/23				2023/24
2,848	A	4,067	6/9	2,738
6,326	B	8,024	7/9	6,304
8,553	C	9,641	8/9	8,657
9,857	D	10,023	9/9	10,123
8,082	E	6,682	11/9	8,250
5,931	F	4,166	13/9	6,079
4,012	G	2,458	15/9	4,137
235	H	121	18/9	245
45,844				**46,533**
(456)		Non-Collection Impairment was 1.00% in 2023/24 (2022/23 1.00%)		(465)
45,388		**Council Tax Base**		**46,068**

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 2023/24 a Collection Fund Council Tax deficit of £1.746m was redistributed between the major precepting authorities. Of this £0.647m reflected the estimated outturn deficit at 15 January 2023 and £1.099m increase in deficit arose from the difference between the estimated and actual outturn positions for 2021/22.

At 15 January 2024 the Collection Fund Council Tax deficit for 2023/24 was estimated at £32k comprising an in-year surplus of £0.241m and £0.273m deficit arising from the difference between the actual and estimated outturns for 2022/23. These funds will be collected from the major precepting authorities in 2024/25 allocated to preceptors as shown in the table below.

2022/23 £'000		2023/24 £'000	2024/25 £'000
(347)	Nottinghamshire County Council	(1,302)	(24)
(52)	Nottinghamshire Police Authority	(199)	(4)
(18)	Nottinghamshire Fire Authority	(68)	(1)
(48)	Rushcliffe Borough Council	(177)	(3)
(465)		**(1,746)**	**(32)**

At 31 March 2024 the actual outturn for the Collection Fund Council Tax was £98k, an increase of £0.130m from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2025/26. Rushcliffe's share of this surplus is £10k

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 2023/2024 was 51.2p (2022/2023 51.2p). The non-domestic rateable value at the 31st of March 2024 was £82,310,897 following revaluation on 1st April 2023 (31st March 2023 £73,922,799).

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 2023/24.

A surplus of £0.356m is the closing 2023/24 position.

5. NON-DOMESTIC RATES SURPLUS OR DEFICIT

At 31 March 2024 the actual outturn for the Collection Fund NDR was a surplus of £0.356m (2022/23 £0.102m surplus) which is then distributed to the preceptors as detailed in the following table.

2022/23 £'000		2022/23 £'000
51	Central Government (50%)	178
41	Rushcliffe Borough Council (40%)	142
9	Nottinghamshire County Council (9%)	32
1	Nottinghamshire Fire Authority (1%)	4
102		**356**

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 Regional 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.

Rushcliffe Borough Council

Governance Scrutiny Group

Thursday, 19 September 2024

Going Concern Assessment 2023/24

Report of the Director - Finance and Corporate Services

1. Purpose of report

1.1 This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status. The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. There remains a requirement for a separate report confirming the Council's position with regards to its Going Concern status. The report also contextualises the Council's position compared with other authorities.

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a Going Concern for the purposes of the Statement of Accounts 2023/24.

3. Reasons for Recommendation

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

4. Supporting Information

The Assessment of Going Concern

4.1. As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2023/24 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

4.2 The main factors which underpin the Going Concern assessment are:

- the Council's current financial position
- the Council's projected financial position

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

These are considered in more detail below.

The Council's current financial position

4.3 The Council's draft financial statements 2023/24 can be viewed on the Council's website. The financial outturn position for 2023/24 showed efficiency savings of £0.259m in relation to its direct service costs. This compares against a net revenue service revised budget of £14.695m (i.e. a 2% variation). As at 31 March 2024, the Council held a General Fund Balance of £2.6m. In addition, the Council held earmarked reserves of £20.947m (£19.673m in 2022/23) which are held to meet specific identified pressures, but which ultimately can be diverted to support general expenditure should the need arise. The increase is due mainly to an increase in the Regeneration and Community Projects Reserve. This was approved by Council as part of the 2023/24 budget report to address pressures in funding future capital commitments and the reduced likelihood of leveraging in external funding.

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

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

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

4.5 At 31 March 2024, the Council held £57.5m (£46.4m 2022/23) in the form of either cash or short term investments maturing within the next financial year. The increase is mainly due to disposal of an asset and efficiencies/underspends in revenue and capital budgets resulting in increased cash balances.

4.6 The year-end Capital Programme provision totalled £12.462m. Actual expenditure in relation to this provision totalled £6.752m (54% of the budget) giving rise to a variance of £5.710m. Budgets to the value of £4.168m have been carried forward into 2024/25. The Council funds its capital programme from internal borrowing, capital receipts, earmarked reserves, direct financing from revenue, government grants and partnership funding (such as developer contributions).

4.7 The Council is not aware of any post balance sheet event that would significantly affect the Council's financial position at the end of 2023/24.

The Council's Balance Sheet as at 31 March 2024

4.8 The balance sheet shows a net worth of £112.135m (£106.3m in 2023/24) this varies, in particular, due to pension fund volatility. There are statutory arrangements for funding the Council's pension scheme and deficit, through increasing contributions over the remaining working life of the employees, as assessed by an independent actuary. Long term assets have reduced from £125m to £117m mostly due to the disposal of Hollygate Lane agricultural land (although this improves the Council's cash and investment position with short term investments increasing from £14m to £26m). The improving pension fund position has also had a positive impact. Despite the ongoing cost pressures relating to inflation and the impact on the cost of living for Council residents, the financial position of the Council remains relatively healthy. Other factors giving rise to the 'going concern' assessment include:

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

The Council's projected financial position

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

4.10 Full Council approved the MTFS in March 2024, including a balanced budget for 2024/25. This allows for net spending of around £15.14m (which includes the inflationary impact on costs, and transfers from reserves etc) and required a council tax increase of 2.55%. There is a total deficit position of £1.585m over the 5-year period and this will be managed using a combination of the Organisation Stabilisation Reserve to smooth the effect in net budget requirement and identifying other budget efficiencies. The Transformation and Efficiency Plan continues to identify savings to reduce this deficit with a requirement of an additional £0.733m in 2024/25, rising to £1.738m by 2028/29. Reserves are expected to be utilised going forward to deliver the Council's Corporate Priorities with the balance reducing from £21m to £15m over the period of the MTFS. Opportunities will be taken wherever possible to replenish the reserves. It is anticipated that the reform to Business Rates will be delayed until 2026/27 at the earliest due to the change in Government and this will result in unbudgeted additional income to be appropriated to reserves.

