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Date: 16 November 2020

Rushcliffe
Borough Council

Rushcliffe Borough Council Customer Service Centre
Fountain Court
Gordon Road
West Bridgford
Nottingham
NG2 5LN

Email:
customerservices
@rushcliffe.gov.uk

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0115 981 9911

www.rushcliffe.gov.uk

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

To all Members of the Governance Scrutiny Group

Dear Councillor

A Meeting of the Governance Scrutiny Group will be held virtually via Zoom on Tuesday, 24 November 2020 at 7.00 pm in the to consider the following items of business.

The meeting will be live streamed on YouTube for the public to listen and view via the link: https://www.youtube.com/user/RushcliffeBC. Please note 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

Sanjit Sull
Monitoring Officer

AGENDA

1. Apologies for Absence

2. Declarations of Interest

3. Minutes of the meeting held on 29 September 2020 (Pages 1 - 6)

4. Internal Audit Progress Report (Pages 7 - 20)

   Report of the Executive Manager – Finance and Corporate Services

5. Statement of Accounts (Pages 21 - 188)

   Report of the Executive Manager – Finance and Corporate Services

6. Treasury and Asset Investments - 6 Month Update (Pages 189 - 210)

   Report of the Executive Manager – Finance and Corporate Services

disability confident EMPLOYER

7. Work Programme (Pages 211 - 212)

Report of the Executive Manager – Finance and Corporate Services

Membership

Chairman: Councillor F Purdue-Horan
Vice-Chairman: Councillor J Walker
Councillors: R Adair, G Dickman, L Howitt, K Shaw, D Simms, J Stockwood and D Virdi

Meeting Room Guidance

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

MINUTES
OF THE MEETING OF THE
GOVERNANCE SCRUTINY GROUP
TUESDAY, 29 SEPTEMBER 2020
Held at 7.00 pm in the

PRESENT:
Councillors F Purdue-Horan (Chairman), J Walker (Vice-Chairman), R Adair, G Dickman, L Howitt, K Shaw, D Simms, J Stockwood and D Virdi

ALSO IN ATTENDANCE:

Greg Rubins	Head of Internal Audit – BDO
Charlotte Thomas	Senior Audit - BDO

OFFICERS IN ATTENDANCE:

L Ashmore	Executive Manager - Transformation
C Caven-Atack	Service Manager - Finance and Corporate Services
T Coop	Democratic Services Officer
S Whittaker	Financial Services Manager

APOLOGIES:

39 **Apologies for Absence**

There were no apologies.

40 **Declarations of Interest**

There were no declarations of interest reported.

41 **Minutes of the meeting held on 30 July 2020**

The Minutes of the meeting held on the 30 July 2020 were approved.

42 **Internal Audit Progress Report - 5 Month Update**

Greg Rubins, Head of Internal Audit at BDO, the Council's Auditors provided a 5 month update and summary of the Internal Audit Progress Report. The report reflects the current progress made against the Annual Internal Audit programme along with significant recommendations with regards to audits completed during this period.

Mr Rubins advised the Group that due to Covid-19, some of the planned audits had not taken place. However, he assured embers that BDO were now making good progress in the deliver y of the 2020/21 audit plan.

Charlotte Thomas, Senior Auditor at BDO presented the Budget Management

Audit 2020/21 and reported a positive substantial opinion. As a result of testing, two low priority findings were identified and management actions were agreed in respect of these findings.

Looking ahead Ms Thomas provided a table, which displayed the audits in the Internal Audit Plan along with their current status, and advised the Group that these maybe subject to change if any further issues arise in light of the Covid-19 pandemic.

In addition, Ms Thomas advised the Group of some changes to the Internal Audit Plan as agreed with management. These include:

- The Country Parks Income review has been replaced, due to events not going ahead due to Covid-19. A Fraud and Risk Assessment is now planned instead, following the preliminary work completed as part of the annual Fraud Report.

- Markets has been replaced by business grants in light of the extensive emergency work undertaken around business grants as a result of Covid-19.

Ms Thomas also advised the Group that a follow up report will be submitted to Governance Scrutiny at its meeting on 24 November to update members on both the legacy recommendations made by the previous Auditors and on any actions raised within the internal audit reports.

Members questions how the Audit Plan list was generated and whether a second potential lockdown due to the Covid-19 pandemic would affect the delivery of the Audit Plan. Mr Rubins explained, the Audit Plan had been agreed by management and Governance Scrutiny Group at a previous meeting. In respect of completing the audit plan should any issues arise from any further outbreaks of Covid-19, Mr Rubins assured the Group that any issues would be prioritised and any changes agreed with management and that processes were in place should a second lockdown take place.

It was **RESOLVED** that the Internal Audit Programme be noted.

43 **Constitution Review**

The Service Manager – Finance and Corporate Services advised the Group that at its meeting on the 30 July the Group considered some suggested areas for review. The Monitoring Officer invited all Councillors to request any alternative proposals by emailing her directly with their suggestions. The Service Manager – Finance and Corporate Services informed the Group that the Monitoring Officer had received one suggestion which was discussed with the Councillor and subsequently withdrawn, concluding that no specific revisions had been identified.

It was **RESOLVED** that the Councils Constitution remains as currently drafted.

44 Risk Management Strategy 2020 - 2023

The Service Manager – Finance and Corporate Services presented a report to update the Group on the Council's Risk Management Strategy following a Risk Management Health Check by Zurich Municipal in late 2019, explaining that the strategy is reviewed annually by the Risk Management Group, and Governance Scrutiny Group provides scrutiny of the risk registers twice a year.

The Service Manager – Finance and Corporate Services informed the Group of four recommendations made by Zurich in the Risk Management Health Check, these were to:

- Articulate the Council's appetite to risk across risk categories
- Consider a formalised approach to opportunity risk management
- Consider training for Governance Scrutiny Group members
- Develop guidance for managing risks with partners and projects

The Service Manager – Finance and Corporate Services continued to advise how these recommendations had been addressed and provided examples as follows:

- An approach to risk appetite has been added to the revised strategy, which guides how much risk the Council is willing to accept to achieve its objectives.

- The Council has an entrepreneurial approach to seizing opportunities and has been able to successfully manage its finances throughout a challenging period of austerity while ensuring the delivery of major projects with lasting benefit to residents in the Borough.

- Member training was delivered by Zurich on 2 September 2020

- Project risk is considered separately within contract negotiations with partners, and guidance for officers has been developed for managing project risks.

The Chairman highlighted the training that Zurich had provided and emphasised the interest and shift in types of risk and in particular the approach to opportunity risk management going forward.

Members asked specific questions relating to quantifying risk, and how the Council mitigate for risk and the financial implications associated with it and whether particular officers associated with the risk title could be named for reference. The Executive Manager – Transformation explained that at the Governance meeting in February more information on quantifying risk will be included in the report, however, in respect of officer title this is difficult to label due to changes in staffing.

It was **RESOLVED** that the Group note the Risk Management Strategy including the recommendations and suggestions about the strategy.

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

The Financial Services Manager presented a report that assesses the Council's Going Concern status linked to Covid-19 and to conform with professional standards with regards to the Local Authority Code of Accounting Practise, the report confirms the Council's functions and services will continue in operational existence for the foreseeable future.

The Council's External Auditors requested additional assurances in the assessment of Going Concern, these were:

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

The Financial Services Manager highlighted that an update on the Council's medium-term financial position (MTFS) covering the five year period 2020/21 to 2024/25 due to the recent events of Covid-19 was reported to both, Cabinet and Full council on 24 September 2020.

The Financial Services Manager also reported that the Council has an established and robust corporate governance framework and that the Council remains a going concern.

The Vice-Chair asked a specific question in respect of the Council's support to the Leisure contract and whether the Council was in a position to continue to provide this support if further lockdown measures are introduced and should the Group be concerned. The Executive Manager – Transformation explained that officers were in discussions with the leisure provider on a day to day basis as the government legislation and guidance changes. In addition the Executive Manager – Transformation explained the situation is live and assured members that the Council is working with the leisure provider to look at alternative ways to deliver services and to fully support for them.

Councillor Virdi asked for some clarity in respect of the Government grant in relation to lost income. The Financial Services Manager explained, this measure has recently been announced by the Government and would potentially cover 75% of losses.

It was **RESOLVED** that the Governance Scrutiny Group note the positive outcome of assessment of Rushcliffe Borough Council's status as a going concern for the purpose of the Statement of Accounts 2019/20.

46 **Work Programme**

The Group considered its Work Programme.

24 November 2020

- Internal Audit Progress Report
- Statement of Accounts 2019/20
- Treasury and Asset Investments – 6 month update
- Work Programme

4 February 2021

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

18 May 2021

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement

The meeting closed at 7.36 pm.

CHAIRMAN

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Governance Scrutiny Group

Tuesday, 24 November 2020

Internal Audit Progress Report 2020/21

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of report

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

2. Recommendation

It is RECOMMENDED that the Governance Scrutiny Group notes the progress report for 2020/21 (Appendix A) prepared by the Council's Internal Auditor.

3. Reasons for Recommendation

3.1. 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 2020/21 was approved by the Governance Scrutiny Group at its meeting on 6 February 2020 and includes 10 planned reviews. Due to the impact of Covid-19 on workloads, progress at the start of the year was slower than anticipated but is now back on track. The attached report highlights the completion and issuing of three reports: Events, Social Media and Communications, Main Financial Systems, and Follow Up. In terms of findings:

- The two substantive audits have returned findings of Substantial Assurance in terms of Design; Main Financial Systems was also awarded Substantial Assurance for Operational Effectiveness, whereas Events, Social Media and Communications received a Moderate rating for Operational Effectiveness after one medium level recommendation was proposed; the Follow-Up audit is scored differently but received a 'Good Progress' finding.

- The Events, Social Media and Communications audit resulted in one medium and five low level recommendations and management actions have been agreed.

- The Main Financial Systems audit resulted in three low level recommendations and management actions have been agreed.

- The Follow-Up audit resulted in three low priority findings being re-raised. Management actions were agreed in respect of all the recommendations.

5. Risks and Uncertainties

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

6. Implications

6.1. Financial Implications

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

6.2. Legal Implications

The recommendation supports good risk management.

6.3. Equalities Implications

There are no equalities implications identified for this report

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

There are no such implications.

7. Link to Corporate Priorities

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

8. Recommendations

It is RECOMMENDED that the Governance Scrutiny Group notes the final progress report for 2020/21 **(Appendix A)** prepared by the Council’s Internal Auditor.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 9148439 plinfield@rushcliffe.gov.uk
Background papers available for Inspection:	
List of appendices:	**Appendix 1** - Internal Audit Progress Report – BDO

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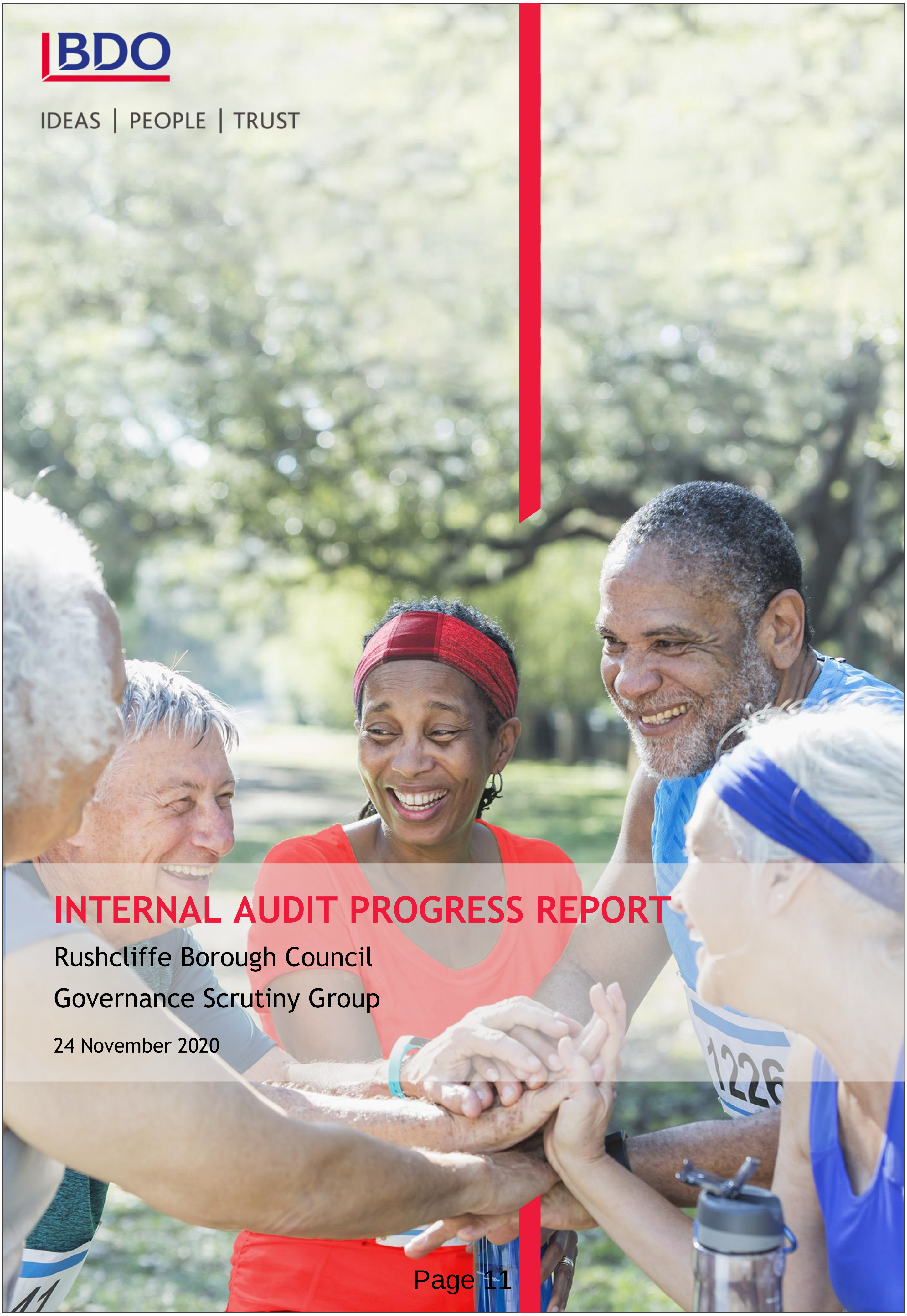

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INTERNAL AUDIT PROGRESS REPORT

Rushcliffe Borough Council

Governance Scrutiny Group

24 November 2020

CONTENTS

INTRODUCTION

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2020/21 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.

2020/2021 Internal Audit Plan

Due to Covid-19, some of the planned audits have not been able to take place as early in the year as we would typically plan them. However, we are now making good progress in the delivery of the 2020/21 audit plan, and are pleased to present the following reports to this Audit Committee meeting:

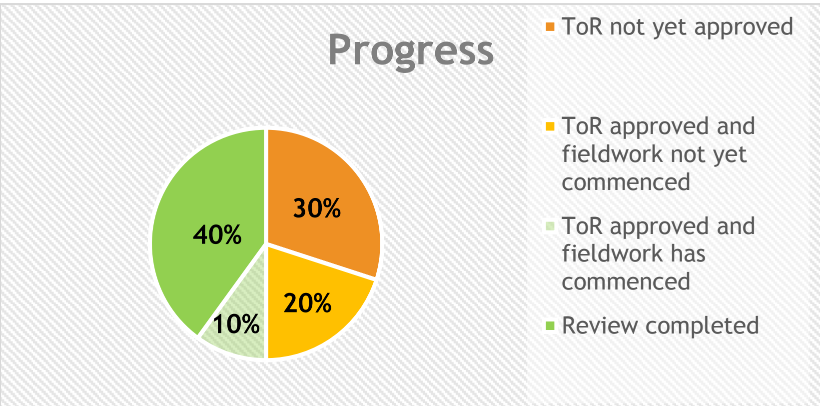
- Events, Social Media and Communications
- Main Financial Systems

We have made good progress in Quarter 2 onwards where a majority of Terms of References have been finalised and reviews will/have commenced from September onwards. We are currently completing the fieldwork on the following audit and anticipate presenting this report at the next Audit Committee, subject to no further issues relating to Covid-19 preventing progress.

- Licensing

Summary

There are ten audits in this year’s Internal Audit Plan. Below provides a summary update on progress against that plan and summarises the results of our work to date.



REPORTS CONSIDERED AT THIS GOVERNANCE SCRUTINY GROUP

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Events, Social Media and Communications	Final	Substantial	Moderate	0	1	5
Main Financial Systems	Final	Substantial	Substantial	0	0	3

Impact of findings to date

Events, Social Media and Communications (20/21)

Conclusion:

Substantial	Moderate

Impact on Annual Opinion: Positive

As a result of testing, one medium priority finding and five low priority findings were identified. The medium priority finding relates to:

- The lack of information regarding objectives and key performance indicators for social media and the monitoring and reporting against these

Main Financial Systems (20/21)

Conclusion:

Substantial	Substantial

Impact on Annual Opinion: Positive

As a result of testing, three low priority findings were identified. Management actions were agreed in respect of these findings.

LOOKING AHEAD

The table below displays the audits in the Internal Audit Plan, along with the current status.

Please note that whilst this is our planned timetable, this could be subject to change if any issues arise in light of the Covid-19 pandemic, for example a potential second lockdown scenario.

Audit	Planned Start Date	Status	Target Governance Scrutiny Group meeting
1. Events, Social Media and Communications	09/09/20		24 Nov 20
2. Budget Management and Reporting (high level)	27/07/20		29 Sept 20
3. Cyber	13/01/21		4 Feb 21
4. Retention & Recruitment	TBC		TBC
5. Main Financial Systems	12/10/20		24 Nov 20
6. Licensing	05/10/20		4 Feb 21
7. Business Grants	TBC		TBC
8. Fraud Risk Assessment	TBC		4 Feb 21
9. Pest and Dog Control	11/01/21		4 Feb 21
10. Fraud Report	12/07/20		30 July 20
Follow Up	Ongoing		24 Nov 20

Key

	Complete (Final Report Issued)
	Fieldwork in progress
	Terms of Reference Agreed - Fieldwork Not Started
	Terms of Reference Not Yet Agreed

OTHER MATTERS

Follow Up

We have completed a review to follow up the progress made to implement both the previously agreed management action raised by our predecessor, RSM (legacy recommendations), and any management actions with a due date before the end of November 2020 raised within the internal audit reports issued by BDO.

The audits considered as part of the legacy follow up review were:

1. 19/20 Disabled Facilities Grants
2. 19/20 Corporate Governance
3. 19/20 Housing Benefits
6. 19/20 Land Charges
7. 19/20 Cyber Risk Management
8. 19/20 Insurance
9. 19/20 Creditors and E-Procurement
11. 19/20 Business Support Unit
12. 19/20 Payroll
13. 19/20 Enforcement – Statutory Nuisance
17. 19/20 Main Accounting

We also followed up on outstanding actions from the previous year audits:

4. 18/19 Council Tax
9. 18/19 Income and Debtors
16. 18/19 Follow Up from 16/17
11. 17/18 Contract Management

We have also included the recommendations raised by our BDO Internal Audit reports with recommendations due before November 2020:

1. Budget Management

The 33 legacy management actions considered in this review comprised 4 ‘medium’ and 29 ‘low’. Concentrating on the actions classified as ‘medium’, the focus of this review was to provide assurance that all actions previously made have been adequately implemented. As this is the first follow-up report BDO has undertaken for Rushcliffe Borough Council, we have also verified the information provided by management for actions categorised as ‘low’, however going forward, we will accept management’s assurance regarding the implementation of low recommendations.

Overall, 27 out of the 33 recommendations due for follow up have been implemented or superseded. Others are in progress. In our opinion Rushcliffe Borough Council has demonstrated good progress in implementing agreed management actions.