4.11 Despite reduced external funding, the Council continues its ambition to invest and develop the Borough with a capital programme of £25m over the next five years. The Council continues to maximise opportunities such as the Freeport and the East Midlands Combined County Mayoral Authority, ensuring they deliver the best possible outcome for the residents and businesses of the Borough.

4.12 The Government recently announced that all councils must publish a Productivity Plan to demonstrate where it will reduce inefficiencies and generate savings. This has been incorporated into the Council's Transformation and Efficiency plan (paragraph 4.9) and will continue to build on the £4.8m delivered so far through the Transformation and Efficiency Programme.

4.13 Since the MTFS was approved, risks continue with regards to pay and inflationary pressures however due to elevated interest rates, additional grants and growth in Business Rates, the projected position at Q1 is £1.106m efficiency to be reported to both Cabinet and Corporate Overview Group. The Council will replenish reserves and utilise this efficiency to support current objectives such as Economic Growth and Climate Change and provide for risks going forward.

Comparative Data

4.14 The Council has reviewed benchmarking information analysing Rushcliffe's balance sheet both over time and compared to district councils who have published their draft financial statements in 2023/24 and this is summarised at Appendix A. This analysis can be used to identify early warning signs that a council may be showing signs of financial stress, indicated by red markers on the analysis table.

4.15 The Council's balance sheet is showing a relatively healthy position although Capital Reserves, Internal Borrowing and Pensions Reserves are identified as red compared to other authorities. Where there is both a red and green marker for the Usable Capital Reserves (UCR) as a proportion of CSP, this reflects that the movement from 22/23 is low i.e. stable (green) but that level of the UCR is comparatively lower (red). The Pension Reserve fluctuates in response to the changing economic environment and thus the value of the liabilities can also fluctuate.

4.16 The Council has identified in the MTFS that capital resources are declining and is actively seeking to mitigate this by reviewing its assets on a regular basis and seeking external funding wherever possible. The Council has high levels of internal borrowing (spend on capital projects not yet funded) but this is reflective of the Council's debt free status and availability of cash funds meaning the Council does not currently need to externally borrow. The internal borrowing is projected to reduce over the medium term with annual repayments of Minimum Revenue Provision (MRP).

The Council's governance arrangements

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

4.18 An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts which was published online on 31 May 2024 and is due to be presented to the Governance Scrutiny Group in September 2024. This includes a detailed review of the effectiveness of the Council's governance arrangements.

The external regulatory and control environment

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

4.20 Against this backdrop, it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. Increasingly, councils across the country have had their finances adversely impacted due to a combination of factors, notably, poor commercial decisions, rising demand and increasing inflation. An increasing number of s114 Notices have been issued by s151 Officers. Good financial management by the Borough Council, ensures that we are currently not in such a position, but we cannot be complacent given the risks that prevail in the wider economy.

4.21 The Council has for the third year received a substantial overall opinion from internal audit – a high accolade and is rarely awarded – and the Council's year end accounts work is up to date with external audit who have given an unqualified opinion on said accounts.

4.22 The change in Government may impact on the funding that the Council receives and the direction the new Government may take on funding reform and devolution. Any delay in such reforms would have a positive impact on the Council's budget (i.e. assuming there is no business rates reset) but ultimately prevents longer-term certainty over budgets.

4.23 The audit sector has been under pressure for some time with a small minority of Council's up to date with their accounts signed off. The Council is fortunately in the minority, however even with proposed resolutions to the backlog recently announced, there remains pressure on the local government finance and audit sectors.

Conclusions

4.24 It is considered that having regard to the Council's arrangements and such factors as highlighted in this report that the Council remains a Going Concern.

5. Risks and Uncertainties

5.1. Inflationary pressures continue to present some financial risks to the Council, however such risks have been incorporated into the balanced budget for 2024/25 and use of budget efficiencies from 2023/24. Risks continue to be monitored regularly.

6. Implications

6.1. **Financial Implications**

There are no direct financial implications arising from this report.

6.2. **Legal Implications**

6.2.1 Section 25 of the 2003 Local Government Act requires the authority's s151 Officer to comment on the robustness of the estimates and the adequacy of reserves. A report was considered as part of its budget determination by Full Council in March 2024.

6.2.2 Section 114 (1) of the Local Government Finance Act 1988 places a duty on the S151 Officer to report certain matters to the authority. The duty of the S151 Officer to report is triggered if they believe that a decision involves (or would involve) unlawful expenditure, a course of action is unlawful and is likely to cause a loss or deficiency and an entry of account is therefore unlawful.

6.2.3 Likewise, the S151 Officer must inform the authority where they believe that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the Council has considered the report. As per this report, this is not a significant risk at this time.

6.3. **Equalities Implications**

There are no direct equalities implications.

6.4. **Section 17 Implications**

There are no direct Section 17 implications.

6.5. **Biodiversity Net Gain**

There are no Biodiversity Net Gain implications.

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group note the positive outcome of the assessment made of Rushcliffe Borough Council's status as a Going Concern for the purposes of the statement of accounts 2023/24.

For more information contact:	Peter Linfield Director of Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	Draft Statement of Accounts 2023/24 – Council website
List of appendices:	Appendix A –Comparative Balance Sheet Analysis 2022/23 to 2023/24

Appendix A

Comparative Balance Sheet Analysis 2022/23 to 2023/24

Measures		Expressed as	202324 Value Rushcliffe	202324 Value District (GF only)	202324 Value Rank	Change since 202223 Rushcliffe	Change since 202223 District (GF only)	Change since 202223 Rank	Trend
Category 1: Net Assets and Reserves									
Balance Sheet net assets (excluding pensions)	1	percentage of CSP	963%	928%	26 / 67	-4%	-3%	51 / 67	
Usable Reserves	2	percentage of CSP	212%	294%	42 / 67	10%	0%	11 / 67	
Unusable Reserves	3	percentage of CSP	751%	634%	22 / 67	-7%	-5%	52 / 67	
Pensions Reserve	4	percentage of CSP	-85%	-13%	58 / 67	-35%	622%		
Category 2: Usable Reserves									
General Fund Usable Revenue Reserves	5	percentage of CSP	184%	202%	32 / 67	1%	1%	32 / 67	
Usable Capital Reserves	6	percentage of CSP	28%	92%	53 / 67	172%	-2%	2 / 67	
Category 3: Capital Health									
Capital Financing Requirement (CFR)	8	percentage of CSP	77%	470%	23 / 62	-29%	-1%	2 / 67	
Capital Equity	9	percentage of CSP	729%	623%	24 / 67	-8%	-4%	56 / 67	
Capital Adjustment Account	10	percentage of CSP	540%	365%	17 / 67	-8%	-7%	56 / 67	
Debt Gearing	11	8 as percentage of capital assets	10%	43%	20 / 62	-20%	2%	2 / 67	
CFR / Current Resources	12	8 as percentage of 13	38%	161%	24 / 62	-37%	-1%	3 / 67	
Category 4: Current Resources and Internal Borrowing									
Usable Reserves plus adjustment accounts	13	percentage of CSP	205%	291%	42 / 67	14%	-1%	5 / 67	
Internal borrowing percentage	14	Internal Borrowing as percentage of 8	100%	23%	61 / 67	0%	3%	41 / 67	
Internal borrowing divided by current	15	Internal Borrowing as percentage of 13	38%	37%	35 / 67	-37%	3%	9 / 67	
Current Ratio	16	Current Assets / Current Liabilities	711%	156%	2 / 67	41%	-1%	12 / 67	

Governance Scrutiny Group

Thursday, 19 September 2024

Risk Management Progress Report

Rushcliffe
Borough Council

Report of the Director – Finance and Corporate Services

1. Purpose of report

1.1. This report provides an update on risk activity since the last meeting on 22 February 2024. It provides a summary of risks in the Council's Risk Registers that have changed, been removed or new risks that have been identified as a result of management review throughout the period.

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

2. Recommendation

It is RECOMMENDED that Governance Scrutiny Group

a) note the contents of this report.

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

3. Reasons for Recommendation

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

4. Supporting Information

Risk Management Activity

4.1. Since the last meeting of this Group, the Council's Risk Management Group (RMG) met on 3 September 2024, in order to review risks on the register and to make recommendations.

4.2. Risk Management Audit

A risk management audit was carried out in June/July 2022 by BDO, our Internal Auditors. Risk Management Level of Assurance was given a Substantial rating for Design and Operational Effectiveness. Three recommendations were made:

Medium

- Articulation of the risk and mitigating controls

Low

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

4.3. Risk Description Review

The work to evaluate risk descriptions to better structure wording, proposed by Zurich in 2020 has been completed and adopted into 2024-25 Service Plans.

4.4. Risk Management Training

Zurich provided training on 28 September 2023 for members of Governance Scrutiny Group. Refresher training will be arranged for risk managers in 2024 with Zurich.

4.5. Risk Management Strategy

The Risk Management Strategy was agreed at Governance Scrutiny Group on 23 February 2023. The revised strategy addresses the recommendations in the BDO report and takes into account the latest best practice in Risk Management as communicated by Zurich in the training sessions.

4.6. There are currently 35 corporate risks (three less than the previous report) and 20 operational risks (7 less than the previous report) on the risk register. In addition, there are 4 opportunity risks. The number of risks within the registers will fluctuate as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification.

4.7. Appendix A presents the Council's existing Risk Registers containing corporate, operational risks and opportunity risks. There are four new risks and 23 have been removed as a result of the risk review in 2023 and ongoing service reviews. Risks that have decreased or increased risk ratings are summarised below.

New risks

- CRR_NS35 – CCTV Cameras - Potential non-compliance with ICO requirements as a result of loss of experienced resource leading to a potential reputational and legal impact on the Council

- OPP_FCS02 – Environmental Agenda leading to rising or reducing revenue and capital budgets (examples include Simpler Recycling and Rushcliffe's carbon neutral targets)

- OPP_FCS03 Freeport - Opportunity for additional business rates from the Freeport as a result of an increase in number of businesses in the Borough leading to higher levels of financial stability for the Council

- OR_FCS16 Decline in pooled investments - Risk of financial loss resulting from the decline in the capital value of pooled investments.

Risk Increased

CRR_FCS33 Failure of partnerships - Council is unable to continue to deliver a specific service or project as a result of the withdrawal of funding support from a public sector partner leading to potential negative impacts on the community and reputational damage.
Likelihood increased from 1 to 2 and impact from 2 to 3.
Reduction in funding may have a negative impact on public partnership and may lead to reorganisation in some areas, there are particular pressures around the Integrated Care Board (ICB) which outcome to partnership arrangements is currently not known.

CRR_NS22 Asylum Relocation schemes - Failure to deliver the national relocation schemes (Asylum, Homes for Ukraine (HFU), Afghan Relocation Programme) in accordance with national guidance as a result of insufficient temporary or permanent accommodation which could lead to failures to support vulnerable refuges and result in poor publicity for the Council.
Likelihood increased from 1 to 2 and impact from 1 to 2.
Whilst the numbers of asylum seekers have reduced owing to the closure of the Belvoir Hotel the housing options team is seeing an increasing number of presentations of persons seeking accommodation generally. At the moment this is manageable.