Quality Assurance and Continual Improvement

To ensure that BDO remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Internal Audit engagement partners, where a sample of their clients will be reviewed. Any findings from these reviews being used to inform the training needs of our audit teams. Reports are reviewed by the Senior Manager, Public Sector Internal Audit (Gurpreet Dulay) prior to final review by Greg Rubins as the Partner, Public Sector Internal Audit. This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

Satisfaction Surveys

We are committed to delivering an excellent client experience and your feedback, via satisfaction surveys, will help us enhance the quality of service delivered. We sent out a satisfaction survey on completion of each audit review. We were scored from a rate of 1-5 (1= poor and 5= exceptional). Please see the satisfaction results gained so far. We received an overall score of 4 (good/Excellent) on our survey responses. Where we received a response, less than 4 we will endeavour to improve this going forward.

Audit Review	TOR Aligned to strategic/departmental risks?	Timeline of events from reporting agreed and clearly explained?	Rate understanding of your business	Rate communication	Rate the closedown	Rate the audits contribution to delivering added value	Final report clear and concise	Agreement of stakeholder	Recommendat-ions were constructive	Did our work add value?	Overal laudit experience	Would you recommend BDO to others
Budget Mgt	Agree	Agree	4	4	4	4	Agree	Agree	Agree	Agree	4	Yes
Overall Score			4	4	4	4					4	

INTERNAL AUDITS COMPLETED TO DATE

Audit	Status	Opinion Issued		Actions Agreed		
		Design	Operational Effectiveness	High	Medium	Low
Fraud Report	Final	N/A	N/A	N/A	N/A	N/A
Budget Management	Final	Substantial	Substantial	0	0	2
Events, Social Media and Communications	Final	Substantial	Moderate	0	1	5
Main Financial Systems	Final	Substantial	Substantial	0	0	3

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

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

FOR MORE INFORMATION:

Greg Rubins

Partner, Public Sector Internal Audit

0238 088 1892 (DDI)

Greg.rubins@bdo.co.uk

www.bdo.co.uk

Governance Scrutiny Group

Tuesday, 24 November 2020

Approval of the Statement of Accounts 2019/20

Rushcliffe
Borough Council

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of Report

1.1 This report presents the Council's statutory Statement of Accounts (Appendix B) for the financial year 2019/20 to be approved by the Governance Scrutiny Group along with the Management Representation Letter (Appendix C).

1.2 The Council's external auditors have commented on the Statement of Accounts and their quality in their covering report (Appendix A). This year there are particular issues linked to Covid which may result in the Statement of Accounts being altered after the Governance Scrutiny Group meeting or a delay in a final audit report. This is due to delays in the outcome of the Pension Fund audit which feeds into Rushcliffe's (and the other Nottinghamshire authorities) accounts. Nottinghamshire County Council are the accountable body awaiting Grant Thornton to conclude the audit.

2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve:

a) The findings of Mazars Audit Completion Report (**Appendix A)** prior to recommending the approval of the Statement of Accounts.

b) The Statement of Accounts for 2019/20 including the Annual Governance Statement (**Appendix B**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

c) The Management Representation letter (**Appendix C**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

d) That the Chair of Governance Scrutiny Group and S151 officer have delegated authority for the final approval of the audited Statement of Accounts for 2019/20 and any changes to the Management Representation letter, subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit, (notifying members of the Governance Scrutiny Group of any significant issues arising (if required)).

3 Reasons for Recommendation

3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

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

4.3 The Statement of Accounts 2019/20 at **Appendix B** is included as a separate document. This includes the Council's Annual Governance Statement (AGS) which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group 30 July 2020. There are minor changes largely updating some of the values linked to the impact of Covid so they are consistent with Full Council and Cabinet reports.

4.4 The closure of accounts process is complex particularly with the impact on resources as a result of Covid19. The deadline for the certification of the accounts has been extended this year due to the pandemic but, pleasingly, at the time of writing no significant issues have arisen from the audit regarding the work undertaken by RBC officers. It has been a challenging audit running from June to November 2020 at a time when the Finance Team have had to deal with additional demand as a result of Covid, such as supporting the distribution of Business Grants. We also appreciate the Mazars team have been auditing in exceptionally difficult circumstances and thank them for their work.

4.5 There was an increase to the level of review work undertaken on defined benefit pensions (the Pension Fund Accounts where Nottinghamshire County Council are the accountable body) this year due to a combination of requirements by the Financial Reporting Council (FRC) and the impact of Covid. At the time of writing the Pension Fund auditor (Grant Thornton) has not yet finalised their conclusion and there is a risk that they may declare material valuation uncertainty on the value of the property assets within the fund and the Management Representation letter and accounts may need to be updated. The two likely outcomes being either:

- Material Valuation Uncertainty - material uncertainty on pension assets or liabilities; or
- No issues arising and no further action to be taken.

This report is prepared on the basis that the outcome will be the second outcome. In the event of outcome 1 arising, it is recommended that approval to amend any disclosures is delegated to the Chair of Governance Scrutiny Group and the S151 officer. The members of the Group will be notified of any significant issues arising. It should be noted that there is a risk the final auditors report will not be issued by 30 November 2020.

4.6 The audit completion report and management representation letter does identify an unadjusted misstatement (Appendix A page 12) as identified by Mazars during the audit. This is in relation to the first tranche of Covid funding that although expected on 1 April, was actually received on 31 March. The Council's S151 Officer does not agree with this assertion, and in common with other Nottinghamshire districts/boroughs, other councils treated this in the same way in their accounts. The Council's rationale for not reflecting the income in the 2019/20 accounts is that the impact of Covid has been far more significant in 2020/21. Mazars have identified this as a misstatement as they believe the income should have been recognised in 2019/20. The value of the grant was £42k and the accounts have not been adjusted for this.

4.7 **Appendix C** details the management representation letter. This letter confirms for the auditors that the Council is satisfied with the validity of the financial statements provided by the Authority to Mazars. If agreed, this letter will be signed at the conclusion of the meeting, subject to an update on the issues stated at paragraph 4.5.

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**

Page 10 of Appendix A focuses on audit fees and identifies a potential £6,194 potential permanent uplift in fees as a result of requirements of the Financial Reporting Council. There is the potential for a further £6k increase due to additional work and involved additional audit testing. We will be writing separately to the Public Sector Audit Appointments (PSAA) and Mazars regarding concerns raised during the audit, particularly over what we consider to be excessive sample testing which we believe created an unnecessary burden of work for both auditors and Rushcliffe officers.

6.2 **Legal Implications**

There are no legal implications identified for this report.

6.3 **Equalities Implications**

There are no equalities implications identified for this report.

6.4 Section 17 of the crime and Disorder Act 1998 Implications

There are no implications

7 Link to Corporate Priorities

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

8 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve:

a) The findings of Mazars Audit Completion Report (**Appendix A)** prior to recommending the approval of the Statement of Accounts.

b) The Statement of Accounts for 2019/20 including the Annual Governance Statement (**Appendix B**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

c) The Management Representation letter (**Appendix C**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

d) That the Chair of Governance Scrutiny Group and S151 officer have delegated authority for the final approval of the audited Statement of Accounts for 2019/20 and any changes to the Management Representation letter, subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit, (notifying members of the Governance Scrutiny Group of any significant issues arising (if required)).

For more information contact:	Name: Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 Email: plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Governance Scrutiny Group Agenda 30 July 2020

List of appendices (if any):	Appendix A – Mazars Audit Completion Report 2019/20 Appendix B – Statement of Accounts 2019/20 Appendix C– Draft Management Representation Letter

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Rushcliffe Borough Council

Governance Scrutiny Group

Tuesday, 24 November 2020

Approval of the Statement of Accounts 2019/20

Report of the Executive Manager – Finance and Corporate Services

1. Purpose of Report

1.1 This report presents the Council's statutory Statement of Accounts (Appendix B) for the financial year 2019/20 to be approved by the Governance Scrutiny Group along with the Management Representation Letter (Appendix C).

1.2 The Council's external auditors have commented on the Statement of Accounts and their quality in their covering report (Appendix A). This year there are particular issues linked to Covid which may result in the Statement of Accounts being altered after the Governance Scrutiny Group meeting or a delay in a final audit report. This is due to delays in the outcome of the Pension Fund audit which feeds into Rushcliffe's (and the other Nottinghamshire authorities) accounts. Nottinghamshire County Council are the accountable body awaiting Grant Thornton to conclude the audit.

2 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve:

a) The findings of Mazars Audit Completion Report (**Appendix A)** prior to recommending the approval of the Statement of Accounts.

b) The Statement of Accounts for 2019/20 including the Annual Governance Statement (**Appendix B**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

c) The Management Representation letter (**Appendix C**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

d) That the Chair of Governance Scrutiny Group and S151 officer have delegated authority for the final approval of the audited Statement of Accounts for 2019/20 and any changes to the Management Representation letter, subject to a satisfactory outcome of the Nottinghamshire County Council Pension Fund audit, (notifying members of the Governance Scrutiny Group of any significant issues arising (if required)).

3 Reasons for Recommendation

3.1 To demonstrate compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and various legislation such as the Accounts and Audit Regulations (2015); and to help readers and stakeholders engage with the Accounts and demonstrate good stewardship.

4 Supporting Information

4.1 The accounts for Local Authorities are required to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code') and the Annual Governance Statement must comply with the guidance issued by CIPFA/SOLACE ('Delivering Good Governance in Local Government') published in April 2016.

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

4.3 The Statement of Accounts 2019/20 at **Appendix B** is included as a separate document. This includes the Council's Annual Governance Statement (AGS) which, in line with best practice, has been agreed with the Leader and Chief Executive and was approved by Governance Scrutiny Group 30 July 2020. There are minor changes largely updating some of the values linked to the impact of Covid so they are consistent with Full Council and Cabinet reports.

4.4 The closure of accounts process is complex particularly with the impact on resources as a result of Covid19. The deadline for the certification of the accounts has been extended this year due to the pandemic but, pleasingly, at the time of writing no significant issues have arisen from the audit regarding the work undertaken by RBC officers. It has been a challenging audit running from June to November 2020 at a time when the Finance Team have had to deal with additional demand as a result of Covid, such as supporting the distribution of Business Grants. We also appreciate the Mazars team have been auditing in exceptionally difficult circumstances and thank them for their work.

4.5 There was an increase to the level of review work undertaken on defined benefit pensions (the Pension Fund Accounts where Nottinghamshire County Council are the accountable body) this year due to a combination of requirements by the Financial Reporting Council (FRC) and the impact of Covid. At the time of writing the Pension Fund auditor (Grant Thornton) has not yet finalised their conclusion and there is a risk that they may declare material valuation uncertainty on the value of the property assets within the fund and the Management Representation letter and accounts may need to be updated. The two likely outcomes being either:

- Material Valuation Uncertainty - material uncertainty on pension assets or liabilities; or
- No issues arising and no further action to be taken.

This report is prepared on the basis that the outcome will be the second outcome. In the event of outcome 1 arising, it is recommended that approval to amend any disclosures is delegated to the Chair of Governance Scrutiny Group and the S151 officer. The members of the Group will be notified of any significant issues arising. It should be noted that there is a risk the final auditors report will not be issued by 30 November 2020.

4.6 The audit completion report and management representation letter does identify an unadjusted misstatement (Appendix A page 12) as identified by Mazars during the audit. This is in relation to the first tranche of Covid funding that although expected on 1 April, was actually received on 31 March. The Council's S151 Officer does not agree with this assertion, and in common with other Nottinghamshire districts/boroughs, other councils treated this in the same way in their accounts. The Council's rationale for not reflecting the income in the 2019/20 accounts is that the impact of Covid has been far more significant in 2020/21. Mazars have identified this as a misstatement as they believe the income should have been recognised in 2019/20. The value of the grant was £42k and the accounts have not been adjusted for this.

4.7 **Appendix C** details the management representation letter. This letter confirms for the auditors that the Council is satisfied with the validity of the financial statements provided by the Authority to Mazars. If agreed, this letter will be signed at the conclusion of the meeting, subject to an update on the issues stated at paragraph 4.5.

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**

Page 10 of Appendix A focuses on audit fees and identifies a potential £6,194 potential permanent uplift in fees as a result of requirements of the Financial Reporting Council. There is the potential for a further £6k increase due to additional work and involved additional audit testing. We will be writing separately to the Public Sector Audit Appointments (PSAA) and Mazars regarding concerns raised during the audit, particularly over what we consider to be excessive sample testing which we believe created an unnecessary burden of work for both auditors and Rushcliffe officers.

6.2 **Legal Implications**

There are no legal implications identified for this report.

6.3 **Equalities Implications**

There are no equalities implications identified for this report.

6.4 Section 17 of the crime and Disorder Act 1998 Implications

There are no implications

7 Link to Corporate Priorities

Quality of Life Efficient Services Sustainable Growth 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

8 Recommendation

It is RECOMMENDED that the Governance Scrutiny Group approve:

a) The findings of Mazars Audit Completion Report (**Appendix A)** prior to recommending the approval of the Statement of Accounts.

b) The Statement of Accounts for 2019/20 including the Annual Governance Statement (**Appendix B**) subject to the outcome of the Nottinghamshire County Council Pension Fund audit.

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For more information contact:	Name: Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 Email: plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Governance Scrutiny Group Agenda 30 July 2020

List of appendices (if any):	Appendix A – Mazars Audit Completion Report 2019/20 Appendix B – Statement of Accounts 2019/20 Appendix C– Draft Management Representation Letter

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Rushcliffe
Borough Council

Statement of Accounts
2019 - 2020








RUSHCLIFFE - GREAT PLACE ▪ GREAT LIFESTYLE ▪ GREAT SPORT

Contents

A. NARRATIVE STATEMENT

Welcome to the Statement of Accounts

Peter Linfield, Executive Manager (Finance and Corporate Services)

Introduction

As the Council's Chief Finance Officer, I have pleasure in presenting the Narrative Statement to Rushcliffe's 2019/20 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 2019/20.

In light of the difficult economic circumstances currently facing the public sector, the Council has maintained its focus on achieving a viable Medium Term Financial Strategy. The Council continues to aim to secure value for money and remains committed to delivering quality frontline services, working with partners and most importantly, delivering services residents want whilst meeting the Council's corporate priorities of:

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

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

Peter Linfield
Executive Manager (Finance and Corporate Services)

1. The Statement of Accounts

The Executive Manager (Finance and Corporate Services) is the statutory officer responsible for the proper administration of the Council's financial affairs (sometimes referred to as the Chief Finance Officer or S151 Officer). He is required by law to confirm that the Council's system of internal controls can be relied upon to produce an accurate Statement of Accounts. To do so the Chief Finance Officer ensures that the Council maintains proper and up to date accounting records and takes all reasonable steps to prevent and detect fraud and any other irregularities. His Statement of Assurance for 2019/20 (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 48 to 64 of the Statement of Accounts.

2. Delivery of the Corporate Strategy

The delivery of the Corporate Strategy 2019-20 is reported quarterly to the Council's Performance Management Board (PMB).

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

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

Here are some examples of what we achieved:

Regenerated Cotgrave Town Centre. Including a new multi-service centre, improvements to shop units, public realm and new business units.

Established a hugely popular free Sunday Cinema series in the backdrop of a great local park, attended by over 7,000 people.

Distributed over 5,000 trees to residents, towns and parishes. Further enforced helium balloon and sky lantern ban.

Shortlisted for Council of the Year 2019 at the MJ Awards.

Achieved the Gold Employee Recognition Scheme Award in August 2019.

Collected a record 13 tonnes of food and clothes for local homeless charity the Friary.

Established Fairham growth board to support its future significant development, building on progress of boards in four other areas.

Supported over 295 local businesses to access grants and training, as well as promotion on our social media channels.

Our Carbon Clever working group are set to implement changes to our direct operations across key areas.

As well as achieving all of this, we also:

Emptied **3.3 million bins.**

Oversaw planning matters of the the joint second largest residential and fourth largest commercial planning application in the country last year. Fairham will be a **£825m** development, providing **3,000** new homes and **2,500** new jobs.

Helped **225** individuals who were at risk of becoming homeless to find somewhere to live, preventing homelessness in the Borough.

Answered over **90,000** calls from our residents.

Helped **21,341** residents in person at our Customer Service Centre or contact points.

Helped over **295** local businesses access training, grants and advice.

Supported over **1000** elderly or vulnerable people to live independently with one of our home alarms. This service also has a **100%** satisfaction rate.

Conducted over **350** food hygiene inspections, keeping you safe when eating out in the Borough.

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

3. Risk Management

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

In September 2019 Zurich, the Council's insurer conducted a risk management health check to assess the effectiveness of risk management within the council. Interviews were held with key officers, which were used to evaluate the extent that risk management was 'having a positive effect on the organisation'. Zurich evaluated effectiveness against a performance model and concluded that risk management is taken seriously and is well managed across all services. Priority areas for improvement were proposed and discussed with Executive Management before a training event was delivered to staff in November 2019.

Throughout the year the Executive Management Team has met as the Council's Risk Management Group in order to oversee the management of risk across the organisation and review, where necessary, strategic and operational risk. The number of risks within the registers will fluctuate throughout the year as active risk management is undertaken. Changing pressures facing local government and the proactive work of managers to identify risks as they emerge, will continue to influence new risks added to the register and demonstrates the Council's aim to be proactive to mitigate risk as soon as possible after identification. There are currently 37 corporate risks and 26 operational risks. Therefore, the total number of risks is 63, an increase of five within the year.

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

Risks removed:

- OR_NS30 Reduced levels of performance and leisure provision at East Leake Leisure Centre

Risks added or proposed by Risk Management Group:

- CRR_FCS22 Uncertainty around Government funding and changes to the business rates system with a one year financial settlement
- CRR_NS12a Failure to deliver statutory services due to impact of Coronavirus on staffing levels
- CRR_NS12b Failure to deliver statutory services due to impact of Coronavirus on the community
- CRR_NS13a Response to flooding impacts on delivery of statutory services
- CRR_NS13b Inadequate resources to respond to flooding incidents

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

Risk	Likelihood	Impact	Action
Fluctuation in Business Rates linked to appeals and in particular the power station and decline in retail sector	High	High	Growth plans and accurate monitoring, lobbying central government, potential alternative use of the site, increase in S31 grants to offset additional Business Rate reliefs. Playing an active role supporting the Development Corporation with a £0.1m reserve created.
Central Government policy changes e.g. Fairer Funding, changes to NHB and 75% Business Rates transfer to local government leading to reduced revenue. Environmental policy changes with regards to waste will create future financial pressures	High	High	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.
Pensions triennial revaluation and the potential increase to pension contributions	High	High	To be aware of actuaries report and implications. Risks affected by local demographics and the impact on interest rates and share prices of international economic conditions. Also the ability to influence central government policy on the Local Government scheme.

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. During the year officers have made a conscious effort to constrain expenditure, increase income and continue to deliver effective services. As a result the Council achieved a balanced budget, with Reserves increasing by a net £1.655m. Of the £4.198m (£3.076m net of inter reserve movements) transferred to reserves, £1.621m was New Homes Bonus (NHB). The remainder was largely due to the surplus on collection fund and the year-end revenue underspend. Much of the £2.543m (£1.421m net of inter reserve movements) use of Reserves was in relation to the use of New Homes Bonus to offset Minimum Revenue Provision (MRP) charges in relation to the capital cost of the Arena. 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);
- Funding capital expenditure including enhancement of property, plant and equipment; and
- Ensuring the Council's IT infrastructure and equipment is of sufficient quality to facilitate the delivery of modern services.
- Ensuring the Council is equipped to deal with unforeseen reductions in income or increased spending pressures such as those caused by COVID 19.