Risk reduced

OR_DEG08 Missing Planning targets - Missing targets under the Planning Performance and Planning Guarantee as a result of insufficient resources or unmanageable levels of complexity leading to a probable loss of income and reputational damage.
Likelihood decreased from 4 to 3.
Performance in meeting targets has improved and risk is therefore less likely.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

The Risk Management Group ensures that the financial risks of the Council are managed.

6.2. Legal Implications

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

6.3. Equalities Implications

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

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

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

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that that Governance Scrutiny Group

a) note the contents of this report
b) considers and makes recommendations on risks that have red alert status.

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

FAppendix A

Corporate Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_CED01 Equal pay claim - Submission of a substantial equal pay claim due to perceived inequality might result in financial consequences and potential low staff morale	△	3	2	6
CRR_CED02 Inadequate services - Delivery of inadequate services as a result of poor training and / or inadequate staffing resources leading to an adverse impact on reputation, finance and staff morale	△	3	2	6
CRR_CED06 Health and safety - Health and safety risks are not managed adequately across the organisation as a result of insufficient resources and / or priority leading to increase accidents and potentially a breach of health and safety legislation	✓	3	1	3
CRR_CED07 Elections - Failure by Returning Officer and elections staff to comply with the relevant legislation and/or deliver the practical aspects of the election as a result of improper resourcing or inadequate training leading to an adverse impact on reputation	✓	4	1	4
CRR_DEG01 Five-year housing supply - Inability to demonstrate a five-year supply of deliverable housing sites against the housing target potentially leading to a lack of new homes for potential residents, and an increased possibility of further development on unallocated sites	✓	3	1	3
CRR_DEG02 Council Assets - Failure to manage our land and building assets (including trees) and meet with Landlord Compliance as a result of a lack of resources and/or inadequately trained staff potentially leading to damage to our assets or harm to the public	✓	3	1	3
CRR_DEG03 Rushcliffe Oaks Crematorium not meeting the business model targets as a result of lower than forecast numbers of cremations being carried out, impacting on the internal rate of return and therefore longer return on investment	△	3	2	6
CRR_DEG07 Greater Nottingham Strategic Plan - Joint Greater Nottingham Strategic Plan not delivered within the timescale set by government could lead to unplanned development and/or increased costs associated with developing own Strategy	✓	2	2	4

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_DEG10 Flintham Compulsory Purchase Order (CPO) – Legal action and CPO fail to deliver outcomes desired at Flintham to make the site safe and available for development		3	2	6
CRR_DEG11 UKSPF Compliance - UKSPF submission to government unsupported leading to the financial risk of unsupported projects and potential loss of future funding and ability to realise the borough wide benefits		4	1	4
CRR_DEG12 Gamston SPD – Uncoordinated development takes place as a result of the Gamston supplementary planning document not being approved in a timely manner potentially leading to a disjointed community lacking in the necessary infrastructure		3	3	9
Mitigation: Regular meetings with the developers are ongoing and additional consultants have been secured to support with specialist areas. A planning performance agreement with developers is being worked upon which will identify timescales and additional funding for rescoures to ensure work can continue in a timely manor to develop the SPD. Continued dialogue with the Nottinghamshire County Council will take place to understand progress on the development of their land.				
CRR_DEG13 Impact of changes to government planning policy and legislation – Challenges in the implementation of the changes to legislation and NPPF changes, as a result of impact on resources, expertise and budget constraints, may lead to uncoordinated development, loss of income and damage to the Council's reputation		3	2	6
CRR_FCS01 Failure to deliver legislation - Community is not properly represented leading to potentially poorly actioned community governance review petition, community right to challenge, or asset of community value nomination resulting in non-compliance with legislation		2	2	4
CRR_FCS02 Reducing New Homes Bonus – Changes to Government policy or local circumstances could lead to adverse impacts of reduced funding and / or income and, consequently, a budget deficit		3	3	9
Mitigation: Budget process, four-year plan, budget monitoring, Horizon Scanning.				
CRR_FCS03 Fraud identification - Inadequate or poorly executed internal controls failing to prevent or detect fraud may lead to financial and/or reputational losses		2	2	4
CRR_FCS05 Reduction in the Business Rates base - loss of major business rates payer reducing the rates collected leading to a potential budget deficit		3	3	9

Mitigation: Ongoing reporting of business rate valuations through performance clinic and membership of the Nottinghamshire Pool to mitigate downside risk. Assumptions on reducing business rates in the MTFS.				
Risk Code & Title	**RAG Status**	**Impact**	**Likelihood**	**Current Rating**
CRR_FCS07 Centralised policy changes - Changes to Government policy that result in an increase in demand on resources leading to a reduction in capacity of the Council to undertake other activities and inability to deliver identified priorities		**3**	**3**	**9**
Mitigation: Continue to monitor as part of budgetary process				
CRR_FCS08 Capital resources - Reduced capital receipts and/or insufficient balances in capital reserves resulting in an inability to deliver the capital programme preventing delivery of services and generation of new income streams		**3**	**2**	**6**
CRR_FCS09 Local economic changes - Changes in the economic environment, such as the cost of living crisis or a recession, may affect consumer behaviour in terms of their take-up on Council services resulting in insufficient income to support the budget		**2**	**4**	**8**
CRR_FCS11 Increased Service demand – Increase in population resulting in higher demand for services leading to expected increased cost and increased service pressures		**2**	**3**	**6**
CRR_FCS13 Insufficient staff resources or external factors such as customer spending or increased costs leading to a failure to deliver transformation and efficiency projects which may result in a budget deficit, reputational damage and potentially measures put in place to balance the budget position		**2**	**4**	**8**
CRR_FCS21 Inflation - Potential inflationary pressures due to changes in the economic environment leading to increased costs and volatility over prediction for budget		**3**	**3**	**9**
Mitigation: To monitor budgets and reports any overspends at performance clinics, ongoing negotiation of contracts. Budgets for contracts reflect inflation projections increase in contingency budgets. General contingency increased and allocation from 21/22 efficiencies				

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
CRR_FCS22 Central Government funding - Uncertainty around Government funding with a one-year financial settlement and delays to Government reforms leading to certainty over the budget for one year only impeding longer term planning		**3**	**3**	**9**
Mitigation: Attending budget workshops and seminars and keeping abreast of latest developers. Sensitivity analysis and scenario planning as part of budget modelling				
CRR_FCS23 Loss of ICT supplier - Key ICT services are disrupted as a result of suppliers going out of business leading to a potential loss of data or systems and a negative impact on the Council's ability to meet customer needs		**2**	**3**	**6**
CRR_FCS24 Failure of ICT systems - Council services are negatively affected by the potential short or long-term loss or failure of ICT systems leading to an inability to meet the needs of the Council's customer		**4**	**2**	**8**
CRR_FCS25 Sensitive data lost or compromised as a result of inadequate systems, controls or staff training may lead to negative impact on residents, damage to the Council's reputation and a potential fine from the ICO		**3**	**2**	**6**
CRR_FCS27 Cyber-attack - Council services or data are negatively affected as a result of major successful cyber-attack leading to short- or long-term disruption to services, damage to the Council's reputation and financial loss		**4**	**2**	**8**
CRR_FCS31 Borrowing costs - Reduction in cash balances requiring the Council to externally borrow at a time when interest rates are high leading to uncertain increased interest costs		**3**	**2**	**6**
CRR_FCS32 Business Continuity - Being unable to deliver critical services during a disruption, such as unprecedented demand, failure to negotiate contract continuation, or weather-related incident, and / or return to business as usual after a disruption as a result of inadequate preparation		**3**	**1**	**3**
CRR_FCS33 Failure of partnerships - Council is unable to continue to deliver a specific service or project as a result of the withdrawal of funding support from a public sector partner leading to potential negative impacts on the community and reputational damage	to	**2 to 3**	**1 to 2**	**2 to 6**
Likelihood increased from 1 to 2 and impact from 2 to 3.				

Reduction in funding may have a negative impact on public partnership and may lead to reorganisation in some areas, there are particular pressures around the Integrated Care Board ICB which outcome to partnership arrangements is currently not know				
Risk Code & Title	**RAG Status**	**Impact**	**Likelihood**	**Current Rating**
CRR_NS11 Emergency planning - Failure to respond adequately in an emergency situation as a result of inadequate preparation or management leading to a potentially greater impact on the community, Council finances and / or reputation		**3**	**1**	**3**
CRR_NS19 Safeguarding children and vulnerable adults - Avoidable safeguarding incident realised as a result of inadequate internal safeguarding arrangements and training leading to increased harm to the subject and potential for legal action against the Council		**3**	**1**	**3**
CRR_NS22 Asylum Relocation schemes - Failure to deliver the national relocation schemes (Asylum, Homes for Ukraine (HFU), Afghan Relocation Programme) in accordance with national guidance as a result of insufficient temporary or permanent accommodation which could lead to failures to support vulnerable refuges and result in poor publicity for the Council		**1 to 2**	**1 to 2**	**2 to 4**
Likelihood increased from 1 to 2 and impact from 1 to 2. Whilst the numbers of asylum seekers has reduced owing to the closure of the Belvoir Hotel the housing options team is seeing an increasing number of presentations of persons seeking accommodation generally. At the moment this is manageable.				
CRR_NS23 Carbon Management Plan - Failure to deliver the Carbon Management Plan as a result of inadequate resourcing and prioritisation leading to the Council potentially missing its 2030 Carbon Neutral target		**3**	**2**	**6**
CRR_NS35 - CCTV Cameras - Potential non-compliance with ICO requirements as a result of loss of experienced resource leading to a potential reputational and legal impact on the Council		**3**	**3**	**9**
New – mitigation: Exploring viable options with external partners to ensure continued service delivery and compliance with legal requirements.				

Operational Risks

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_CED01 Violence towards staff - Violence towards frontline staff undertaking their duties due to failure to adequately prepare staff with the training or equipment to keep themselves safe may lead to harm, or fear of harm, to frontline staff		**2**	**2**	**4**
OR_CED02 Perception of inequality, or actual inequality by a member of the public, staff or councillor with a protected characteristic as a result of failure to carry out an Equality Impact Assessment could lead to adverse publicity, financial repercussions		**2**	**1**	**2**
OR_CED03 Staff accidents - Increased number of staff accidents or injuries as a result of inadequate control of the workplace and/or working practices might result in more staff being off sick and potential HSE sanctions for the authority		**2**	**2**	**4**
OR_CED04 Industrial action - Unionised staff strike because of perceived inadequate pay and /or conditions leading to pressures in the delivery of front-line services		**1**	**1**	**1**
OR_CED05 Compliance with statutory duties - Failure to comply with the relevant legislation due to a lack of training or internal control leading to an adverse impact on reputation, finances and or staff morale		**2**	**2**	**4**
OR_DEG06 Planning Appeals - An increase in the number of planning appeals lodged against the Council as a result of planning applicants being dissatisfied with the decision made leading to higher levels of demand on officer time including the Council's budget, and not meeting the Government's targets leading to the possibility of the Authority being put into special measures		**2**	**3**	**6**
OR_DEG07 Missing planning deadlines - Major planning and related applications not determined within specified timescales as a result of insufficient resources and/or inefficient processes that could result in Government intervention and reputational damage		**3**	**2**	**6**
OR_DEG08 Missing Planning targets - Missing targets under the Planning Performance and Planning Guarantee as a result of insufficient resources or unmanageable levels of complexity leading to a probable loss of income and reputational damage		**2**	**4 to 3**	**8 to 6**
Likelihood decreased from 4 to 3. Performance in meeting targets has improved and risk is therefore less likely.				