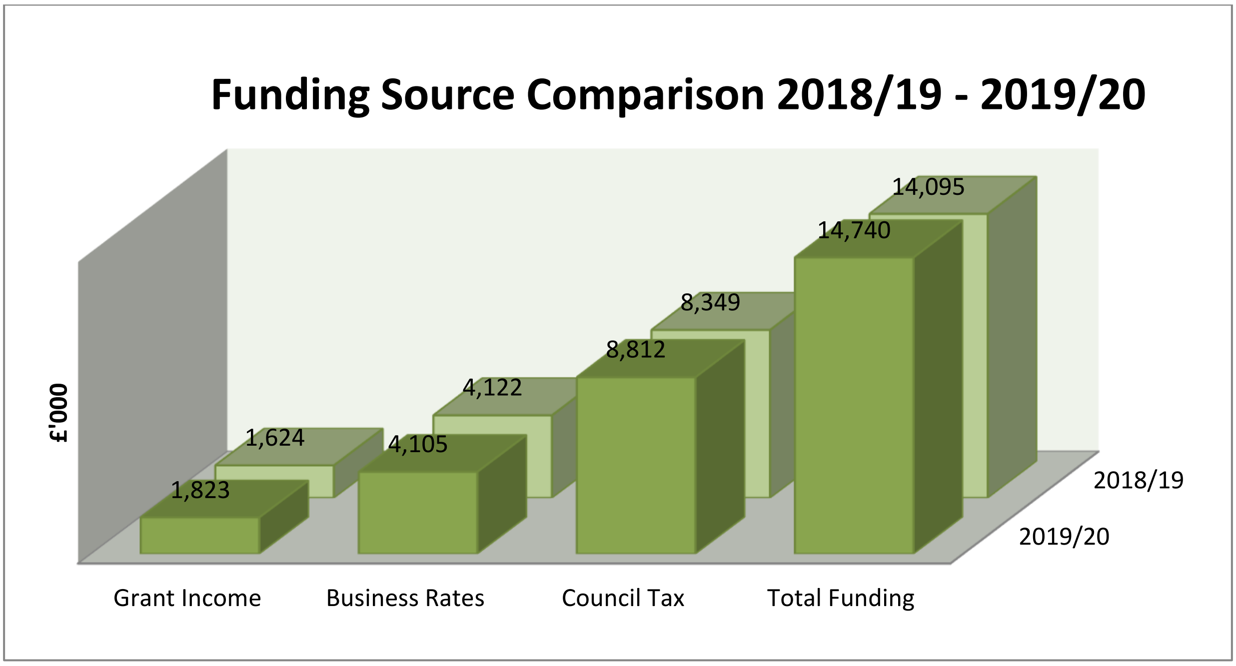
The Movement in Reserves Statement (page 4) demonstrates prudent financial management throughout the year, with the Council having had few reasons to call on its reserves. The majority of the transfer from reserves was to meet MRP repayments (£1m) and creation of the Climate Change Reserve (£1m). As a result the General Fund Reserve Balance remains unchanged from 2018/19 at £2.604m. Earmarked reserves have increased by £1,655m from £11.818m to £13,473m (see Note 5). The level of reserves puts the Council in a strong position to both withstand future financial pressures, this includes COVID 19 and look at opportunities to develop the Borough.

The following table demonstrates where money was spent in 2019/20, showing an overall underspend on direct costs of £619k against budget (reported to Cabinet on 14 July 2020):

	Original Budget £'000	Revised Budget £'000	Actual £'000	Variance £'000
Communities	1,237	1,317	1,238	(79)
Finance & Corporate Services	4,660	4,708	4,537	(171)
Neighbourhoods	5,241	5,142	5,121	(21)
Transformation	1,686	1,775	1,427	(348)
Net cost of services	**12,824**	**12,942**	**12,323**	**(619)**

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

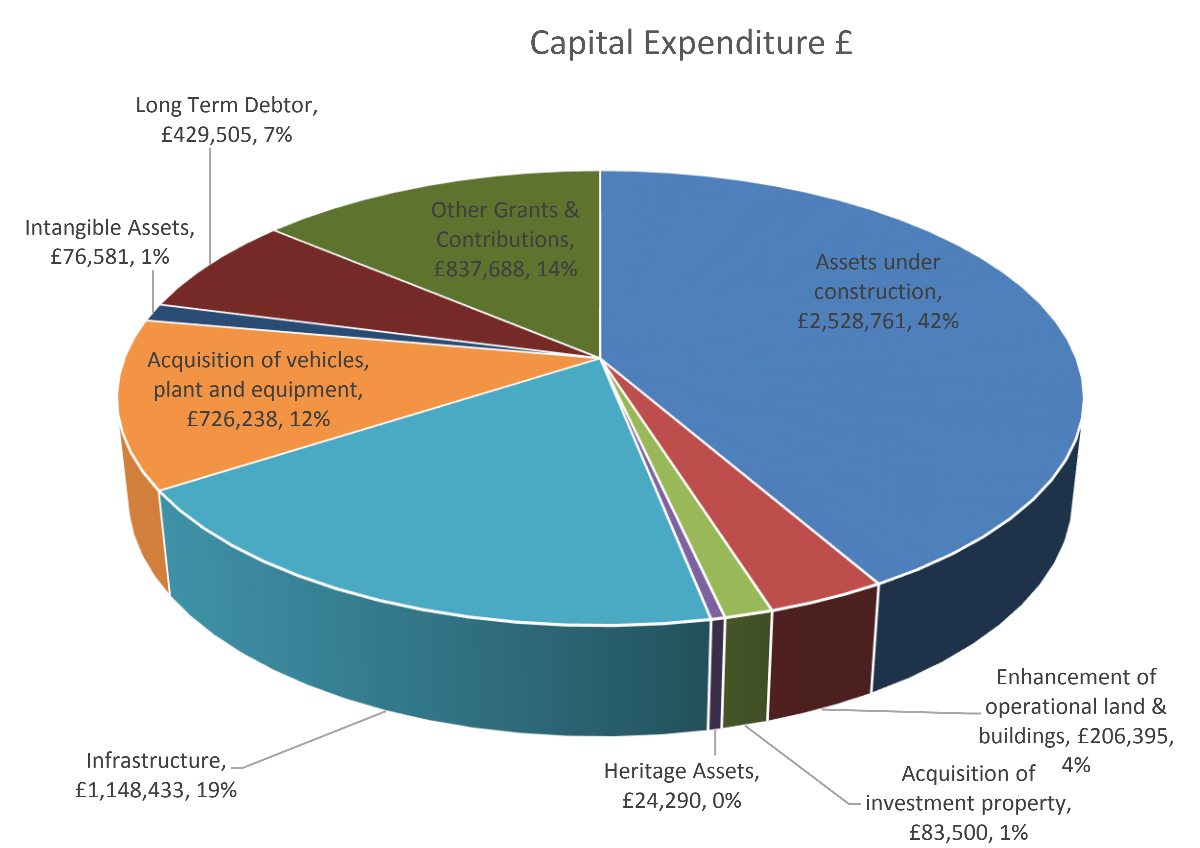
The main sources of funding are detailed below showing increasingly the reliance on Council Tax to fund net council expenditure amounting to 59% and Business Rates to 29% with a reduction in grant income now making up just 12% of which £1.621m is New Homes Bonus largely used to finance capital expenditure.



Source: Taxation and Non Specific Grant Income - Note 8

5. Capital Expenditure and Income

The following chart shows the breakdown of Capital Expenditure in 2019/20:



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 2019/20 comprise:

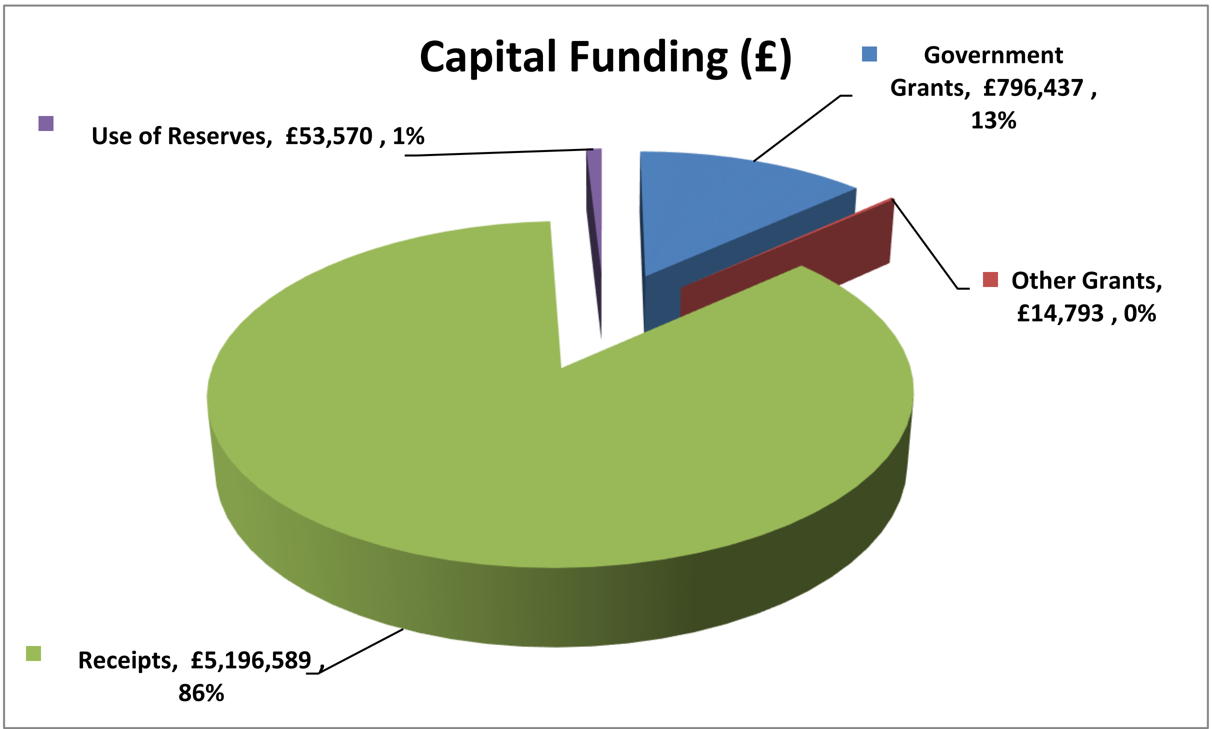
- *Assets Under Construction* - £2.529m. The most significant of which was the acquisition of land in advance of the planned construction of The Crematorium at Stragglethorpe - £1.333m. Detailed work commenced in earnest on the Bingham Hub project which will create a new leisure and community centre and associated development. Costs have been incurred on site surveys and design fees - £526k. Significant expenditure was also incurred on remedial work, surveys, and professional fees connected with the land release of the Depot Site to facilitate housing development. The second phase of Cotgrave shops regeneration has also commenced. This will further progress Cotgrave Masterplan.
- *Infrastructure* - £1.148m. This primarily comprises of expenditure to complete the Public Realm in Cotgrave Town Centre.
- *Other Grants and Contributions* - £0.838m. Monies released to finance capital assets owned by third parties. Primarily Disabled Facilities and Better Care Funding Grants £0.496m; a new grant award of £150K was given from the Skateboard Park Improvements fund; £146k was spent on Bingham Leisure Centre existing site. £100k of this was to replace the Athletics Track and the balance on essential Health and Safety requirements.

- *Vehicle, Plant and Equipment* - £726k. This was used to acquire a new Refuse Freighter; to replace the pool handling ventilation system at Cotgrave Leisure Centre; and to continue to support the provision of new and replacement refuse, garden, and recycling bins across the Borough.
- *Long Term Debtor*s - £430k. New loans of £415k released to Streetwise to facilitate the purchase of new vehicles, plant, and equipment and to upgrade their accommodation at Unit 10 Moorbridge. The final tranche of loan was also released to Nottinghamshire County Cricket Club.
- *Enhancement of Operational Land and Buildings* - £206k. Enhancement and conversion works were also carried out on the new Contact Centre accommodation in central West Bridgford.

Cotgrave Precinct

The Council has to ensure its Capital Programme is not only prudent, but also affordable and sustainable. In 2019/20 the Council spent £6.062m compared to an overall Capital Programme of £25.302m giving rise to a variance of £19.240m. This is due to programme slippage, and the slow-down in committing balances on the Asset Investment Strategy. Carry forward commitments total £19.181m (primarily the whole of the slippage). The most significant of which are £6.632m Asset Investment Strategy (£4.554m of this is earmarked for acquisitions); £4.408m for the Bingham Hub Leisure and Office scheme; £1.860m for Phase II improvement works in Cotgrave; £1.750m for development of office units at Moorbridge no longer proceeding, sum to be tipped back into the Investment Strategy pot and carried forward; and £1.396m to continue support for affordable housing in the Borough.

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



Source: Capital Expenditure and Capital Financing- Note 30

Capital resources available in 2019/20 allowed for all capital expenditure to be met. The key elements of funding comprise:

- *Capital* Receipts - £5.197m. 86% of capital expenditure was covered by capital receipts. Significant sums have started to be received from the overage agreement in place at Sharphill Wood. These sums, together with historical capital receipts, were used to fund: land acquisition for The Crematorium; infrastructure works to complete the Public Realm as part of Cotgrave Masterplan; design and professional fees for commencement of the Bingham Hub Leisure and Office project; enhancement works to operational land and buildings; and to support the loans given out. The loans will be repaid over time and sums returned to the capital receipts pot.

- *Government Grants* - £796k. Of this, £496k comprises sums awarded to the Council under the 'Better Care Funding' arrangements. Specifically used to fund 'Disabled Facilities Grants', 'Warmer Homes on Prescription', and 'Assistive Technology'. A further £300k came from the Land Release grant funding and was used to support the expenditure necessary to get the Depot land ready for redevelopment.

In 2016/17 and 2017/18, the Council used internal resources (internal borrowing) to temporarily finance the completion of the Arena development and Cotgrave employment units. Where this happens, Central Government legislation requires the Council to make a charge to its revenue budget over time, to reinstate the Council's resources. The Council has chosen to make a payment of £1m a year until the £8.3m is recovered (See the Capital Financing Requirement note 30). The charge (MRP) to the revenue budget has been covered by the release of New Homes Bonus reserves and exceeds the amount we would have to pay if it was based upon the asset life.

At 31 March 2020, the balance in the Usable Capital Receipts Reserve stood at £3.538m (2018/19 £7.036m). The Council continues to generate resources through the planned disposal of assets deemed surplus, preserved rights to proceeds from sales of ex-Council House Stock, and the overage agreement in place for Sharphill Wood. During 2019/20 £1.698m of capital receipts were received, primarily from: Sharphill Wood (£1.298m); Council House Right to Buy Clawback (£162k); disposal of Electricity Sub-Stations £102k); and from repayment of capital loans.

Looking ahead, the Council has approved an ambitious Capital Programme for 2020/21 onwards and intends to support this expenditure through the continued application of Capital Receipts, use of Reserves, Government and Other Grants and Contributions. As the available capital resources are depleted, there will be a need to undertake some further 'internal borrowing' which will potentially require an increase in the Minimum Revenue Provision (MRP). Up to 31 March 2020, the MRP charge to the revenue account was offset by a release of New Homes Bonus to wholly mitigate the impact of the internal borrowing on the Tax Payer. The ability to continue to do this will need to be reassessed. The future levels of 'internal borrowing' and the potential need to undertake external borrowing will be dependent upon future capital income streams and receipt of monies that can be set aside into reserves, particularly NHB.

6. Major Service Developments, Future Challenges including COVID 19

During 2019/20 the Council continued to respond positively to challenges presented by the funding restrictions facing local government. The success of the Council in addressing this difficult financial context can be seen in the unqualified Value for Money (VFM) conclusion given by the Council's external auditors, Mazars in their 2018/19 Annual Audit Completion Letter 23.July 2019. It was highlighted that, whilst financial constraints continue to provide challenges, Rushcliffe was still able to set a balanced budget and plan for the use of general reserves to ensure that the Medium Term Financial Plan remains in balance. The key issue being the management of reserves to a level that ensures it remains financially resilient and able to deliver sustainable services, whilst insulating it against significant financial risks. The VFM findings covered the Authority's innovative approach to commercialism continually looking for ways of both securing additional income streams and becoming self-financing. This is the mainstay of the work in the Transformation Strategy to identify efficiency savings which is monitored throughout the year. Taking into account resource predictions, spending plans and savings already identified there is a Transformation Plan efficiency requirement of around £0.192m in 2019/20 rising to a cumulative need of £1.2m by 2024/25. Initiatives are based upon the three core principles of business cost reduction, income generation and service redesign.

There are a number of opportunities to improve residents' **quality of life,** such as developing the Chapel Lane site at Bingham to improve leisure facilities and by supporting the continued development of existing growth boards which will shape economic growth at local levels. The development of a new Crematorium in the Borough will provide new community infrastructure resulting in additional capacity in the Borough alongside the existing Crematorium at Wilford Hill.

As an organisation, it is always our intention to deliver **efficient services** for our residents. This includes the relocation of our R2Go service and Streetwise Environmental in 2019/20. This move enables the current site at Abbey road to be developed for residential housing. Rushcliffe Community Contact Centre was also relocated in the year from West Bridgford Police Station to new premises which ensures the continued provision of face to face customer services in West Bridgford. There is continued commitment to make best use of digital development, where appropriate, to deliver better services and operate even more efficiently. The Information Services Strategy continues to be supported by provisions within the Council's Capital Programme. There are a number of risks which impact upon delivering the Council's Medium Term Financial Strategy (MTFS) and these are highlighted in Section 3 above. Additionally the Council continues to assess potential commercial investments which could generate sustainable income streams to support the revenue budget going forwards. The position on such investments and the relative risks are reported in the Annual Asset and Investment Report (to the Governance Scrutiny Group, 30 July 2020). As part of the MTFS there is a commitment to have a 'pause' on such investments as the Council re-aligns its Asset Investment Strategy priorities into Rushcliffe assets and areas such as the planned Crematorium and also revisit impending investments linked to the impact of COVID 19.

Rushcliffe is determined to play its part in shaping the future of the Borough ensuring the needs and aspirations of Rushcliffe residents are met in all future developments and the Council continues to deliver **sustainable growth.** This includes supporting the delivery of both 13,150 homes (including affordable housing) and employment land mainly through sites allocated through the Local Plan. The Council continues to review its Asset Management Plan to ensure we are maximising our property holdings and aligning them with the needs of our residents. A newly established Development Corporation reserve of £100,000 has been created for use on growth and development opportunities linked to anticipated changes to the Radcliffe-on-Soar Power Station when it is eventually de-commisioned.

The Council is fully committed to protecting **the environment** and enhancing it for future generations. The carbon management plan will be refreshed to provide a roadmap for achieving carbon neutral status. Rushcliffe will respond to any proposals from the national Resources and Waste Strategy for England to ensure compliance. There will be continued drive to reduce residual waste tonnage and increase recycling rate. Work will be undertaken in partnership with other councils across Nottinghamshire to lobby central government to introduce standards and regulations which will encourage developers to deliver sustainable homes. Climate change will be at the core of thinking and to this end, the Council approved a new Climate Change Action Reserve of £1m and both the waste strategy and climate change agendas are core elements of the Council's scrutiny programme.

COVID 19 Statement

Due to the COVID-19 pandemic and its impact on the Council's operations and finances the Council has been undertaking regular reports on its financial position to Cabinet and there was a report to May Cabinet which focused upon a number of urgent decisions under delegated procedures. The table below highlights the key issues as a result of Covid-19 which impacted upon the Council largely from mid-March with the main impact being in the 2020/21 financial year. It is important that the issues arising are summarised, what are known as 'non-adjusting' events as they occur after the reporting period. Anything that has impacted upon the 2019/20 financial statements will be reported in the relevant note. This information maybe subject to change given the significant and variable nature of the pandemic. There will be a revised budget going to Full Council in September 2020 and the Financial Statements will be updated as necessary given the fluidity of the situation, until the accounts are authorised for issue.

Area of Impact	Issue for the Council
Provision of services	Community facilities and contact centres closed; Leisure Centres closed. Office based services continued remotely (enabled by excellent IT), and skeleton staffing was retained at the Arena focusing on both administration and customer contact. Waste collection continued business as usual apart from bulky waste collections, however unlike many other authorities, green waste

	collections continued and were welcomed by the community. Over £17m of business rates grants have been provided to over 1400 businesses, over £9m of business rates relief provided for 2020/21 to the retail, hospitality and leisure sector and over £0.25m of Hardship Fund grant for council tax support has been provided. Car Park charges are temporarily suspended and permits issued under the national scheme for NHS workers. The Council also responded to new burdens such as enforcement of the Covid Regulations in workplaces and businesses.
Council's Workforce	The majority of the workforce has continued working. Around 20 staff were furloughed where income has fallen and some staff redeployed. Sickness has remained at very low levels and not impacted upon service delivery. Where there was a risk of impact additional refuse service agency staff were utilised.
Supply chains and third parties	The main impact on services provided has been on leisure provision and this going forward remains a risk to the Council's budget and Transformation Programme, estimated at £1.4m for 2020/21. Nottinghamshire County Cricket Club have been granted a deferral of £54k on the principal element of their loan for 2020/21. Some payment holidays (or deferrals) have been granted to commercial tenants on a case by case basis, these amount to £87k currently and are not material.
Reserves, financial performance and financial position	The estimated net impact on the budget in 2020/21 ranges from £1.6m to £2.6m (net of current Government financial support of £1.2m). A report to Full Council in September will define the Council's financial strategy and impact on reserves. In the short term reserves can meet the current anticipated deficit. The delay in Business Rates reform and Fair Funding creates further uncertainty. There is £1.2m loss on investments and it is expected in the medium term these will increase in value. Capital schemes are being assessed along with the overall funding of the capital programme. There has been an impairment review of property covered in both Notes 9 and Note 40 (e) of the financial statements as at 18 May 2020 and this and no impact on property valuations. The Council continues to monitor financial impairment regarding potential 'bad debts' this is covered in Note 40 (b) of the finanincial statements.
Cash Flow Management	Whilst income has reduced it is expected there is enough cash to ensure external borrowing is not required in 2020/21. The additional business grant payments (in excess of £17m to over 1400 businesses) made have been funded in advance by central government
Other major risks and recovery action	The main concern is that both local businesses and the community recover and Rushcliffe returns to pre-Covid 19 levels of activity. The Council is working with the Local Resilience Forum Recovery Group to ensure businesses can trade post-lockdown, to help communities and also that it maximises the use of funding such as the High Street Fund.

7. Financial Statements

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

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

The Council's accounts consist of:

- **Comprehensive Income and Expenditure Statement - CIES (Page 3) -** this shows the accounting cost in the year of providing services in accordance with IFRS rather than the amount to be funded from taxation. There is an overall underspend on direct cost of service provision of £0.619m shown in section 4 above which is largely due to higher interest on investments, rental income on investment property, additional planning income, and increased receipts on car parks. The movement in Other Operating Expenditure (£3.197m) arises from a significant reduction in the gain on the disposal of non-current assets between the years. In 2018/19 £2.760m income from Sharphill Overage Agreement was recognised. In 2019/20, the sum due for the second tranche was £1.298m. In addition, higher asset Net Book Values needed to be removed from the accounts upon disposal in 2019/20 arising from the demolition and cost of works undertaken to make the Depot Site available for housing redevelopment.

  The movement in Financing and Investment Income and Expenditure (£4.294m) is technical in nature and primarily relates to the movement in Fair Value of Investment Properties. The revaluation exercise undertaken gives rise to an upward net movement of £5.381m compared to £0.046m in 2018/19. Significant items include land at Hollygate Lane which has been sold subject to contract. This is partially offset by a reduction in the Fair Value of Cotgrave Multi-Service Centre to reflect the Council's remaining investment interest in this asset. Interest receivable and similar income shows a debit movement of £1m caused by a reduction in the value of the financial assets held by the Council. The COVID19 pandemic has had a negative effect on the economic outlook and directly affected the Council's Treasury investments, athough this is expected to reverse over time.

  There has been little movement in Taxation and Non-Specific Grant Income between the years.

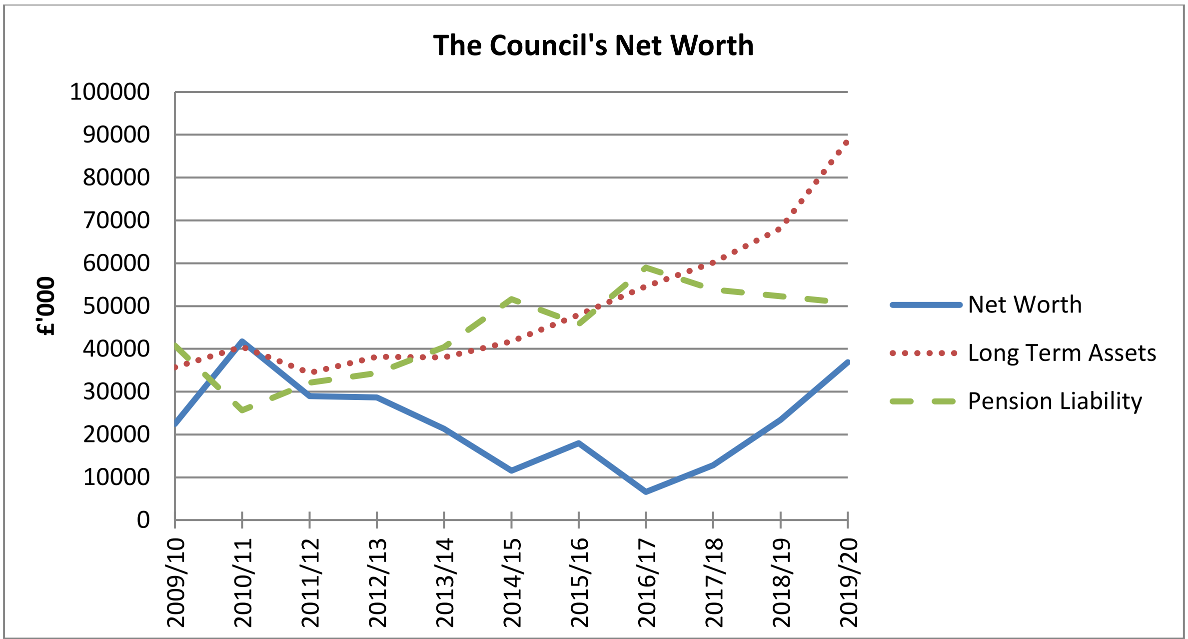
  The variances above have resulted in an overall surplus on the Provision of Services of £3.082m compared to a surplus of £2.349 in 2018/19. Other movements in the CIES comprises significant upward net revaluations (£6.042m): Depot land which has been made available for housing redevelopment and has a sale agreed subject to contract; an increase in value of West Bridgford Car Parks; and leisure assets at Gresham There have been pension adjustments changes in actuarial assumptions (surplus of £4.291m). The changes relate to a reduction in liabilities due to changing assumptions on discount rates and future salary and pension increases offset by a reduction in the return on assets.

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

- **Balance Sheet (Page 6) –** This is a snapshot of the Councils Assets, Liabilities and Reserves at the year-end date (31st March). The Council's overall net worth has increased by £13.415m mainly due to upward net movements in Property Plant and Equipment (PPE) and Investment Properties from revaluations of the Depot land surplus asset and land at Hollygate Lane, Cotgrave. There have also been transfers of Cotgrave Assets from PPE to Investment Property following completion of the regeneration work. Long Term Investments show an increase between years as Capital Programme slippage and additional receipts from S106 agreements have a positive effect on cash flow. The increase is offset by a reduction in Cash and Cash equivalents and together with the higher level of Short Term Debtors, there is a net decrease in current assets of £2.7m

  The actuarial calculations have been reassessed as at 31st March (normally December) to capture any potential impact of COVID 19 on the asset values. The accounts reflect the valuations at 31st March 2020.

The following graph shows the change in the Council's net worth over the past nine years and the positive trend in 2019/20 (continuing from 2018/19) of the increasing net worth:



Source: Balance Sheet

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

- **Notes (pages 8-46) –** these provide supporting context to the above Statements.

- **Accounting Policies (Pages 47-64) –** these explain the bases of the figures presented in the accounts.

8. Supplementary Financial Statements

- **Collection Fund (pages 65-68) –** this reflects the statutory requirement for the Council to maintain a separate account providing details of receipts of Council Tax and Business Rates and any associated payments to precepting authorities and central government. It is noted that there is now a surplus of £0.166m on the Business Rates section of the Collection Fund, as a result of increases in net rates collectable. The deficit on the Council Tax section has reduced to £0.885m.
- **Group Accounts (pages 73-79) –** according to statutory requirements the Council is required to produce Group Accounts where it has subsidiaries, joint ventures or associates. The Council has a subsidiary company: Rushcliffe Enterprises Ltd (REL), parent company for Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd, whose accounts require consolidation. The company accounts of REL have been consolidated with the Council's. Some of the key points to note are as follows:

  (a) The company made a loss of £85k which after taking into account pension adjustments is a total loss of £191k which is reflected in the Group Movement in Reserves Statement. There was a post 18/19 audit adjustment to the REL Accounts of £5k which has increased the overall movement of the group reserves to £196k; The loss this year is linked to the pension arrangements and increased liability through the year end valuation rather than company performance.
  (b) Loss before tax for REL is £101k and this is reflected in the surplus on provision of services of £2.98m in the Group Comprehensive Income and Expenditure Statement; and
  (c) The Balance Sheet changes largely reflect an increase in Fixed assets, long term creditors and pensions.

9. Summary

Like many public sector organisations the Council has, and continues to face, many significant financial challenges. Covid-19 has now presented greater challenges as highlighted above. The Council's response has been to not only develop a culture of prudence but to also deliver initiatives focusing on investment and growth in the community and this will stand the Council in good stead to meet both the operational and financial challenges it now faces.. The Council has to focus both on the immediacy of the challenge presented by Covid-19 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 has a sustainable environment.

The Council is committed to delivering the services our residents' value, economic growth and change for the Borough through the delivery of its key strategies, including the Asset Investment Strategy and Transformation Strategy. Initiatives such as the Asset Investment Strategy and the establishment of council owned companies are indicative of the innovative way the Council continues to progress and provide better value for money for taxpayers. 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
Executive Manager (Finance and Corporate Services)

30th July 2020

B. ANNUAL GOVERNANCE STATEMENT

ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 **Scope of responsibility**

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

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

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

1.2 **The purpose of the governance framework**

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

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

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2020 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 2024/25 and introduce its seventh Corporate Strategy covering the period 2019 to 2023. The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

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

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

The Council continues to work towards the delivery of its Transformation Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2024/25. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

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

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. Last year we projected a budget deficit of £0.56m for 2020/21 and due to a combination of cost control, income generation and the deferral in changes to the business rates system the Council has a balanced budget. Going forward we cannot be complacent as there are significant financial challenges that lie ahead, and these are commented on below. Over the life of the Medium-Term Financial Strategy (MTFS) there is a current forecast net deficit of £0.657m and a requirement to potentially use the Organisational Stabilisation reserve. Forecasts are subject to the anticipated delivery of the Transformation Strategy and Programme. Since the budget was formulated the unprecedented impact of Covid-19 has had a significant impact on the budget. This is commented on later but based on current projections could result in a budget deficit for 2020/21 of between £0.24m and £1.7m.

Going forward the Council will revisit the Transformation Programme and a particular issue here will be the impact of delivering the Leisure Contract savings reported to Cabinet in February 2020. Furthermore as a result of the Covid-19, the anticipated Business Rates and Fair Funding reviews have also been delayed until 2021 and revised assumptions will be included in the updated MTFS that is planned for Full Council in September 2020.

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, and commercial asset investment activity; and

(d) ‘Thinking big’ reviews – for example the continued activation of the Leisure Strategy, Depot relocation (including the future use of the site) and the crematorium project.

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

Critical to this is the Council’s approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in it’s spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub, a potential crematorium, and housing and employment at Fairham Pastures. The Council’s Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice), governing the risk of such investments individually; and collectively in relation to the Council’s other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.5m (2019/20) to £2.2m (2024/25).

2.3 The Constitution

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

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

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;
- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. Following a review of scrutiny in early 2019, the Council is now operating 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 undertaken in 2019 and a further annual review is planned for July 2020.

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 2019/20, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2019/20, the Executive Manager (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 (RSM during 2019/20). The effectiveness of this service is monitored by the Governance Scrutiny Group.
- Executive Managers 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 Executive Manager (Transformation).

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. The effectiveness of the overall risk management arrangements is monitored by the Governance Scrutiny Group throughout the year. As part of the annual review of Risk Management (September 2019), the Governance Scrutiny Group considered actions taken to review risk management arrangements, including acknowledging that the previous year's recommendations had been implemented. The 2019/20 Annual Report by Internal Audit acknowledges that the Council has an adequate and effective framework for risk management, governance and internal control with further enhancements required.

2.6 **Development and training needs**

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

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

May 2019 saw whole Council elections for Rushcliffe. To support new and returning Councillors a comprehensive induction programme was developed by the MDG and delivered by officers in the six weeks following the election. This was evaluated by the MDG and additional needs identified. These were met through a comprehensive training programme for Councillors which began in September 2019 and will run until the next election.

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

2.7 **Communication**

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council's newsletter for residents – are printed and circulated to all 48,000 households each year, and these set out details of a number of key service changes, and ask for customer feedback.

The Council has increasingly implemented the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media. The Council increased its social media presence over the last year by introducing an Instagram channel to reach a different audience with news about the Council. During 2020/21, the Council will launch an electronic newsletter to provide additional communication methods for residents. The Council also undertakes consultation to inform decisions relating to policy changes. Over the course of this year, various additional consultations were undertaken, including a large consultation to inform the future of one of the Council's community facilities, Lutterell Hall. On-going customer satisfaction surveys were undertaken by several key customer facing services such as planning, revenues and benefits and customer services. The feedback received from these exercises is used to improve services to all customers.

2.8 **Partnerships**

The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd (SEL) and car parking contracts. There are quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. Whilst Streetwise brings opportunity there is also risk in terms of how the company develops so it continues to make a financial surplus. The impact of pension accounting on its financial statements is a continuing example of some of the risks it faces. Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (chaired by the Chief Executive); and any other companies that the Council creates in the future, for example the Limited Liability Partnership (LLP) created with Public Sector Partnerships Ltd.

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 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 (formerly RSM and now BDO) and external auditors (Mazars) are published online, including their annual reports.

The Corporate Overview Group monitor performance against targets on a quarterly basis. The Council retendered its Internal Audit service during 2019/20. It's new supplier, BDO, is compliant with the requirements of the Public Sector Internal Audit Standards and has direct access to councillors and staff in order to discharge their duties.

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

3 **REVIEW OF EFFECTIVENESS**

3.1 **Introduction**

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

3.2 **The Council**

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

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

3.3 **The Cabinet**

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

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

3.4 **Scrutiny groups - Governance Scrutiny Group**

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

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

3.5 **Other Scrutiny Groups**

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

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups which were formed during 2019. The first, Communities, looks at areas that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year, scrutinised the Council's economic growth offering and development plans for the Council's old public works depot.

3.6 **Executive Managers**

Executive Managers 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, Executive Managers are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary.

3.7 **Internal Audit**

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. Following a joint procurement process with Gedling Borough Council in 2019/20, this contract was awarded to BDO until 2022/23 An Audit Strategy has been developed covering all activities of the Council at a level and frequency determined using a risk management methodology.

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

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

A detailed annual review of the effectiveness of the Council's system of internal audit is undertaken every year and reported to the Governance Scrutiny Group. As mentioned at section 2.5, the Council maintains an adequate and effective framework for risk management, governance and internal control (with enhancements required), as recognised by the Head of Internal Audit.

3.8 **External Audit**

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

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

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In their annual report for 2019/20, Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. In terms of value for money, Mazars concluded that the Authority developed a transformation strategy covering the five years up to 2022/23 which will ensure that the Authority is financially viable going forward.

4 SIGNIFICANT GOVERNANCE ISSUES

4.1 Issues Identified, including the impact of Covid-19 and proposed remedial action

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter.

In terms of delivering value for money it is recognised that delivering on-going savings remains a challenge given anticipated future funding reductions. Mitigation regarding this is covered in section 2.2 and within the Transformation Strategy. In July 2016, the Council also introduced the Asset Investment Strategy (AIS) which is subject to continued review (revised in 2017/18) and focuses on both encouraging growth and delivering a financial return.

Cabinet, at its meeting on 13 June 2017, adopted the Leisure Facilities Strategy 2017-2027. Within this strategy, Bingham Leisure Centre, as the largest and oldest of the sites assessed, is identified as requiring the most significant works in the short, medium and long term of the Council's leisure property portfolio. The cost of maintaining Bingham Leisure Centre continues to increase with each five-year period over the fifteen-year strategy. The Bingham Leisure Hub (also including business/industrial units) is now included in the Capital Programme with an overall budget of £20m. Returns will be expected in terms efficiencies with the leisure contractor and a confidential report was presented to Cabinet in February 2020 to this effect. Furthermore income from business units should accrue to help fund the anticipated £10m in future borrowing.

Whilst the tender process is continuing with regards to the Bingham Leisure Hub, Covid-19 has presented a significant operational and financial challenge to the Council. Presently there is no income in relation to leisure and the golf course but the centres still need to be maintained and overheads incurred with regards to the leisure provider. This will also impact on the Transformation Programme with delays in the level of receipts anticipated in relation to the leisure contract and also the returns from the associated Bingham offices; and therefore impact upon the net budget position going forward unless other efficiencies are identified.

Monthly Cabinet reports since May have been provided to summarise the budgetary impact of Covid-19 and a revised Medium Term Financial Strategy is being presented to Full Council in September 2020. Whilst Covid-19's impact at the end of the 2019/20 financial year was not material (other than the downward value of financial investments in excess of £1.2m, now a £0.665m reduction in value) its ongoing impact will be far and reaching. For 2020/21, at the time of writing, it is estimated around £1.9m will be required from Reserves to balance the budget. Consideration is being given to reducing the voluntary revenue provision in relation to the Arena and charging a minimum revenue provision (MRP) instead that accords with the Council's MRP Policy, based on the assets life.

Other areas effected include reductions in income in relation to planning, building control, community facilities, commercial property, treasury investments and car parking income. The regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates are being closely monitored with Council Tax currently down around 1% (£880,000) and there are currently no significant issues with business rates collection (largely due to in excess of £9m in reliefs being granted to the retail, hospitality and leisure sectors). With regards to Council Tax Nottinghamshire County Council have the largest burden to bear as the largest preceptor and this will impact on the Collection Fund deficit in future years.

The Council has included provision in the capital programme for the possibility of investing in a crematorium which was granted planning permission in 2019. A further report is planned for Cabinet in July 2020 on current progress.

One other effect of Covid-19 is that the planned reviews of Business Rates and Fair Funding have been delayed for a further year for 2021/22 implementation. The timing of the Comprehensive Spending Review remains uncertain This is important as it will determine the overall funding available to the local government sector and, ultimately, to Rushcliffe. This complex economic environment is further compounded by the uncertainty that BREXIT creates and the impact of the deal that is eventually negotiated.

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

The Medium Term Financial Strategy will be revised to take into account in particular the effect of Covid-19. The key areas of risk being income streams, Business Rates and Council Tax collection, the capital programme and its funding, delays to the anticipated national business rates and fair funding system and ultimately the position and sustainability of the Council's reserves.

Covid-19, due to the speed with which the pandemic spread and lockdown was implemented, required a number of delegated urgent and operational decisions. These were reported to Cabinet in May 2020 and in particular related to the suspension of Council meetings including Scrutiny until July, and the introduction of virtual meetings for Cabinet and Planning. Car parking fees were suspended and a number of community events cancelled. A policy for the use of Council Tax hardship fund was also introduced as more people claim Universal Credit.

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

The Cotgrave Masterplan is a significant project which demonstrates the Council's commitment to developing the community and provides affordable housing. The Council has been successful in leveraging external funding for both Bridgford Hall and the 'Growth Deal' for employment and housing sites alongside the A46. Negotiations have been ongoing with regards to the Abbey Road disposal and the development of the depot site and these are anticipated to be concluded in the summer of 2020. This will result in 76 new homes, with at least 30% affordable housing in accordance with the environmentally sustainable design code and Masterplan. These are indicative of the Council's commitment to support housing, business growth and the environment.