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_FCS06 Budget monitoring - Failure to identify fraud/error/significant financial overspends resulting from failure to undertake regular detailed budget monitoring and to follow reporting procedures leading to budget overspend		2	2	4
OR_FCS08 VAT Compliance - Inadequate controls to detect and prevent errors and staff not trained or following procedures which could lead to breach of VAT rules and subsequently increased scrutiny and penalties from HMRC		3	2	6
OR_FCS10 Resident satisfaction - Decrease in resident satisfaction as a result of adverse media coverage leading to reputational damage to the Council		2	2	4
OR_FCS11 Damage to, or loss of, Council information due to unauthorised access to IT systems could result in reputational damage to the Council, internal damage to IT systems and the need to take remedial action to rectify any damage to data		4	2	8
OR_FCS12 Council is unable to deliver in person services to customers as a result of the closure of partner's buildings where RBC has contact points leading to a potential negative impact on the community and reputational damage to the Council		2	1	2
OR_FCS13 Economic environment - Fluctuations in economic environment as a result of political and economic instability leading to decrease in capital value of pooled investments ultimately resulting in a negative financial impact on the general fund and therefore taxpayer		3	2	6
OR_FCS14 Capital programme - Increased cost of capital programme as a result of increases in demand or rising prices resulting in an inability to deliver the capital programme preventing delivery of services and generation of new income		2	3	6
OR_FCS15 Failure of partner - Council is forced to find alternative supplier or bring back in-house a service ceasing to be delivered by a public sector partner leading to increased costs and operational pressure		1	2	2
OR_FCS16 Decline in pooled investments - Risk of financial loss resulting from the decline in the capital value of pooled investments		4	2	8
New – mitigation: Hold balance in reserve to mitigate any loss and regular cash flow monitoring and advice from TM advisors				
OR_NS25 Housing Disabled Facilities Grant – Failure to fund adaptations to residents' homes through the mandatory Disabled Facilities Grant due to poor financial planning leading to a possible loss of quality of life for disabled residents		3	2	6

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OR_NS28a Affordable homes - Affordable homes not built in line with available funding as a result of insufficient levels of influence over housebuilders and registered providers leading to missed targets and a lack of appropriate housing in the Borough		**2**	**3**	**6**
OR_NS31 Homelessness - Insufficient capacity to home an increased number of residents presenting as homeless as a result of income reduction, loss of employment and domestic violence could lead to reduced quality of life to residents and a failure to deliver a statutory duty		**2**	**2**	**4**

Opportunity Risk

Risk Code & Title	RAG Status	Impact	Likelihood	Current Rating
OPP_DEG01 Opportunity for new income to the Council from the operation of the Crematorium which will pay back the cost of building the facility, as well as covering the operational running costs, enabling the Council to continue to provide a facility that offers a high-quality service for local people		4	4	16
OPP_FCS01 Increases in interest rates leading to higher interest income on cash balances that are invested		4	3	12
OPP_FCS02 Environmental Agenda leading to rising or reducing revenue and capital budgets (examples include Simpler Recycling and Rushcliffe's carbon neutral targets)		3	3	9
New – mitigation: Government funding, RBC reserves, joint procurement opportunities through Nottinghamshire Joint Waste Management Board for Waste (vehicles and bins etc)				
OPP_FCS03 Freeport - Opportunity for additional business rates from the Freeport as a result of an increase number of businesses in the Borough leading to higher levels of financial stability for the Council		3	2	6
New – Involvement in the Freeport and the 'gateway process' and approval of the Business Rates Relief Policy and application of the Policy				

Risk Threat and Opportunity Matrix

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

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

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

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

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

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

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Governance Scrutiny Group

Thursday, 19 September 2024

Capital and Investment Strategy – Quarter 1 Report 2024/25

Rushcliffe Borough Council

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of report

1.1. The purpose of this report is to summarise the Capital and investment activities of the Council for the period 1 April to 30 June 2024.

1.2. The Capital and Investment Strategy for 2024/25, approved by Council on 7 March 2024, outlines the Council's capital and investment priorities as follows:

- Security of capital
- Liquidity of investments; and
- Optimising yield earned on investments (cash and property).

1.3. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent, and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

2. Recommendations

It is recommended that the Group notes the Capital and Investment Strategy update position as of 30 June 2024.

3. Reasons for Recommendation

3.1. CIPFA's Code of Practice for Treasury Management (2021) recommends that Councillors should be informed of Treasury Management activities quarterly. This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the CIPFA Code of Practice.

4. Supporting Information

Economic Forecast

4.1. Inflation (CPI) has continued to decline over the quarter, falling from an annual rate of 3.2% to 2.0% in May, in line with the Bank of England's target. However, it is expected to rise again later in the year as service price inflation and wage growth impact.

4.2. The Bank of England dropped the base rate to 5% as of 1 August 2024. The previous rate of 5.25% had been maintained, a level unchanged since August 2023.Furthe interest rate reductions are expected and were assumed in the Treasury Management Strategy for this year.

4.3. The UK economy has emerged from the technical recession at the end of 2023 to expand 0.7% in the first quarter of the calendar year. Monthly GDP data showed zero growth in April, but this is expected to rise to 1.0% in 2024 and is anticipated to reach 1.9% in 2025. The economy is picking up but there are still risks to economic growth due to increased unemployment and lower inflation.

Investment Income

4.4. Based on the Arlingclose interest rate forecast at the time (4.5%), the Council budgeted to receive £1,043,200 in investment income in 2024/25 (compared with £1,359,300 in 2023/24). Actual interest earned to 30 June 2024 totalled £360,034 with total receipts for the year expected to be approximately £1,292,900 (£1,887,576 in 2023/24). Interest receipts are higher than estimated due to larger S106 balances and higher than expected interest rates. All investments have been made in accordance with the Council's Capital and Investment Strategy. The Council achieved an average interest rate of 5.18% in quarter 1.

4.5. The average level of funds available for investment purposes during the quarter was £68.98m. 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 £14.038m core cash balances for investment purposes (i.e., funds available for more than one year). 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. The Council also currently holds two ESG (Environmental, Social and Governance) accounts totalling £7.3m. A full list of investments at 30 June can be found at **Appendix A**.