The Council's focus remains on 'growing the Borough'; examples in the Capital Programme include a proposed crematorium, the Bingham Leisure Hub and developing Gresham football pitches (supported by external contributions and s106 monies). The intention is that Covid-19 does not divert us from these objectives. The Council has already re-aligned its Asset Investment

Strategy (AIS) priorities particularly with regards to no longer investing outside of the Borough. However, commercial property investment still remains an important part of the Council's armoury in generating income returns and delivering employment and economic development across the Borough. One impact of Covid-19 is that any investments currently in train are being revisited.

The AIS currently identifies £1.5m in income being generated from commercial investments expected to rise to £2.2m by 2024/25. The key point is that the Council has a range of such income streams and is not overly reliant on one source of income. It manages such risks proportionately and sensibly.

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

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

- Appropriate controls are in place to prevent 'management override';
- The completeness and accuracy regarding the Council's valuation of property, plant and equipment (particularly given Covid-19 and any potential changes to property values as a result of this);
- The Local Government Pension Scheme and the risk that the data is inaccurate and the impact of these inaccuracies on the financial accounts as well as the accounting treatment of the prepayment;

Undoubtedly the main challenges for 2020/21 and the medium term now relate to the ongoing situation, and the aftermath, of Covid-19.

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

Despite the challenging economic environment the Council remains committed to reducing its carbon footprint. This year a Climate Change Reserve of £1m was established to help address the challenges identified by the Climate Change scrutiny review that was reported to Cabinet in 2020.

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

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

Based on our review of the governance framework, the following significant issues will be addressed in 2020/21:

Issue	Reporting to	Methodology	Timescale
A revised MTFS as a result of Covid-19 in September and MTFS for 2021/22	Full Council	Financial report	September 2020 and March 2021
Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 risks	Reports to EMT, Scrutiny and Cabinet	On-going financial reports	At least quarterly reporting
Monitor the delivery of the capital programme and significant projects such as the Bingham Leisure Hub	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates and Fair Funding developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting	September 2020 and March 2021

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

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

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

Signed…………………………….

K Marriott (Chief Executive)

Date 30 November 2020

Signed………………………………..

Councillor S Robinson (Leader)

Date 30 November 2020

C. INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

Opinion

We have audited the financial statements of Rushcliffe Borough Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Rushcliffe Borough Council and the Group as at 31st March 2020 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 2019/20.

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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to note 4 in the General Notes to the Accounts, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties. As disclosed in note 40 of the General Notes to the Accounts, the Council's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

• the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

• the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities of the Chief Finance Officer, the Executive Manager - 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 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Manager- Finance and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance

Officer 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.

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.

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.

Conclusion on Rushcliffe Borough Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Rushcliffe Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

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. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

David Hoose

For and on behalf of Mazars LLP

Park View House

58 The Ropewalk

Nottingham

NG1 5DW

Date:

STATEMENT OF ACCOUNTS

2019/2020

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 Executive Manager (Finance and Corporate Services).
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

THE EXECUTIVE MANAGER (FINANCE AND CORPORATE SERVICES) RESPONSIBILITIES

The Executive Manager (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 Executive Manager (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 Executive Manager (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 Executive Manager (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 2020.

CERTIFICATE

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

I hereby certify that the following Statement of Accounts gives a true and fair view of the financial position of Rushcliffe Borough Council at 31 March 2020 and its income and expenditure for the financial year ended 31 March 2020.

Peter Linfield
Executive Manager (Finance and Corporate Services)
31 August 2020

FORMAL APPROVAL

The Governance Group will consider the Final (Audited) Statement of Accounts on 24th November 2020 for approval.

D. THE FINANCIAL STATEMENTS

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR 1 APRIL 2019 TO 31 MARCH 2020

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.

2018/19					2019/20		
Gross Exp	Income	Net Exp			Gross Exp	Income	Net Exp
£'000	£'000	£'000		Note	£'000	£'000	£'000
3,232	(1,853)	1,379	Communities		3,447	(1,941)	1,506
21,448	(17,372)	4,076	Finance and Corporate		19,902	(14,845)	5,057
9,322	(4,365)	4,957	Neighbourhoods		9,629	(4,488)	5,141
4,306	(345)	3,961	Transformation		3,032	(247)	2,785
38,308	**(23,935)**	**14,373**	**Cost of Services**		**36,010**	**(21,521)**	**14,489**
		(823)	Other Operating Expenditure	6			2,374
		(602)	Financing and Investment Income and Expenditure	7			(4,896)
		(15,297)	Taxation and Non-Specific Grant Income	8			(15,049)
		(2,349)	**(Surplus)/Deficit on Provision of Services**				**(3,082)**
		(3,363)	(Surplus)/Deficit on Revaluation of Non-Current Assets				(6,042)
		0	(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets				0
		(4,902)	Actuarial (Gains)/Losses on Pension Assets / Liabilities	33			(4,291)
		0	Other Recognisable (Gains)/ Losses				0
		(8,265)	**Other Comprehensive Income and Expenditure**				**(10,333)**
		(10,614)	**Total Comprehensive Income and Expenditure**				**(13,415)**

D. THE FINANCIAL STATEMENTS

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

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

		Total Usable Reserves						
		General Fund Balance	Earmarked GF Reserves (Note 5)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 20)	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2019		**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**
Movement in Reserves during 2019/20								
Surplus/(Deficit) on the provision of services		3,082				3,082		3,082
Other Comprehensive Income and Expenditure							10,333	10,333
Other Recognisable Gains/(Losses)								0
Total Comprehensive Income and Expenditure		**3,082**	**0**	**0**	**0**	**3,082**	**10,333**	**13,415**
Adjustments between accounting basis & funding basis under regulations	(4)	(1,427)		(3,498)	122	(4,803)	4,803	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,655**	**0**	**(3,498)**	**122**	**(1,721)**	**15,136**	**13,415**
Transfers to/from Earmarked Reserves	(5)	(1,655)	1,655	0	0	0	0	0
Increase (Decrease) in year		**0**	**1,655**	**(3,498)**	**122**	**(1,721)**	**15,136**	**13,415**
Balance as at 31 March 2020 c/f		**2,604**	**13,473**	**3,538**	**220**	**19,835**	**17,030**	**36,865**

D. THE FINANCIAL STATEMENTS

MOVEMENT IN RESERVES STATEMENT (MIRS) FOR THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019

		Total Usable Reserves						
		General Fund Balance	Earmarked GF Reserves (Note 5)	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 20)	Total Reserves
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018		**2,604**	**10,532**	**8,168**	**108**	**21,412**	**(8,576)**	**12,836**
Movement in Reserves during 2018/19								
Surplus/(Deficit) on the provision of services		2,349	0	0	0	2,349	0	2,349
Other Comprehensive Income and Expenditure		0	0	0	0	0	8,265	8,265
Other Recognisable Gains/(Losses)		0	0	0	0	0	0	0
Total Comprehensive Income and Expenditure		**2,349**	**0**	**0**	**0**	**2,349**	**8,265**	**10,614**
Adjustments between accounting basis & funding basis under regulations	(4)	(1,039)	0	(1,132)	(10)	(2,181)	2,181	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves		**1,310**	**0**	**(1,132)**	**(10)**	**168**	**10,446**	**10,614**
Transfers to/from Earmarked Reserves	(5)	(1,310)	1,286	0	0	(24)	24	0
Increase (Decrease) in year		**0**	**1,286**	**(1,132)**	**(10)**	**144**	**10,470**	**10,614**
Balance as at 31 March 2019 c/f		**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**

D. THE FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 MARCH 2020

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

31 Mar 2019 £'000		Note	31 Mar 2020 £'000
44,187	Property, Plant and Equipment	9	47,878
67	Heritage Assets		91
16,989	Investment Property	10	25,772
133	Intangible Assets	11	151
4,145	Long Term Investments	13	11,907
2,613	Long Term Debtors	13,14	2,861
68,134	**Long Term Assets**		**88,660**
14,000	Short Term Investments		15,000
0	Assets Held for Sale		0
34	Inventories		1
4,250	Short Term Debtors	14	7,301
11,835	Cash and Cash Equivalents	16	5,162
30,119	**Current Assets**		**27,464**
0	Short Term Borrowing	13	0
(5,407)	Short Term Creditors	17	(8,970)
0	Short Term Provisions	18	0
(5,407)	**Current Liabilities**		**(8,970)**
(1,940)	Long Term Provisions	18	(1,950)
(15,178)	Capital Grant Receipts in Advance	13,28	(17,592)
(52,278)	Pension Liabilities	33	(50,747)
(69,396)	**Long Term Liabilities**		**(70,289)**
23,450	**Net Assets**		**36,865**
7,036	Usable Capital Receipts Reserve	MIRS	3,538
2,604	General Fund Balance	MIRS	2,604
11,818	Earmarked Reserves	5	13,473
98	Capital Grants Unapplied	MIRS	220
21,556	**Usable Reserves**	MIRS	**19,835**
1,894	**Unusable Reserves**	20	**17,030**
23,450	**Total Reserves**		**36,865**

D. THE FINANCIAL STATEMENTS

CASH FLOW STATEMENT AS AT 31 MARCH 2020 (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 2019 £'000		Note	31 Mar 2020 £'000
(2,349)	Net (surplus) or deficit on the provision of services		(3,082)
(5,853)	Adjustments to net surplus or deficit on the provision of services for non - cash movements		(2,296)
4,580	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,993
(3,622)	**Net cash flow from Operating Activities**	21	**(3,385)**
9,379	Investing Activities	22	10,799
523	Financing Activities	23	(741)
6,280	**Net (increase) or decrease in cash and cash equivalents**	16	**6,673**
(18,115)	Cash and cash equivalents as at 1 April	16	(11,835)
(11,835)	**Cash and cash equivalents as at 31 March**	16	**(5,162)**

D. THE FINANCIAL STATEMENTS

1. EXPENDITURE AND FUNDING ANALYSIS AND NOTES FOR THE YEAR 1 APRIL 2019 TO 31 MARCH 2020

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.

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 3)	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund	Adjustments between the Funding and Accounting Basis (Note 4)	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
1,017	362	1,379	Communities	1,032	474	1,506
3,351	725	4,076	Finance and Corporate	4,552	505	5,057
3,421	1,536	4,957	Neighbourhoods	3,769	1,372	5,141
3,338	623	3,961	Transformation	2,505	280	2,785
11,127	**3,246**	**14,373**	**Net Cost of Services**	**11,858**	**2,631**	**14,489**
(12,437)	(4,285)	(16,722)	Other Income and Expenditure	(13,513)	(4,058)	**(17,571)**
(1,310)	**(1,039)**	**(2,349)**	**(Surplus) or Deficit**	**(1,655)**	**(1,427)**	**(3,082)**
2,604			Opening General Fund Balance	2,604		
			Impairment losses on Non-Current Assets charged to Revaluation Reserve			
1,310			Surplus/(Deficit) on General Fund in Year	1,655		
(1,310)			Transfer (to)/from Earmarked Reserves	**(1,655)**		
2,604			**Closing General Fund Balance at 31 March**	**2,604**		

E. NOTES TO THE ACCOUNTS

1. NOTES TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2018/19 Adjustments between Funding & Accounting Basis				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1a)**	**Net change for the Pensions Adjustments (Note 1b)**	**Other Differences (Note 1c)**	**Total Adjustments**
Communities	336	26	0	362
Finance & Corporate Services	20	705	0	725
Neighbourhoods	1,494	42	0	1,536
Transformation	594	29	0	623
Net Cost of Service	**2,444**	**802**	**0**	**3,246**
Other income & expenditure from the Expenditure & Funding Analysis	(5,617)	1,360	(28)	(4,285)
General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on on the Provision of Services	**(3,173)**	**2,162**	**(28)**	**(1,039)**

Note 1a Adjustments for Capital Purposes

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

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

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

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

Note 1b Net Change for the Pensions Adjustments

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

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

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

Note 1c Other Differences

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

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

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

2. INCOME AND EXPENDITURE ANALYSED BY NATURE

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

2018/19 £'000		2019/20 £'000
	Expenditure	
8,837	Employee Benefit Expenses	9,390
27,615	Other Services Expenses	24,991
2,153	Depreciation, amortisation, impairment	2,081
1,360	Interest Payments (Pensions)	1,244
2,093	Precepts and Levies	2,166
(3,164)	(Gain)/loss on the Disposal of Assets	58
	Income	
(6,182)	Fees, Charges and Other Service Income	(7,736)
(22,311)	Government Grants and Contributions	(18,992)
(10,923)	Income from Council Tax, NDR	(11,495)
(46)	Gain recognised from changes in fair value of properties	(5,381)
(1,781)	Interest and Investment Income	592
(2,349)	**(Surplus)/Deficit on Provision of Services**	**(3,082)**

3. SEGMENTAL INCOME

Income received on a segmental basis is analysed as follows:

2018/19 £'000		2019/20 £'000
	Services	
(1,729)	Communities	(1,827)
(207)	Finance and Corporate	(192)
(3,132)	Neighbourhoods	(3,228)
(136)	Transformation	(183)
(5,204)	**Total Income analysed on a segmental basis**	**(5,430)**

4. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2018-19					2019-20			
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:				
(2,218)	0	0	2,218	Charges for depreciation and impairment of non-current assets	(2,008)	0	0	2,008
135	0	0	(135)	Revaluation losses on Property Plant and Equipment	(14)	0	0	14
0	0	0	0	Revaluation losses on Heritage Assets	0	0	0	0
46	0	0	(46)	Movements in the market value of Investment Properties	5,381	0	0	(5,381)
(70)	0	0	70	Amortisation of intangible assets	(59)	0	0	59
650	0	0	(650)	Capital grants and contributions applied	502	0		(502)
0	0	0	0	Income in relation of Donated Assets	0	0	0	0
(860)	0	0	860	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(838)	0	0	838
(221)	0	0	221	Amounts of Non Current Assets written off on disposal or sale as part of the gain/loss on disposal to the CI&ES	(1,620)	0	0	1,620
				Insertion of items not debited or credited to the CIES:				
1,000	0	0	(1,000)	Statutory provision for the financing of capital investment	1,000	0	0	(1,000)
131	0	0	(131)	Capital expenditure charged against the General Fund	54	0	0	(54)
Adjustments primarily involving the Capital Grants Unapplied Account:								
1,202	0	(1,202)	0	Capital grants and contributions unapplied credited to the CI&ES	431	0	(431)	0
0	0	1,212	(1,212)	Application of grants to capital financing transferred to the CAA	0	0	309	(309)
Adjustments primarily involving the Capital Receipts Reserve:								
3,378	(3,568)	0	190	Transfer of cash sale proceeds credited as part of gain/loss on disposal to the CIES	1,562	(1,694)	0	132
0	4,754	0	(4,754)	Capital Receipts applied	0	5,197	0	(5,197)
0	(54)	0	54	Transfer (from)/to the Deferred Capital Receipts Reserve upon receipt of cash	0	(5)	0	5
Adjustments primarily involving the Financial Instruments Adjustment Account:								
30	0	0	(30)	Amount by which finance costs charged to the CI&ES are different from statutory requirements	0	0	0	0
Adjustments primarily involving the Pensions Reserve:								
(4,338)	0	0	4,338	Reversal of items relating to retirement benefits debited or credited to the CI&ES (Note 45)	(3,944)	0	0	3,944
2,176	0	0	(2,176)	Employer's pensions contributions and direct payments to pensioners payable in the year	2,348	0	0	(2,348)
Adjustments primarily involving the Collection Fund Adjustment Account:								
(2)	0	0	2	Amount by which council tax & business rate income credited to the CI&ES is different from statutory requirements	(130)	0	0	130
Adjustments primarily involving the Accumulated Absences Account:								
0	0	0	0	Amount by which officer remuneration charged to the CI&ES on an accruals basis is different from statutory requirements	0	0	0	0
Adjustments primarily involving the Pooled Fund Investment Account:								
				Downward revaluation of value of investments not charged to the Surplus/Deficit on the Provision of Services	(1,238)	0	0	1,238
1,039	**1,132**	**10**	**(2,181)**	**Total Adjustments**	**1,427**	**3,498**	**(122)**	**(4,803)**

5. TRANSFERS TO/(FROM) EARMARKED RESERVES

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

	Balance at 1st April 2019 £'000	Additions in Year £'000	Used in Year £'000	Balance at 31 March 2020 £'000
Investment Reserves				
Regeneration and Community Projects	1,690	152	(48)	1,794
Council Assets and Service Delivery	274	0	0	274
Local Area Agreement	122	0	(122)	0
Investment Properties	123	54	(11)	166
New Homes Bonus	6,587	1,641	(1,042)	7,186
Invest to Save	150	0	0	150
Corporate Reserves				
Organisation Stabilisation Reserve	1,784	1,251	(1,157)	1,878
Climate Change	0	1,000	0	1,000
Development Corporation	0	100	0	100
Risk and Insurance	100	0	0	100
Planning Appeals	350	0	0	350
Elections	202	0	(152)	50
Operating Reserves				
Planning	220	0	(11)	209
Leisure Centre Maintenance	116	0	0	116
Planned Maintenance	100	0	0	100
Total	**11,818**	**4,198**	**(2,543)**	**13,473**

INVESTMENT RESERVES

Regeneration and Community Projects – to provide funding to support capital improvement projects across the Borough.

Council Assets and Service Delivery – to provide funding to support improvements and optimum rationalisation of council owned assets and facilitate the implementation of innovative service delivery models.

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

Investment Properties – to fund improvements

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

Invest to Save – to fund projects that generate future savings.

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

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

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

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

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

OPERATING RESERVES

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

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

Planned Maintenance – to provide funding for potential higher value repairs and maintenance of existing buildings and land.

6. OTHER OPERATING EXPENDITURE

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

2018/19 £'000		2019/20 £'000
2,093	Parish Council Precepts	2,166
248	Internal Drainage Board Levies	260
(3,164)	(Gain) or Loss on the disposal of non-current assets	(52)
(823)	**TOTAL**	**2,374**

7. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

2018/19 £'000		2019/20 £'000
0	Interest payable and similar charges	0
1,360	Net Interest on the net defined benefit liability (asset)	1,244
(25)	Movement in the value of property/diversified income	1,238
(378)	Interest receivable and similar income	(638)
(1,559)	Income, expenditure and changes in the fair values of investment properties	(6,740)
(602)	**TOTAL**	**(4,896)**

8. TAXATION AND NON SPECIFIC GRANT INCOME AND EXPENDITURE

The composition of the Taxation and Non Specific Grant Income line in the Comprehensive Income and Expenditure Statement is detailed below:

2018/19 £'000		2019/20 £'000
(8,349)	Council tax income	(8,812)
(4,122)	Business Rates income	(4,105)
	Non-ring-fenced government grants:	
(130)	Revenue Support Grant	0
(1,364)	New Homes Bonus	(1,621)
(130)	Other Non Specific Grant	(202)
(1,202)	Capital grants and contributions (Note 28)	(309)
(15,297)	**TOTAL**	**(15,049)**

9. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances 2019/2020

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

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

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Movements on Balances 2018/2019

	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	TOTAL
Cost or Valuation						
At 1 April 2018	**28,650**	**12,018**	**2,916**	**329**	**2,760**	**46,673**
Additions	1,053	472	803	0	1,022	3,350
Revaluation (+/-) recognised in the Revaluation Reserve	2,114	24	(35)	0	0	2,103
Revaluation (+/-) recognised in the Surplus/Deficit on Provision of Services	123	0	12	0	0	135
Derecognition - Disposals	0	(295)	1	0	0	(294)
Transfers	2,377	0	123	0	(2,495)	5
At 31 March 2019	**34,317**	**12,219**	**3,820**	**329**	**1,287**	**51,972**
Accumulated Depreciation or Impairment						
At 1 April 2018	**(585)**	**(5,191)**	**(1,337)**	**0**	**0**	**(7,113)**
Depreciation charge	(919)	(1,164)	(135)	0	0	(2,218)
Depreciation written out to the Revaluation Reserve	952	219	88	0	0	1,259
Depreciation written out to the Surplus/Deficit on Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	0	287	0	0	0	287
Depreciation transfer	0	0	0	0	0	0
At 31 March 2019	**(552)**	**(5,849)**	**(1,384)**	**0**	**0**	**(7,785)**
Net Book Value at 31 March 2019	**33,765**	**6,370**	**2,436**	**329**	**1,287**	**44,187**
Net Book Value at 31 March 2018	**28,065**	**6,827**	**1,579**	**329**	**2,760**	**39,560**

9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation

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

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

Capital Commitments

At 31 March 2020, the Council was committed to works totalling £3.6m for the acquisition, construction, and enhancement of Property, Plant and Equipment, and Investment Property in 2020/21. Significant items of contract and other costs comprise: an acquisition under the Investment Strategy £2.5m; Design fees and professional costs associated with Bingham Hub £417k; Approved Disabled Facilities Grants £251k; and the purchase of a Refuse Freighter £182k.

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 Executive Manager Transformation, Leanne Baines MRICS. An impairment review is carried out annually on the Land and Buildings portfolio. Due to Covid 19 there is some risk surrounding property valuations and this is explained further at Note 40 (e).

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

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

	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastrucutre Asset £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Carried at Historical Cost	171	7,308	5,709	329	0	2,326	15,843
Valued at fair value as at:							
31 March 2018	2,205	0	0	0	0	0	2,205
31 March 2019	1,338	0	0	0	0	0	1,338
31 March 2020	30,263	0	0	0	4,585	0	34,848
Total Cost of Valuation	**33,977**	**7,308**	**5,709**	**329**	**4,585**	**2,326**	**54,234**

10. INVESTMENT PROPERTIES

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

2018/19 £'000		2019/20 £'000
1,366	Rental Income from Investment Property	1,461
(129)	Direct Operating Expenses arising from Investment Property	(197)
1,237	**Net Gain/(Loss)**	**1,264**

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 earmarked £4.554m for the acquisition of 2 significant Business Park units in the Borough under the Asset Investment Strategy and is contractually obliged to acquire one of these units at a cost of £2.5m. Completion of these is expected in 2020/21.

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 2019/20 and 2018/19 (re-analysed for enhancements).

2018/19 £'000		2019/20 £'000
14,544	Balance at 1 April 2018	16,989
2,337	Additions - Acquisitions (Purchase and Construction)	15
67	Enhancements	68
0	Disposals	(110)
46	Net Gains/(Losses) from fair value adjustments	5,381
0	Write back depreciation/impairment on revaluations	(73)
(5)	Transfers to/from Property, Plant and Equipment	3,502
16,989		**25,772**

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

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

11. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.059m in 2019/20 (£0.07m 2018/19) was charged to the Information Technology cost centre within Transformation Service Area.

Movements on Intangible Fixed Assets

2018/19 £'000		2019/20 £'000
	Balance at start of year	
279	Gross carrying amount	325
(122)	Accumulated amortisation	(192)
157	**Net carrying amount at start of year**	133
46	**Purchases**	77
0	**Disposals**	(5)
	Amortisation	
(70)	Amortisation for the period	(59)
0	Amortisation on disposals	5
133	**Net carrying amount at end of year**	151
	Comprising:	
325	Gross carrying amounts	397
(192)	Accumulated amortisation	(246)
133	**Balance Sheet amount at 31 March 2020**	151

12. ASSETS HELD FOR SALE

In accordance with IFRS 5, Property, Plant, and Equipment (PPE) assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. 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. At the Balance Sheet date, the Council held one investment property for sale (agreed subject to contract). In addition, one PPE asset has been declared surplus and a sale agreed, but it did not fulfil the criteria to be categorised as an asset held for sale. In the event that both sales go through in 2020/21, capital receipts in the region of £12m will be generated.

13. FINANCIAL INSTRUMENTS

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

Long-Term 31-Mar-19	Current 31-Mar-19		Long-Term 31-Mar-20	Current 31-Mar-20
£000	£000		£000	£000
		Investments		
	25,835	Loans and Receivables		20,162
2,147		CCLA Property	2,071	
995		CCLA Diversified	1,780	
1,003		Enhanced Cash Plus	991	
0		Kames	3,358	
0		Investec	3,707	
4,145	**25,835**	**Total Investments**	**11,907**	**20,162**
		Debtors		
2,613	3,471	Loans and Receivables	2,861	6,838
2,613	**3,471**	**Total Debtors**	**2,861**	**6,838**
		Borrowings		
0	0	Financial Liabilities at Amortised Cost	0	0
0	**0**	**Total Borrowing**	**0**	**0**
		Creditors		
15,178	2,987	Financial Liabilities at Amortised Cost	17,592	6,140
15,178	**2,987**	**Total Creditors**	**17,592**	**6,140**

Valuation Assumptions

Investments held at 31 March 2020 amounted to £32.07m, consisting of £15m of fixed term investments where the instrument carries the same interest rate for the whole term, £12.12m of deposits in the Money Market and Call Account funds where, in general, the rate only alters with movements in the Bank rate, and £4.15m in a fund which is valued at the bid price for the shares which the Council holds. No formal calculation of the effective interest rate (EIR) is necessary, and the carrying amount is a reasonable approximation of the fair value.

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

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

14. DEBTORS

2018/19 (Restated)			2019/20	
Short Term £'000	Long Term £'000		Short Term £'000	Long Term £'000
986	0	Trade	1,759	0
214	0	Prepayment	90	0
3,050	2,613	Other	5,452	2,861
4,250	**2,613**	**TOTAL DEBTORS**	**7,301**	**2,861**

15. DEBTORS FOR LOCAL TAXATION

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

2018/19 £'000		2019/20 £'000
346	Council Tax	355
202	Non-Domestic Rates	275
548	**TOTAL DEBTORS FOR LOCAL TAXATION**	**630**

16. CASH AND CASH EQUIVALENTS

2018/19 £'000		2019/20 £'000
1	Cash Held by the Council	1
(282)	Bank Current Accounts	(3,023)
12,116	Short Term Deposits	8,184
11,835	**TOTAL CASH & CASH EQUIVALENTS**	**5,162**

17. CREDITORS

2018/19 (Restated) £'000		2019/20 £'000
2,514	Trade	3,688
2,893	Other	5,282
5,407		**8,970**

18. PROVISIONS

	Leaseholder Deposits £'000	NDR Appeals £'000	Streetwise pension £'000	TOTAL £'000
Balance at 1 April 2019	**75**	**1,282**	**583**	**1,940**
Additional provisions made in year	22	900	0	922
Amount utilised/reduction in year	(12)	(360)	0	(372)
Amount transferred to major preceptors in year	0	(540)	0	(540)
Balance at 31 March 2020	**85**	**1,282**	**583**	**1,950**

NDR Appeals

This provision sets aside sums for the Council's element of anticipated appeals that may arise in respect of Business Rates. The full liability is expected to be approximately £3.2 million, but the difference is to be met by major preceptors - Central Government (50%), Notts County Council (9%) and Fire Authority (1%).

19. USABLE RESERVES

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

20. UNUSABLE RESERVES

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
12,214	Revaluation Reserve	17,220
43,376	Capital Adjustment Account	52,184
0	Financial Instruments Adjustment Account	0
(54,025)	Pension Reserve	(51,330)
24	Deferred Capital Receipts	19
214	Collection Fund Adjustment Account	84
(54)	Accumulated Absences Account	(54)
145	Pooled Funds Adjustment Account	(1,093)
1,894		**17,030**

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.

20. UNUSABLE RESERVES CONTINUED – Revaluation Reserve

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
8,972	**Balance at 1 April**	**12,213**
5,220	Upward revaluation of assets	6,492
(1,857)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(450)
12,335	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**18,255**
(121)	Difference between fair value depreciation and historical cost depreciation	(706)
0	Accumulated gains on assets sold or scrapped	(329)
(121)	**Amount written off to the Capital Adjustment Account**	**(1,035)**
12,213	**Balance at 31 March**	**17,220**

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.

20. UNUSABLE RESERVES CONTINUED – Capital Adjustment Account

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
38,886	**Balance at 1 April**	**43,376**
	<u>Reversal of items relating to capital expenditure debited or credited to the CIES:</u>	
(2,218)	Charges for depreciation and impairment of non-current assets	(2,008)
135	Revaluation losses on Property, Plant and Equipment	(14)
(70)	Amortisation of intangible assets	(59)
(860)	Revenue expenditure funded from capital under statute (net of Grants and Contributions)	(838)
(221)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(1,620)
121	Adjusting amounts written out of the Revaluation Reserve	1,035
(190)	Write down Long-term Debtors	(131)
(3,303)	Net written out amount of the cost of non-current assets consumed in the year	**(3,635)**
	<u>Capital financing applied in the year:</u>	
4,754	Use of Capital Receipts to finance new capital expenditure	5,197
650	Capital grants and contributions credited to the CIES that have been applied to capital financing	502
1,212	Application of grants to capital financing from the Capital Grants Unapplied Account	309
1,000	Statutory provision for the financing of capital investment charged against the General Fund	1,000
131	Capital expenditure charged against the General Fund	54
7,747		**7,062**
46	Movements in the market value of Investment Properties debited or credited to the CIES	5,381
0	Movement in the Donated Assets Account credited to the CIES	0
46		**5,381**
43,376	**Balance at 31 March**	**52,184**

20. UNUSABLE RESERVES CONTINUED

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory requirements. As these differences were no longer material the Council unwound the balance in 2018/19 and therefore the balance in 2019/20 is nil.

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
(30)	**Balance at 1 April**	**0**
30	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0
0	**Balance at 31 March**	**0**

Pensions Reserve

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

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
(56,765)	**Balance at 1 April**	**(54,025)**
4,902	Remeasurement of the net defined benefit liability/(asset)	4,291
(4,338)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(3,944)
2,176	Employer's pensions contributions and direct payments to pensioners payable in the year	2,348
(54,025)	**Balance at 31 March**	**(51,330)**

20. UNUSABLE RESERVES CONTINUED

Deferred Capital Receipts Reserve

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

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
78	**Balance at 1 April**	**24**
(54)	Transfer to the Capital Receipts Reserve on receipt of cash	(5)
24	**Balance at 31 March**	**19**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising between the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
216	**Balance at 1 April**	**214**
(2)	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	(130)
214		**84**

20. UNUSEABLE RESERVES CONTINUED

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 2019/20.

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
(54)	**Balance at 1 April**	**(54)**
(54)	**Balance at 31 March**	**(54)**

Pooled Funds Adjustment Account

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

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

Statutory Override on pooled investments
The Council holds £4.145m of pooled investments. The Council is using the temporary statutory override agreed by MHCLG (5 years commencing from April 2018) to account for any changes in the fair value on its pooled investments.

Balance at 1 April 2019 £'000		Balance at 31 March 2020 £'000
121	**Balance at 1 April**	**145**
32	Upward Revaluation of Investments	0
(8)	Downward Revaluation of Investments	(1,238)
0	Change in Impairment Loss Allowances	0
145		**(1,093)**
0	Accumlated gains or losses on assets sold and maturing assets written out to the CIES as part of Other Investment Income	0
145	**Balance at 31 March**	**(1,093)**

21. CASHFLOW STATEMENT – OPERATING ACTIVITIES

2018/19 £'000		2019/20 £'000
(2,349)	**Net (Surplus) or Deficit on the Provision of Services**	**(3,082)**
	Adjust for Non-Cash Movements	
(2,218)	Depreciation	(2,007)
134	Impairment and downward valuations	(14)
(70)	Amortisation	(59)
28	(Increase)/decrease in impairment for bad debts	(105)
(851)	Increase/(decrease) in creditors	(3,270)
603	Increase/(decrease) in debtors	3,440
23	Increase/(decrease) in inventories	(33)
(3,326)	Movement in pension liability	(2,760)
(221)	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	(1,622)
(26)	Movement in Provisions	(10)
71	Other non-cash items charged to the net surplus or deficit on the provision of services	4,144
(5,853)	**Net surplus/(deficit) on provision of services for non cash movements**	**(2,296)**
	Adjust Net Surplus or Deficit for items that are Investing or Financing Activities	
0	Proceeds from short term and long term investments	0
1,202	Capital Grants credited to the Surplus/Deficit on Provision of Services	431
3378	Proceeds from sale of property, plant and equipment, investment property and intangible assets	1,562
4,580	**Net surplus/(deficit) on provision of services for Investing & Financing activities**	**1,993**
(3,622)	**Net Cashflows from Operating Activities**	**(3,385)**

The cash flows for operating activities include the following items:

2018/19 £'000		2019/20 £'000
(257)	Interest received	(248)
(125)	Dividends received	(330)
(382)	**TOTAL**	**(578)**

22. CASHFLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £'000		2019/20 £'000
6,018	Purchase of property, plant and equipment, investment property and intangible assets	4,885
17,000	Purchase of short-term and long- term investments	29,040
6,114	Other payments for investing activities	1,144
(781)	Proceeds from sale of property, plant equipment, investment property and intangible assets	(1,570)
(5,002)	Proceeds from short-term and long-term investments	(19,040)
(11,735)	Capital Grants Received (Government)	(3,518)
(2,235)	Other receipts from investing activities	(142)
9,379	**Net cash flow from investing activities**	**10,799**

23. CASHFLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £'000		2019/20 £'000
0	Repayments of short and long-term borrowing	0
523	Other payments for financing activities	(741)
523	**Net cash flow from Financing activities**	**(741)**

24. MEMBERS' ALLOWANCES

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

2018/19 £'000		2019/20 £'000
233	Basic Allowances	241
79	Special Responsibility Allowances	96
5	Other Expenses	6
317	**TOTAL EXPENDITURE**	**343**

25. OFFICERS' REMUNERATION

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

Post Title	Year	Salary, Fees & Allowances £	Compensation for loss of office £	Pension Contribution £	TOTAL £
Chief Executive (from July 2019)	**2019/20**	84,652		12,076	96,728
Chief Executive (April to June 2019)	**2019/20**	39,081	30,607	4,481	74,169
	2018/19	123,319		17,573	140,892
Executive Manager - Finance & Corporate Services	**2019/20**	88,103		12,806	100,909
	2018/19	84,620		12,310	96,930
Executive Manager - Neighbourhoods	**2019/20**	85,363		12,409	97,772
	2018/19	82,228		11,921	94,149
Executive Manager - Communities	**2019/20**	85,472		12,409	97,881
	2018/19	82,495		11,921	94,416
Executive Manager - Transformation (from July 2019)	**2019/20**	62,460		9,119	71,579
Executive Manager - Transformation (April to June 2019)	**2019/20**	22,765		3,289	26,054
	2018/19	88,725		12,896	101,621
Borough Solicitor and Monitoring Officer	**2019/20**	57,069		8,329	65,398
	2018/19	0		0	0
Chief Information Officer*	**2019/20**	53,947		7,584	61,531
	2018/19	81,982		11,921	93,903

*Post holder left during 2019/20. Responsibilities incorporated into other roles.

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

Number of Employees 2018/19	Remuneration Band	Number of Employees 2019/20
1	£50,000 - £54,999	1
4	£55,000 - £59,999	4
0	£60,000 - £84,999	0

26. 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 2019/20 are set out in the table below.

The Council terminated no contracts in 2018/19.

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

27. EXTERNAL AUDIT COSTS

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

2018/19 £'000		2019/20 £'000
32	Fees payable with regard to external audit services carried out by the appointed auditor (Mazars)	32
0	PSAA rebate in respect of 18-19 charges	(4)
2	Fees payable in respect of other services provided during the year (Cabinet Office)	0
2	Fees payable for the certification of grant claims and returns (KPMG)	8
36	**TOTAL**	**36**

28. GRANT INCOME

The Council credited the following capital grants, contributions and donations to the Taxation and Non-Specific Grant Income line (Note 8) in the Comprehensive Income and Expenditure Statement in 2019/20 and 2018/19.

2018/19 £'000		2019/20 £'000
0	Land Release Grant	300
0	Public Estates Grant Depot	9
989	Cotgrave Town Centre - Economic Development	0
63	S106 Arena Cyclepath	0
150	The Hook Skatepark Grants	0
1,202	**TOTAL**	**309**

28. GRANT INCOME CONTINUED

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

2018/19 £'000		2019/20 £'000
111	MHCLG - NDR Cost of Collection	112
0	DEFRA - Flood Relief	75
67	Nottinghamshire County Council - Leisure Centres	193
16,736	DWP - Housing Benefit Subsidy and Council Tax Rebates	14,191
181	DWP - Housing Benefit Administration	164
76	DWP - Council Tax Administration	73
104	MHCLG - Homelessness Support Grant	97
650	MHCLG - Disabled Facilities Grant (REFCUS)	613
17,925	**TOTAL**	**15,518**

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:

2018/19 £'000		2019/20 £'000
14,878	S106 Planning Agreements	17,592
	Other Grants:	
300	Land Release Fund - Depot	0
15,178	**TOTAL**	**17,592**

29. RELATED PARTIES

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

Central Government

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

Members

Members of the Council have direct control over the Council's financial and operating policies. The total members allowances paid in 2019/20 are shown in Note 24. The Members could potentially have a material related party transaction with the Council. During 2019/20 the Council, in accordance with the National Code of Local Government Conduct, maintained a register of pecuniary and non-pecuniary interest disclosed by members. This register has been reviewed and was found to contain nothing that would suggest a material related party transaction occurred.

Officers

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

Other Public Bodies

The Council has determined that material transactions have occurred in 2019/20 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 £2.166m and Internal Drainage Board levies of £0.260m are disclosed in Note 6 to the Comprehensive Income and Expenditure Statement.

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

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

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

Entities Controlled or Significantly Influenced by the Council

The Council controls Rushcliffe Enterprises LTD (and companies under its control namely Streetwise Environmental LTD) through its ownership and 100% shares in the company. The Declaration of Related Party Transactions returns detailed that David Mitchell, Executive Manager - Communities, is a Non- Executive Director and Chairman of Streetwise Environmental Limited (see Group Accounts section). He fulfils this role on behalf of the Council and receives a non-material payment for his Director role. He does not hold any shares.

The Council purchased street cleansing and grounds maintenance services from the company in 2019/20 to the value of £1.77m and has provided a loan of £400k for the acquisition of vehicles and £15k for premises upgrade works. Respectively the loans are repayable quarterly over 5 years interest at 4.25% and quarterly over 3 years interest at 2.06%.

30. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

2018/19 £'000		2019/20 £'000
9,300	**Opening Capital Financing Requirement**	**8,300**
	Capital Investment:	
3,350	Property, Plant & Equipment	4,610
0	Heritage Assets	24
2,404	Investment Properties	83
46	Intangible Assets	77
87	Loans to Other Organisations	430
860	Revenue Expenditure Funded from Capital Under Statute	838
	Sources of Finance:	
(4,754)	Capital Receipts	(5,197)
(1,862)	Government Grants & Other Contributions	(811)
(131)	Direct Revenue Contributions	(54)
(1,000)	Minimum Revenue Provision	(1,000)
8,300	**Closing Capital Financing Requirement**	**7,300**
	Explanation of movements in year	
(1,000)	Increase/(decrease) in the underlying need to borrow (unsupported by Government financial assistance)	(1,000)

31. LEASES

Council as a Lessor

Finance Leases

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

Operating Leases

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

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

2018/19 £'000		2019/20 £'000
1,309	Not later than one year	1,417
3,727	Later than one year and not later than five years	4,586
2,842	Later than five years	3,567
7,878	**TOTAL**	**9,570**

Council as a Lessee

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

2018/19 £'000		2019/20 £'000
0	Not later than one year	178
0	Later than one year and not later than five years	565
0	Later than five years	150
0	**TOTAL**	**893**

32. IMPAIRMENT LOSSES

Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and reversals charged to the surplus or deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Note 9 reconciling the movement over the year in the Property, Plant and Equipment balances.

The impairment review carried out at 31.03.2020 identified no material impairment to any of the Council's assets. The start of the Covid 19 Pandemic coincided with the final 2 weeks of the valuation period, providing a set of circumstances not previously encountered. No further factual valuation evidence was available as at the valuation date to take account of the possible effects of the Covid Pandemic. Upon this basis, there is not considered to be an impairment of assets at 31 March 2020. The 2019/20 asset valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case. Given the unprecedented economic situation at the Balance Sheet date, the Council will undertake an additional Impairment Review in August 2020.