4.6. Going forward the Council is assessing options for investing in high quality Bonds. These are market tradeable (examples of which are the UK Government) which have low risk of default due to collateral being held by the intermediary and are exempt from bail-in. Investing in bonds would comply with the Council's approved counterparty rates as bonds are usually AAA rated and return an interest over the life of the bond. The Council would choose the appropriate bond based on yield and maturity offered. Including longer-dated high-quality fixed income bonds in the Council's investment portfolio as a longer-term investment helps with diversification, while providing a regular income stream and reducing capital volatility that might be experienced with other asset classes.

4.7. The Council continues to internally borrow to fund capital expenditure. It ensures investments are secure and that liquidity is achieved whilst at the same time it is proactively looking to maximise its rate of return.

4.8. It has previously been reported that the Council's diversified funds have been subject to fluctuations in fair value. The current position can be seen in **Appendix B**. Funds are still volatile but loss in capital value largely experienced in previous years, is reversing and has been mitigated by appropriations to the Treasury Capital Depreciation Reserve which has a current balance of £1.173m. Currently there is a statutory override preventing any accounting adjustments impacting on the revenue accounts. This is due to end 31st March 2024. Whilst the value of this type of investment can fluctuate, the revenue returns make up a healthy proportion of the overall returns on investment (20% in 2023/24). The Council will continue to monitor the position on these investments and take advice from the treasury advisors and as appropriate increase or reduce the reserve.

Capital Expenditure and Financing

4.9. The original Capital Programme for 2024/25 was £11.079m, with £3.4405m carry forwards and other adjustments of £2.236m giving a current budget of £16.720m. The projected outturn is £10.738m, resulting in an estimated underspend of £5.982 arising from the need to reprofile the provision for support for Registered Housing Providers to future years and Edwalton Community Facility and some smaller schemes.

4.10. The actual capital expenditure forms one of the required prudential indicators. Table 1 below shows the actual capital expenditure and how this is financed, fully funded from council resources.

Table 1

Table 1	2023/24 Actual £'000	2024/25 Estimate £'000	2024/25 Projection £'000
Capital Expenditure	6,752	16,720	10,738
Less Financed by:			
Capital Receipts	(3,026)	(5,596)	(3,706)
Capital Grants	(3,042)	(8,214)	(5,742)
Reserves	(684)	(2,910)	(1,290)
Increase in borrowing need	0	0	0

4.11. The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR). The CFR represents the net capital expenditure in 2024/25 and prior years that has not yet been paid for by revenue or other resources. It is a Key Prudential Indicator and can be seen in **Appendix C.** No new borrowing is envisaged over the Medium-Term, so the CFR balance continues to reduce after deducting MRP repayments and capital receipts as seen in Table 2.

4.12. The CFR will be adjusted by the impact of the implementation of IFRS16 (the impact of all leases going on balance sheet) and this will be updated in the quarter 2 report.

Table 2

Capital Financing Requirement (CFR)	2023/24 Actual £'000	2024/25 Projection £'000
Opening Balance	13,266	9,889
Add: unfinanced capital expenditure	0	0
Less MRP/VRP	(1,255)	(1,200)
Less applied Capital Receipts and S106	(2,122)	(1,000)
Closing Balance	9,889	7,689

Treasury Management and Prudential Indicators

4.13. 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 C**.

4.14. During the quarter ended 30 June 2024, the Council has operated within treasury management indicators set and it is not envisaged that there will be any difficulties in the current or future years in complying with these indicators.

4.15. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

4.16. No external borrowing was undertaken during the quarter ended 30 June 2024 and the Council does not anticipate a need to externally borrow in this financial year.

4.17. The Asset (or Liability) Benchmark reflects the real need to borrow. The Council is reporting a credit balance (asset) which shows that the Council has no need to borrow over the medium term.

4.18. Net Income from Commercial and Service Investments to Net Revenue Streams reflects the Council's dependence on investments. The projected figure is marginally lower due to a slightly higher surplus from the business rates pool.

4.19. The ratio of Financing Costs to Net Revenue Streams is a Key Prudential Indicator of affordability and compares net financing costs (MRP, borrowing costs, including interest foregone from the use of cash balances less investment income) to net revenue income. This indicator shows the proportion of net income that is used to pay for financing costs. The projected actual at quarter 1 is -0.69%, the minus indicating that interest receipts exceed financing costs and net revenue streams are slightly higher as mentioned at paragraph 4.18 above.

Commercial Investments

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

4.21. The projected position for total contribution of non-core investments towards core functions is 13% compared with the estimated figure of 13.4% reflecting rent increases, offset by inflationary increases on service maintenance contracts and legal costs in connection with the disposal of Candleby Lane. (see Table 3 below).

Table 3

Commercial Investments 2024/25	Current Estimate £'000	Actual YTD £'000	Projection £'000
Commercial Property Income	(1,902)	(486)	(1,935)
Running Costs	458	102	489
Net contribution to core functions	(1,444)	(384)	(1,446)
Interest from Commercial Loans	(63)	(17)	(66)
Total Contribution	(1,507)	(401)	(1,512)
Total Income	(11,231)	(3,807)	(11,615)
Total Contribution/Total income	13.4%	10.5%	13.0%
Sensitivity +/- 10%	(190)	(49)	(194)

5. Conclusion

5.1. Officers can confirm that the approved limits within the Capital and Investment Strategy were not breached during the quarter ended 30 June 2024.

5.2. Treasury Management continues to be fraught with difficulty. The UK economy is recovering but risk remains globally along with inflationary pressures and falling interest rates and ongoing international conflict which could give rise to further international economic instability. The latter will have a negative effect on returns that can be achieved from investments, and global unrest may impact on the capital value of some of the Council's investments. Officers will continue to monitor the environment and report any significant issues to the Governance Scrutiny Group.

6. Risk and Uncertainties

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

7. Implications

7.1. Financial Implications

Financial Implications are covered in the body of the report.