The revaluation exercise for 2019/20 gave rise to a net revaluation gain of £11.409m. Of this, £6.042m was charged to the Revaluation Reserve (Note 20); £5.381m arises from the movement in Fair Value of Investment Property (Note 10); and a net debit of £14k was charged to the surplus and deficit on the provision of services to reflect small revaluation movements on 2 assets.

The main elements of the sum charged to the Revaluation Reserve comprise revaluation of a surplus asset by £4m, this relates to operational land in West Bridgford which has been made available for housing re-development. Two car parks in West Bridgford have been revalued upward by £1.5m based on income and costs.

The main movements in Investment Property Fair Value arise from one asset now held for sale £7m offset by the revised valuation of Cotgrave Multi-Service Centre to reflect the Council's remaining investment interest in this asset.

The net debit of £14k charged to the surplus and deficit on the provision of services relates to 2 assets: A downward valuation of Gresham Playing Fields Land £32k, and a reversal of a previously recognised revaluation loss of £18k for Hound Road Hostel. In 2018/19 the comparative figure was £135k arising from 7 assets.

33. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in two post-employment schemes:

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

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

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

The results of the 2019 Triennial Valuation identified the repayments required to eliminate the deficit in the fund was £2.753m spread over 3 years. The Council took the option to pre-pay the 3 year deficit and in doing so saved £203k.

The principal risks to the Council of the scheme are:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.
- In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

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

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

Transactions relating to retirement benefits

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

- The liabilities of the fund are valued using a discount rate based on market yields on high quality corporate bonds and the method used is Single Equivalent Discount Rate (SEDR). Inflation assumptions affect the rate at which benefits increase and therefore the value of future liabilities. The method used to estimate inflation is the Single Equivalent Inflation Rate (SEIR), further adjusted to reflect the expectation that pension increases will be based on CPI. (Consumer Prices Index)
- Asset performance has been volatile over the period to 31 March 2020, particularly in recent months as a result of the current COVID-19 crisis. Based on market indices, and the asset allocation outlined above, a typical LGPS Fund might have achieved a return of around -2% for the year. However, given the level of volatility seen in the markets, this could vary considerably depending on each Fund's investment strategy.
- McCloud and Sargeant Judgements

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

Re-measurement of net defined benefit liability

The actuarial (gains)/losses on pensions assets/liabilities line in the CIES shows a net reduction in pension liability of £1.53m. The changes in actuarial assumptions are detailed below:

- Return on Plan Assets - the actuary's estimation on return has decreased from 8% in 2018/19 to -7% in 2019/20 ***increasing*** the pension liability by £5.829m.

- Demographic assumptions –, based on the CMI 2018 model released in March 2019, this actuarial calculation / adjustment resulted in a ***reduction*** in the pension liability of £1.796m.

- Financial Assumptions – A decrease in the discount rate used by the actuary along with the assumed future salary and pension increases being lower than previous years have led to a ***reduction*** in liability of £10.398m.

- Other Actuarial gains / losses & experience items have led to an increase in the pension liability of £2.07m

2018/19 £'000	Local Government Pension Scheme	2019/20 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
2,310	Current Service Cost	2,464
26	Administration Expenses	26
0	Past Service Gain	0
642	Settlements and Curtailments	210
	Financing and Investment Income and Expenditure	
1,360	Net Interest Expense	1,244
4,338	**Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services**	**3,944**
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(3,657)	Return on plan assets (excluding the amount included in the net interest expense)	5,829
(6,514)	Actuarial (Gains) and Losses arising on changes in demographic assumptions	(1,796)
5,269	Actuarial (Gains) and Losses arising on changes in financial assumptions	(10,398)
	Other Actuarial Gains / Losses on Asset	1,459
0	Other Experience	615
(4,902)	**Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure**	**(4,291)**
	Movement in Reserves Statement	
(4,338)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	**(3,944)**
	Actual amount charged against the General Fund for Pensions in the year	
918	Employers contributions payable to scheme	**1,088**

2018/19 £'000	Discretionary Benefits	2019/20 £'000
94	Retirement benefits payable to pensioners	95

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:

2018/19 £'000	Local Government Pension Scheme	2019/20 £'000
116,792	Present value of the defined benefit obligation	107,315
(64,514)	Fair Value Plan Assets	(56,567)
52,278	**Net liability arising from defined benefit obligation**	**50,748**

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

2018/19 £'000	Local Government Pension Scheme	2019/20 £'000
61,018	**Opening Fair Value of Scheme Assets**	**64,514**
1,535	Interest Income	1,523
3,657	The return on plan assets, excluding the amount included in the net interest expense	(7,288)
1,012	Contributions from employer	1,183
419	Contributions from employees into the scheme	432
(3,101)	Benefits Paid	(3,771)
0	Settlements	0
(26)	Other	(26)
64,514	**Closing Fair value of scheme assets**	**56,567**

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

2018/19 £'000	Local Government Pension Scheme	2019/20 £'000
114,872	**Opening Balance 1 April**	**116,792**
2,310	Current Service Costs	2,464
2,895	Interest Cost	2,767
419	Contributions by scheme participants	432
	Remeasurement gains/(loss):	
(6,514)	Actuarial (Gains) and Losses arising from changes in demographic assumptions	(1,796)
5,269	Actuarial (Gains) and Losses arising from changes in financial assumptions	(10,398)
0	Other experience	615
642	(Gains) and Losses on Settlements / Curtailments	210
(3,007)	Benefits Paid	(3,676)
(94)	Unfunded Pension Payments	(95)
116,792	**Closing Balance 31 March**	**107,315**

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

2018/19 £'000	Local Government Pension Scheme	2019/20 £'000
40,042	Equities	32,648
2,101	Gilts	2,350
5,978	Other Bonds	5,198
8,730	Property	8,434
7,663	Others	7,937
64,514	**Total Assets**	**56,567**

From the information we have received from the administering Authority, we understand that of the Equities allocation above, 40% are UK investments, 60% are overseas investments. All but 0.1% of the equities are listed in a market. Of the Gilts allocation above, 100% are UK fixed interest Gilts. Of the Other Bonds allocation above, 38% are UK corporates, 62% are overseas corporates. 100% of the Property and Cash allocation is unquoted.

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

Basis for Estimating Assets & Liabilities

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

The principal assumptions used by the actuary have been:

2018/19 £'000	Local Government Pension Scheme	2019/20 £'000
	Mortality Assumptions	
	Longevity at 65 for current pensioners	
21.6	Men	21.8
24.4	Women	24.4
	Longevity at 65 for future pensioners	
23.3	Men	23.2
26.2	Women	25.8
	Rates of Inflation	
3.4%	RPI (Per Annum)	2.7%
2.4%	CPI (Per Annum)	1.9%
-1.0%	CPI (Real)	-0.8%
3.9%	Rate of Increase in Salaries (Per Annum)	2.90%
2.4%	Rate of Increase in Pensions (Per Annum)	1.90%
2.4%	Rate for Discounting Scheme Liabilities	2.35%

Additional Assumptions

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

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

Impact on the Defined Benefit Obligation in the Scheme

	Increase in Assumption £'000	Decrease in Assumption £'000
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(2,020)	2,059
Rate of increase in salaries (increase or decrease by 0.1%)	180	(179)
Rate of increase in pensions (increase or decrease by 0.1%)	1,886	(1,852)
Longevity (increase or decrease in 1 year)	4,587	(4,386)

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 2020/21 is 17.6% (2019/20 14.6%) and the authority anticipates paying £950,000 in expected contributions which is significantly lower than 2018/19 as the authority has prepaid the deficit element of the pension liability. The contribution to be recognised by the authority for 2019/20 is £1,164,000 (£1,164,000 in 2018/19). This amount is fixed for the 3 year period 2017/18 to 2019/20 as the authority prepaid the balance due at 31st march 2016 valuation and have spread the cost equally over the 3 years. Funding levels are monitored on an annual basis. The council has taken the decision to make this three year prepayment again for the periods 2020/21 to 2022/23 at a cost of £2,753,000, saving the council £203,000 when compared with annual payments. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The estimated duration of the defined benefit obligation for scheme members is 19 years

Projected Pension Expense for the Year to 31 March 2021

Projected Pension Expense	2020/21 £'000
Service cost	2,247
Net Interest on the defined liability (asset)	1,178
Administration Expenses	23
Total	**3,448**
Employer contributions	1,152

Note: These figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2020. These projections are based on the assumptions as at 31 March 2020, as described in the Barnett Waddingham actuary report.

34. CONTINGENT LIABILITIES

At the 31st March 2020 the Council had one contingent liability requiring disclosure. The Council gave an environmental warranty as part of the housing stock transfer in 2003, both to Rushcliffe Homes – now Metropolitan Thames Valley Housing Trust and to their lender, Nationwide Building Society. The former ran for 15 years until 2018 and has now elapsed; the latter was for 32 years and will run until 2035. The value of the liability is unknown and to date there have not been any issues identified.

35. CONTINGENT ASSETS

At 31 March 2020 the Council has two contingent assets requiring disclosure:

Following the large scale voluntary transfer of council houses to Metropolitan Housing Trust (formerly Rushcliffe Homes Ltd & Spirita Ltd) the Council is still entitled to preserved right to buy and other clawback receipts. Sums received totalled £162k in respect of 2019/20 disposals (2018/19 £188k). Future receipts will depend on further preserved right to buy sales and it is difficult to predict the amount to be received in any one year.

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

The Cabinet Report (October 2017) explains the extremely complex nature of the overall site. There are ongoing negotiations to protect the Council's interests to achieve an agreement with the landowner of how the 40% would be calculated. Following lengthy and detailed negotiations, the report details the overall framework for an agreement with the landowner, and based on current values estimates the approximate value the Council can expect as a capital receipt as and when parcels of the land subject to the agreement are sold by the landowner. At 31 March 2020 gross income of £4.1m has been received from this overage agreement. Over time, it is possible that RBC could receive a further £15m bringing a total of £19m by way of the overage entitlement. The overage agreement defines the events which could trigger a payment or payments to the Council.

36. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

Credit Risk

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

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

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

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

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

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

2018/19 £'000	Debtors past due but not impaired	2019/20 £'000
411	Less than three months	397
81	Three to nine months	59
55	Nine months to one year	41
912	More than one year	953

Amounts Arising from Expected Credit Losses

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

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

Institution	Length of Term	Amount £000
Call Accounts/MMFs		
Blackrock	Call	380
Federated Investors (UK)	Call	2,932
Goldman Sachs Asset Management	Call	94
HSBC Asset Management	Call	2,289
Invesco Aim	Call	1,337
Aberdeen Asset Management	Call	744
Bank Of Scotland Plc	32 Days	111
Barclays Bank Plc	32 Days	264
Residual MMF/Call Account balances	Call	33
	Note 16	8,184
Short Term Investments		
Cambridgeshire County Council	12 Months	5,000
Guildford Borough Council	12 Months	5,000
Lancashire County Council	2 Years	5,000
		15,000
Total Investments		**23,184**

Liquidity Risk

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

2018/19 £'000		2019/20 £'000
256	Increase in interest receivable on variable rate investments	189
256	**Impact on Surplus or Deficit on Provision of Services**	**189**
0	Decrease in fair value of fixed rate investments	
0	**Impact on Other Comprehensive Income**	**0**

Price Risk

The Council's investment in the CCLA Property Fund, CCLA Diversified Fund, Royal London Enhanced Cash Plus, Kames and Investec are subject to the risk of falling commercial property prices. The risk is limited by the Council's maximum exposure to property investments of £5.0 million. A 5% fall in commercial property prices would result in a £0.25m charge to Financing and Investment Income and Expenditure – this would have no impact on the General Fund as there is a statutory override in place that reverses the movement in fair value to a reserve. A 5% increase would similarly result in a return of £0.25m.

Foreign Exchange Risk

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

37. ACCOUNTING POLICIES

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. It has been prepared in accordance with the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in United Kingdom 2019/20 supported by International Financial Reporting Standards (IFRS) It also complies with guidance notes issued by CIPFA on the application of accounting standards (Standard Statement of Accounting Practice and Financial Reporting Standards) to the local authority accounts.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

ii. Accruals of Income and Expenditure

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

- **Revenue from contracts with service recipients,** whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- **Supplies are recorded as expenditure** when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- **Expenses in relation to services received** (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- **Interest payable on borrowings and receivable on investments** is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- **Where revenue and expenditure have been recognised but cash has not been received or paid**, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

iii. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- **Depreciation** attributable to the assets used by the relevant service;
- **Revaluation and impairment losses on assets** used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- **Amortisation of intangible fixed assets** attributable to the service.

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

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

vi. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Where material an accrual is made for the cost of holiday entitlements (or any form of leave, for example, time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to either terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service segment or, where applicable to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

When termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits. These are replaced with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees are members of the Local Government Pension Scheme (LGPS), which is administered by Nottinghamshire County Council and is accounted for as a defined benefits scheme providing defined benefits to members (Retirement Lump Sums and Pensions) earned as employees working for the Council.

The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees).

Liabilities are discounted to their value at current prices, using a discount rate of 1.9% (based on the indicative rate of return on high quality corporate bond).

The assets of the pension fund attributed to the Council are included in the Balance Sheet at their fair value

- **Quoted Securities** - current bid price
- **Unquoted Securities** – professional estimate
- **Unitised Securities** - current bid price
- **Property** - market value

The change in the net pension's liability is analysed into five components:

- **Service costs comprising:**
    - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service for which the employees worked.
    - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Net interest on the net defined benefit liability (asset) i.e. net interest expense for the Council– the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments
- **Re-measurements comprising**
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure;

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions– charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- **Contributions Paid to the Pension Fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund, or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the LGPS.

vii. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can occur:

- **Those that provide evidence of conditions** that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- **Those that are indicative of conditions** that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

General

The Council recognises a financial asset or liability on the Balance Sheet when it becomes party to the contractual provisions of an instrument.

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable, are based on the carrying amount of liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

The Council currently has no long term debt but any future long term debt would be within the Council's Treasury Management Strategy, Minimum Revenue Provision Policy and future Accounting Policies.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

In the event that the Council makes a loan to an outside body at less than market rates (soft loans) and the present value of the interest foregone is greater than £50k, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

The Council made a loan to Nottinghamshire Cricket Club in 2007 as less than market rates however this is not treated as a soft loan in the accounts due to the annual interest foregone being below the materiality threshold stated above.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The potential effects of the COVID19 pandemic although not yet fully known, have been considered when assessing potential impairment of debt.

Financial Assets measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Annual income received from the financial instrument is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they occur in the Surplus or Deficit on the Provision of Services.

Fair Value measurement of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the authority's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:
Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

The Council holds shares in CCLA Property fund, CCLA Diversified Fund,Royal London Enhanced Cash Plus Fund, Kames and Investec. Any movement in Fair Value will be accounted for in Financing and Investment Income and Expenditure line in Surplus/Deficit on Provision of Services. A statutory override must be used to reverse the entry in the CIES to a reserve to recognise the fair value gains and losses.

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants, third party contributions and donations are recognised as due to the Council where there is reasonable assurance that.

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (Receipts in Advance). When conditions are satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions including Section 106s are credited to the Comprehensive Income Expenditure Statement as Taxation and Non Specific Grant Income, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

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

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

x. Heritage Assets

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

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

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

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

xi. Intangible Assets

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

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

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

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

xii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Long term contracts are accounted for on the basis of charging the surplus or deficit on the provision of services with the consideration allocated to the performance obligations satisfied based on goods or services transferred to the service recipient during the financial year.

xiii. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

xiv. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, and are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve (for any sale proceeds greater than £10,000).

xv. Leases

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

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

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from the leased asset.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:
a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve (England and Wales) or Capital Receipts Reserve (Scotland)] in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve (England and Wales).]

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

The authority does not have any sale and leaseback assets.

xvi. Jointly Controlled Operations

Jointly controlled operations are activities undertaken by the Council in conjunction with other joint operators that involve the use of assets and resources of the venture rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

xvii. Overheads and Support Services

The costs of overheads and support services are charged to service areas in accordance with the Council's arrangements for accountability and financial performance.

xviii. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential is charged as an expense when it is incurred. In addition, expenditure needs to be in excess of the Council de-minimis level of £10,000 before it can be recognised as capital, spend below this limit is charged to revenue.

The Code requires components to be accounted for as separate items where they are material, the Council has undertaken a review of its assets relating to Property, Plant and Equipment and componentising these assets has no material impact. The Council has however componentised its assets, into two elements, land and buildings.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance, (i.e. it will not lead to variation in the cash flows of the Council). In the latter case, where an asset is acquired via exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Donated assets are measured initially at fair value unless the donation has been made conditionally. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. .Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

As the cost of fixed assets is fully provided for under separate arrangements for capital finance the written-off value of disposals is not a charge against council tax. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Assets under Construction

Assets under Construction are only recognised when it is probable that the future economic benefits will flow to the Council and the cost can be measured reliably. Assets under construction are capitalised at cost which includes labour and overhead costs arising directly from the construction of the asset. Assets under construction are not depreciated until they are brought into use under the relevant sections of Property Plant and Equipment.

xix. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Where it is probable that there will be an inflow of economic benefits or service potential, contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

xxi. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxii. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Non-recoverable VAT relating to a capital scheme will form part of the capital cost of that scheme

xxiii. Collection Fund – Council Tax & Non Domestic Rates (NDR)

Billing authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and business rates. The Council acts as an agent, collecting and distributing council tax and business rates income on behalf the major precepting authorities and central government, and as a principle, collecting council tax and NDR for itself.

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. Any difference between the income included in the CIES and the demand or precept is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. As the collection of Council Tax and NDR is an agency agreement there is a debtor/creditor position between the Council, the major preceptors and central government. As the billing authority, this Council's Cash Flow Statement includes in 'revenue activities' only its own share of the Council Tax and NDR collected.

xxiv. Fair Value Measurement of non-financial assets

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The hierarchy below is used.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

38. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 2020/21 code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is not anticipated that the changes above will have a material impact on the information provided in the Council's financial statements.

39. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 37 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts concern the following:

a. There is a high degree of uncertainty about future levels of funding for local government notably issues around funding reforms and localisation of Business Rates. However, as these reforms have been delayed by a further year due to COVID 19 and therefore the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

b. A significant impact on the accounts concerns the assumptions surrounding pensions and the likelihood of legislative change and the impact of such change. The impact of either a change in the discount rate of 0.1% or a change in life expectancy of 1 year, for either, would be no more than £68k on service costs.

c. The Council has a 'Group Relationship' with a subsidiary, namely Rushcliffe Enterprises Ltd which largely incorporates Streetwise Environmental Ltd and Streetwise Environmental Trading Ltd. The boundaries have been assessed using the criteria outlined in the Code of Practice. The interest is considered to be material in terms of the importance of Streetwise to the Council and consequently Group Accounts have been produced.

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

40. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Most significant estimates are for pensions, bad debts (impairments), provisions and accruals. Each of these has a different process for making the estimate:

a. Pensions Liability: Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged by Nottinghamshire County Council and assurance is placed on the use of these qualified professionals to provide expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate assumption and an increase of one year in the mortality age rating assumption would result in a decrease of £2.020m and an increase of £4.587m respectively in the present value of the defined benefit obligation. Note 33 pages 38 to 44 provide more detail.

b. Bad debt estimates are in accordance with IFRS 9 based on prudent collection rates taking into account knowledge of existing conditions on outstanding debts, particularly given the current economic climate. Furthermore it is yet unknown how COVID 19 will impact on collection of debt therefore this uncertainty has been factored into the calculations. At 31st March 2020, the Council had sundry debtor balances of £0.616m and Housing Benefit (HB) debtors of £0.827m. If recoverability of these balances falls the amount set aside for these balances would increase. Provisions for bad debt are made according to the age of the debt. The provisions amount to £0.172m and £0.150m, respectively for sundry debtors and HB. If recoverability of the debt falls by 10% across all ages of debt an estimated further £0.028m would have to be set aside;

c. Provisions – generally most provisions are relatively low in value. Business Rate appeals (which the Valuation Office is responsible for) have been estimated in line with the new accounting requirements of the national Business Rates Retention Scheme. In total Rushcliffe's estimated liability amounts to £1.28m, with a further £1.92 million in relation to other precepting authorities and the Government. This has been calculated focusing on key determinants such as type of property, reasons for appeal and age of the appeal;

d. Purchase accruals – these are low in volume and value, but with items such as utility accruals they are based on past bills / seasonality / readings and current contract prices.

e. Asset Valuation 2019/2020 – the Council's assets have been valued in accordance with the RICS Valuation Practice Alert Valuation Statement (Covid-19 Pandemic) - updated 15th April.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. The Land and Building and Investment Property valuations included in our accounts are therefore reported by our Valuer on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, Rushcliffe Borough Council keep the valuation of all properties under frequent review.