7.2. Legal Implications

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

7.3. **Equalities Implications**

There are no equalities implications identified for this report.

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

None.

8. Link to Corporate Priorities

The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as part of the Capital and Investment Strategy
Quality of Life	No direct impact on quality of life
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact on sustainable growth

9. Recommendations

It is recommended that the Group notes the Capital and Investment Strategy update position as of 30 June 2024.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Capital and Investment Strategy 2024/25
List of Appendices:	Appendix A – Investments at 30 June 2024 Appendix B – Pooled Funds Appendix C – Prudential and Treasury Indicators for 2024/25 at 30 June 2024 –Glossary of Terms

Fixed	Financial Institution	Amount £	Length of I	Interest
Pooled Fund	Royal London Cash Plus Fund366	1,005,085	On-going	3.96%
Pooled Fund	CCLA Property Fund366	1,970,157	On-going	4.36%
Pooled Fund	CCLA Better World Cautious Fund366	1,929,604	On-going	3.25%
Pooled Fund	Aegon Diversified Income fund366	4,597,766	On-going	6.80%
Pooled Fund	Ninety One Diversified Income Fund366	4,535,612	On-going	6.20%
MMF	Aviva Investors1	227	Call	5.14%
MMF	Blackrock 1	5,218,590	Call	5.17%
MMF	CCLA - PSDF1	2,911,101	Call	5.21%
MMF	Federated Investors (UK)1	9,526,681	Call	5.22%
MMF	Goldman Sachs Asset Management1	203,773	Call	5.11%
MMF	HSBC Asset Management ESG1	5,354,970	Call	5.17%
MMF	Invesco AIM 1	9,362,800	Call	5.21%
MMF	Aberdeen Asset Management1	9,180,612	Call	5.23%
Government	Rushmoor Borough Council	5,000,000	364 days	5.25%
Government	Wakefield District Council	5,000,000	61 days	5.30%
Government	The Moray Council	5,000,000	364 days	5.00%
Government	North Lanarkshire Council	5,000,000	365 days	5.00%
Government	Central Bedfordshire Council	5,000,000	92 days	5.25%
Government	Stockport Metro Borough Council	5,000,000	202 days	5.50%
Banks Unsecured	Bank of Scotland PLC1	892	Call	0.01%
Banks Unsecured	Bank of Scotland PLC32	114,225	32 Days	3.75%
Banks Unsecured	Barclays Bank PLC1	6,733	Call	2.00%
Banks Unsecured	Barclays Bank PLC32	4,708,681	32 Days	5.20%
Banks Unsecured	Handlesbanken PLC1	12,052	Call	0.25%
Banks Unsecured	Handlesbanken PLC35	12,511	35 Days	2.75%
Banks Unsecured	Santander UK PLC1	452,756	Call	3.23%
Banks Unsecured	Santander UK35	86,899	35 Days	4.78%
	Average Interest Rate			5.18%
	Total	**91,191,727**		

Pooled Funds

Amount Invested	Fair Value	31.03.24	31.07.23	Difference	Difference in valuation from initial investment
5,000,000	Aegon-Previously Kames	4,597,766.02	4,661,218	63,452	(338,782)
5,000,000	Ninety One-Previously Investec	4,535,612.29	4,532,170	(3,442)	(467,830)
1,000,000	RLAM	1,005,084.78	1,013,899	8,815	13,899
2,000,000	CCLA Property	1,970,157.29	1,962,390	(7,767)	(37,610)
2,000,000	CCLA BWCF	1,929,603.88	1,925,043	(4,561)	(74,957)
15,000,000		**14,038,224.26**	**14,094,721**	**56,497**	**(905,279)**

Prudential & Treasury Indicators at 30th June 2024	2024/25 Original Estimate £'000	2024/25 Projected £'000
Prudential Indicators		
Capital Expenditure	16,720	10,738
Expected Investment Position at 31 March 2025	55,706	83,996
Capital Financing requirement at 31 March 2025	7,863	7,689
Proportion of financing costs to net revenue streams	0.88%	-0.69%
Gross Debt (Debt incl PFI & Leases)	0	0
Net Income (from Commercial and Service Investments) to Net Revenue Streams	11.2%	11.0%
Treasury Management Indicators		
Authorised Limit for external debt (Borrowing and other LT Liabs)	20,000	20,000
Operational Boundary for external debt (borrowing and other LT Liabs)	15,000	15,000
Upper limit for fixed interest rate exposure on investments up to 1 year	50%	33%
Upper limit for variable rate exposure (investments)	100%	67%
Upper limit for total principal sums invested over 1 year	27,900	41,998
Liability Benchmark	(45,706)	(73,996)

Glossary of Terms

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

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

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

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

Governance Scrutiny Group

Thursday, 19 September 2024

Work Programme

Rushcliffe Borough Council

Report of the Director – Finance and Corporate Services

1. Summary

1.1. The work programmes for all Scrutiny Groups are created and managed by the Corporate Overview Group. This Group accepts and considers Scrutiny Matrices from both officers and councillors which propose items for scrutiny. If those items are accepted following discussion at Corporate Overview Group, they are placed on the work programme for one of the Council's Scrutiny Groups. In creating the work programme for the Governance Scrutiny Group due regard has been given to matters usually reported to the Group, the resources available for scrutiny, and the timing of issues to ensure best fit within the Council's decision-making process.

1.2. The work programme is provided in this report for information only so that the Group is aware of the proposed agenda for the next meeting. The work programme does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

28 November 2024

- Internal Audit Progress Report Q2
- Capital and Investment Strategy Update Q2
- RIPA Review
- Update on the Redmond Review of Public Sector Audit
- Work Programme

20 February 2024

- Internal Audit Progress Report Q3
- Internal Audit Strategy
- External Audit Plan (May slip to next meeting)
- Risk Management Update
- Risk Management Strategy
- Capital and Investment Strategy Update Q3
- Capital and Investment Strategy 2025/26
- Work Programme

For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None
List of appendices (if any):	None