As more market information becomes available, it may mean that there will be an adjustment required to the carrying amount of asset valuations in the next financial year.

f. 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. It is estimated that the annual depreciation charge for Other Land and Buildings would increase by £93k if asset lives were 10% lower than estimated.

41. MATERIAL ITEMS OF INCOME AND EXPENSE

Comprehensive Income and Expenditure Statement variances

Other Operating Expenditure line in the CIES has decreased by £3.197m in 2019/20. Details of this are set out in Section 7 of The Narrative Statement.

Financing and Investment Income and Expenditure (Note 7 of The Notes to the Accounts) has increased from £0.602m to £4.896m. This movement is largely technical in nature and details are given in Section 7 of The Narrative Statement.

Due to COVID 19 the value of the Council's diversified/property investments at 31st March 2020 has reduced by £1.2m. This reduction in value does not impact on the general fund as it is transferred to unusable reserves (see MIRS)

In 2019/20 there were 3 assets which underwent significant revaluation: Depot Land declared surplus in the year with a sale agreed subject to contract; Land at Hollygate Lane, Cotgrave – an Investment Property Held for Sale with a sale also agreed subject to contract; and Cotgrave Multi-Service Centre which has been revalued to reflect the Council's remaining investment interest in this asset.

42. EVENTS AFTER THE BALANCE SHEET DATE

COVID 19 remains a concern and we are constantly reviewing the impact on the Council. The main COVID 19 issues are stated within Section 6 of the Narrative.

F. COLLECTION FUND

2018/19				2019/20		
Council Tax £'000	**NDR £'000**	**TOTAL £'000**		**Council Tax £'000**	**NDR £'000**	**TOTAL £'000**
			INCOME			
79,742		**79,742**	Council Tax	84,865		**84,865**
	29,488	**29,488**	Income from business ratepayers		29,339	**29,339**
79,742	**29,488**	**109,230**		**84,865**	**29,389**	**114,204**
			EXPENDITURE			
			Precepts and Demands			
60,482		**60,482**	· Nottinghamshire County Council	63,734		**63,734**
8,325		**8,325**	· Nottinghamshire Police Authority	9,470		**9,470**
3,303		**3,303**	· Nottinghamshire Fire Authority	3,446		**3,446**
8,439		**8,439**	· Rushcliffe Borough Council	8,812		**8,812**
			Business Rate			
	14,703	**14,703**	· Payments to Government		15,076	**15,076**
	10,120	**10,120**	· Payments to Nottinghamshire County Council*		10,395	**10,395**
	252	**252**	· Payments to Nottinghamshire Fire Authority		262	**262**
	2,748	**2,748**	· Payments to Rushcliffe Borough Council **		2,957	**2,957**
	111	**111**	· Costs of Collection		112	**112**
			Impairment of Debts/Appeals			
9	88	**97**	· Write offs and uncollectable amounts		14	**14**
47	74	**121**	· Allowance for Impairment	131	142	**273**
	98	**98**	· Provision for appeals		0	**0**

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2018/19				2019/20		
Council Tax £'000	NDR £'000	TOTAL £'000		Council Tax £'000	NDR £'000	TOTAL £'000
(349)	2,533	**2,184**	Contributions - Distribution of 18-19 estimated Collection Fund surplus/(deficit)	(963)	(499)	**(1,462)**
80,256	**30,727**	**110,983**		**84,630**	**28,459**	**113,089**
(514)	(1,239)	**(1,753)**	**Movement on Fund Balance**	235	880	**1,115**
(606)	525	**(81)**	**Opening Fund Balance**	(1,120)	(714)	**(1,834)**
(1,120)	**(714)**	**(1,834)**	**Closing Fund Balance**	**(885)**	**166**	**(719)**

*This includes £8.036m (2018/19 £7.856m) payable to the Nottinghamshire Business Rates Pool.

** This includes the disregarded amount for renewable energy of £0.511m (2018/19 £0.543m)

F. NOTES TO THE COLLECTION FUND

1. GENERAL

The Collection Fund is an agent's statement that reflects the statutory obligation of the billing authority to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and central government.

2. CALCULATION OF COUNCIL TAX BASE

The calculation of the Council Tax base i.e. the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings is shown in the table below:

Band D Equivalents	Band	Chargeable Properties After Discounts	Ratio	Band D Equivalents
2018/19				**2019/20**
2,781	A	4,029	6/9	2,713
5,997	B	7,746	7/9	6,086
8,150	C	9,365	8/9	8,408
9,172	D	8,588	9/9	8,675
7,526	E	6,396	11/9	7,896
5,493	F	3,941	13/9	5,749
3,710	G	2,296	15/9	3,865
212	H	111	18/9	223
43,041				**43,615**
(431)		Non-Collection Impairment was 1.00% in 2019/20 (2018/19 1.00%)		(436)
42,610		**Council Tax Base**		**43,179**

3. COLLECTION FUND COUNCIL TAX BALANCE/REDISTRIBUTING SURPLUSES

The precepts detailed in the statement are shown net of the previous year's surpluses. The Council estimates the year end Collection Fund Council Tax balance in January each year and in accordance with the Local Authorities (Funds) (England) Regulations 1992 this amount is distributed in the following financial year to the major preceptors in proportion to the respective precepts and demands. Any difference between the estimated and outturn figure is adjusted for in the following year.

For 2019/20 a Collection Fund Council Tax deficit of £0.963m was redistributed between the major precepting authorities. Of this £0.707m reflected the estimated outturn deficit at 15 January 2019 and £256k deficit arose from the difference between the estimated and actual outturn positions for 2018/19.

At 15 January 2020 the Collection Fund Council Tax deficit for 2019/20 was estimated at £0.943m comprising an in-year deficit of £0.786m and £0.156m deficit arising from the difference between the actual and estimated outturns for 2018/19. These funds will be collected from the major precepting authorities in 2020/21.

F. NOTES TO THE COLLECTION FUND CONTINUED

2018/19 £'000		2019/20 £'000	2020/21 £'000
(262)	Nottinghamshire County Council	(723)	(704)
(35)	Nottinghamshire Police Authority	(100)	(103)
(15)	Nottinghamshire Fire Authority	(39)	(38)
(37)	Rushcliffe Borough Council	(101)	(97)
(349)		**(963)**	**(942)**

At 31 March 2020 the actual outturn for the Collection Fund Council Tax was £0.885m, a decrease of £0.057m from the estimated outturn. This will be adjusted for as part of the calculations for the redistribution of Collection Fund balances in 2021/22.

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 2019/2020 was 50.4p (2018/2019 49.3p). The non-domestic rateable value at the 31st March 2020 was £72,386,157 (31st March 2019 £71,104,320).

Rushcliffe Borough Council retains a 40% share of the proceeds of Non Domestic Rate income, the remainder is distributed to preceptors in the following proportions: Central Government (50%), Nottinghamshire County Council (9%) and Nottinghamshire Fire Authority (1%).

Rushcliffe Borough Council is part of the Nottinghamshire Business Rates Pool. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office so authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion to the precepting shares. Note 18 provides further details on the provision made in 2019/20.

F. NOTES TO THE COLLECTION FUND CONTINUED

5. NON-DOMESTIC RATES SURPLUS

At 31 March 2020 the actual outturn for the Collection Fund NDR was a surplus of £0.166m (2018/19 £0.714m deficit) which is then distributed to the preceptors as detailed in the following table.

2018/19 £'000		2019/20 £'000
(357)	Central Government (50%)	83
(286)	Rushcliffe Borough Council (40%)	66
(64)	Nottinghamshire County Council (9%)	15
(7)	Nottinghamshire Fire Authority (1%)	2
(714)		**166**

G RUSHCLIFFE BOROUGH COUNCIL GROUP CONSOLIDATED ACCOUNTS

INTRODUCTION

The Council is required under the Local Government Act 2003 to produce a set of Group Accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the Council has such relationships is laid down by the Code. The Code has been developed to bring authority accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the Council's overall financial position.

The Council has undertaken a review of all of its relationships with other bodies and is required to consolidate its accounts with;

- Streetwise Environmental Ltd
- Streetwise Environmental Trading Ltd

Both companies are 100% owned by the parent company Rushcliffe Enterprise Ltd which in turn is 100% owned by Rushcliffe Borough Council. The consolidation has been done on an acquisition basis as Rushcliffe Enterprise Ltd is 100% owned by Rushcliffe Borough Council.

- Rushcliffe Enterprises Ltd. As referred to in Note 39.

Rushcliffe Enterprise Ltd produce a set of company accounts with a year end of 31 March. The accounts which have been consolidated here have been audited by Mazars and have been given an unqualified audit opinion.

ACCOUNTING POLICIES

The accounting policies of the two organisations have been examined and the accounting policies of Streetwise Environmental Ltd do not differ materially from those used by Rushcliffe Borough Council so have no impact on the Group Accounts produced above. However, Streetwise Environmental Ltd depreciates vehicles on a reducing balance basis whereas the Council depreciate vehicles on a straight line basis.

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G. GROUP ACCOUNTS

NOTE 1 GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2019/20	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Sunsidiary's Reserves £'000	Total Reserves £'000
Balance at 31 March 2019	**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**	**274**	**23,724**
Post Audit Adjustment to Subsidiary Reserves								**(5)**	**(5)**
Movement in Reserves during 2019/20:									
(Surplus) or deficit on the provision of services	3,082				3,082		3,082	(85)	2,997
Other Comprehensive Income & Expenditure					0	10,333	10,333	(106)	10,227
Total Comprehensive Income & Expenditure	**3,082**	**0**	**0**	**0**	**3,082**	**10,333**	**13,415**	**(191)**	**13,224**
Adjustments between accounting basis and funding basis under regulations	(1,427)		(3,498)	122	(4,803)	4,803	0		0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**1,655**	**0**	**(3,498)**	**122**	**(1,721)**	**15,136**	**13,415**	**(191)**	**13,224**
Transfers to/(from) earmarked reserves	(1,655)	1,655			0	0	0		0
(Increase)/Decrease in 2019/20	**0**	**1,655**	**(3,498)**	**122**	**(1,721)**	**15,136**	**13,415**	**(191)**	**13,224**
Balance at 31 March 2020 Carried Forward	**2,604**	**13,473**	**3,538**	**220**	**19,835**	**17,030**	**36,865**	**78**	**36,943**

G. GROUP MOVEMENT IN RESERVES STATEMENT (MIRS)

2018/19	General Fund Balance £'000	Earmarked GF Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000	Council's Share of Sunsidiary's Reserves £'000	Total Reserves £'000
Balance at 31 March 2018	**2,604**	**10,532**	**8,168**	**108**	**21,412**	**(8,576)**	**12,836**	**178**	**13,014**
Post Audit Adjustment to Subsidiary Reserves								**(26)**	**(26)**
Movement in Reserves during 2018/19:									
(Surplus) or deficit on the provision of services	2,349				2,349		2,349	13	2,362
Other Comprehensive Income & Expenditure					0	8,265	8,265	109	8,374
Total Comprehensive Income & Expenditure	**2,349**	**0**	**0**	**0**	**2,349**	**8,265**	**10,614**	**122**	**10,736**
Adjustments between accounting basis and funding basis under regulations	(1,039)		(1,132)	(10)	(2,181)	2,181	0		0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**1,310**	**0**	**(1,132)**	**(10)**	**168**	**10,446**	**10,614**	**122**	**10,736**
Transfers to/(from) earmarked reserves	(1,310)	1,286			(24)	24	0		0
(Increase)/Decrease in 2018/19	**0**	**1,286**	**(1,132)**	**(10)**	**144**	**10,470**	**10,614**	**122**	**10,736**
Balance at 31 March 2019 Carried Forward	**2,604**	**11,818**	**7,036**	**98**	**21,556**	**1,894**	**23,450**	**274**	**23,724**

G. GROUP ACCOUNTS

NOTE 2 GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2018/19				2019/20		
Gross Exp	Gross Inc	Net Exp		Gross Exp	Gross Inc	Net Exp
£'000	£'000	£'000		£'000	£'000	£'000
3,209	(1,848)	1,361	Communities	3,409	(1,939)	1,470
21,447	(17,361)	4,086	Finance & Corporate	19,897	(14,807)	5,090
9,906	(4,980)	4,926	Neighbourhoods	10,814	(5,680)	5,134
4,256	(301)	3,955	Transformation	3,027	(201)	2,826
38,818	**(24,490)**	**14,328**	**Cost of Services (Note 5a)**	**37,147**	**(22,627)**	**14,520**
2,341	(3,164)	(823)	Other Operating Expenditure	2,426	(52)	2,374
1,431	(2,007)	(576)	Financing & Investment Income & Expenditure	1,501	(6,326)	(4,825)
	(15,297)	(15,297)	Taxation & Non-Specific Grant Income		(15,049)	(15,049)
42,590	**(44,958)**	**(2,368)**	**(Surplus)/Deficit on Provision of Services**	**41,074**	**(44,054)**	**(2,980)**
		6	Tax expenses of subsidiaries			(17)
		(2,362)	**Group (Surplus)/Deficit on Provision of Serviices**			**(2,997)**
		(3,363)	Surplus or deficit on revaluation of non-current assets			(6,042)
		0	Available for Sale Financial Instruments			0
		(5,011)	Actuarial gains/losses on pension assets/liabilities			(4,185)
		(8,374)	**Other Comprehensive Income & Expenditure**			**(10,227)**
		(10,736)	**Total Comprehensive Income & Expenditure (Note 5b)**			**(13,224)**

G. GROUP ACCOUNTS

NOTE 3 GROUP BALANCE SHEET

31 March 2019 £'000		31 March 2020 £'000
44,564	Property, Plant & Equipment	48,572
67	Heritage Assets	91
16,989	Investment Property	25,772
4,145	Long Term Investments	11,907
134	Intangible Assets	271
2,604	Long Term Debtors	2,565
68,503	**Long Term Assets**	**89,178**
0	Assets Held for Sale	0
14,000	Short Term Investments	15,000
59	Inventories	50
4,237	Short Term Debtors	7,393
12,275	Cash & Cash Equivalents	5,532
30,571	**Current Assets**	**27,975**
(5,691)	Short Term Creditors	(9,356)
(5,691)	**Current Liabilities**	**(9,356)**
(1,357)	Long Term Provisions	(1,367)
(15,178)	Capital Grants Receipts in Advance	(17,592)
(53,101)	Pension Liability	(51,863)
(23)	Deferred Tax Liability	0
0	Long Term Creditors	(32)
(69,659)	**Long Term Liabilities**	**(70,854)**
23,724	**NET ASSETS**	**36,943**
7,036	Usable Capital Receipts Reserve	3,538
2,604	General Fund Balance	2,604
11,818	Earmarked Reserves	13,473
98	Capital Grants Unapplied	220
274	Profit & Loss Reserve	78
21,830	**Usable Reserves**	**19,913**
1,894	**Unusable Reserves**	**17,030**
23,724	**TOTAL RESERVES**	**36,943**

G. GROUP ACCOUNTS

NOTE 4 GROUP CASHFLOW STATEMENT (INDIRECT METHOD)

	2019/20 **£'000**
Group Net (surplus) or deficit on the provision of services	(2,997)
Post Audit adjustment to Subsidiary surplus	5
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(1,906)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,993
Net cash flows from Operating Activities	(2,905)
Investing Activities	10,389
Financing Activities	(741)
Net increase or (decrease) in cash and cash equivalents	6,743
Cash & Cash equivalents at the beginning of the reporting period	(12,275)
Cash & Cash equivalents at the end of the reporting period	**(5,532)**

G. GROUP ACCOUNTS

NOTE 5 GROUP INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations as this ensures that expenditure and income is only recorded once within the accounts. The elements of the accounts that have been adjusted for inter-company transactions are detailed below:

a. Group Cost of Services and Group Position on Provision of Services

RBC Adjusted £'000	Streetwise Environmental Ltd Adjusted £'000	Group £'000	Comprehensive Income & Expenditure Statement	RBC Adjusted £'000	Streetwise Environmental Ltd Adjusted £'000	Group £'000
12,609	1,719	14,328	(Surplus)/Deficit on Continuing Operations	12,960	1,560	14,520
(823)	0	(823)	Other Operating Expenditure	2,374	0	2,374
(598)	22	(576)	Financing & Investment Income & Expenditure	(4,889)	64	(4,825)
(15,297)	0	(15,297)	Taxation & Non-Specific Grant Income	(15,049)	0	(15,049)
(4,109)	**1,741**	**(2,368)**	**(Surplus)/Deficit on Provision of Services**	**(4,604)**	**1,624**	**(2,980)**

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

2018/19 £'000		2019/20 £'000
(10,614)	(Surplus)/Deficit on the Council's Comprehensive Income & Expenditure Statement	(13,415)
(1,760)	Adjustments for transactions with other group entities	(1,522)
(12,374)	**(Surplus)/Deficit in the Group Comprehensive Income & Expenditure Statement attributable to the Council**	**(14,937)**
1,638	(Surplus)/Deficit in theGroup Comprehensive Income & Expenditure Statement attributable to the Group subsidiaries (adjusted for inter group transactions)	1,713
(10,736)	**(Surplus)/Deficit for the year on the Group Comprehensive Income & Expenditure Statement**	**(13,224)**

G. GROUP ACCOUNTS

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

2019/20 Balance Sheet	RBC £'000	Streetwise Environmental Ltd £'000	Adjustment £'000	Group £'000
Fixed Assets - PPE	47,878	694	0	48,572
Long term debtors	2,862	583	(880)	2,565
Short term debtors	7,301	338	(246)	7,393
Short term borrowing	0	(91)	91	0
Long term investments	11,907	0	0	11,907
Short term investments	15,000	0	0	15,000
Short term creditors	(8,970)	(541)	155	(9,356)
Long term creditors	0	(329)	297	(32)
Long term provisions	(1,950)	0	583	(1,367)

The elimination of £880k Streetwise Long Term Debtors relates mainly to the RBC pension liability for Streetwise staff pre-company formation (£583k), reducing long term provision for RBC. The remaining £297k is being the remnant of a long term loan to Streetwise.

The elimination of £155k Short Term Creditors - includes £143k relating to pre-payment of an April Streetwise invoice by RBC, removal of £12k owed to Streetwise (unpaid RBC debtors).

The elimination of £246k Short Term Debtors - includes the opposite entry to remove Short term creditors plus removal of £ 91k short term loan to Streetwise.

2018/19 Balance Sheet	RBC £'000	Streetwise Environmental Ltd £'000	Adjustment £'000	Group £'000
Fixed Assets - PPE	44,187	377	0	44,564
Long term debtors	2,613	583	(592)	2,604
Short term debtors	4,250	267	(280)	4,237
Short term borrowing	0	(52)	52	0
Long term investments	4,145	0	0	4,145
Short term investments	14,000	0	0	14,000
Short term creditors	(5,407)	(512)	228	(5,691)
Long term creditors	0	(9)	9	0
Long term provisions	(1,940)	0	583	(1,357)

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.

BALANCE SHEET
A statement summarising the Council's financial position at the end of the accounting period. The statement shows the Council's assets and liabilities.

BILLING AUTHORITY
Rushcliffe Borough Council is classed as a Billing Authority as it has the responsibility of collecting the Council Tax and non-domestic rates. It collects the Council Tax on behalf of the County Council, Fire, Police and Crime Commissioner and Parish Councils and the non-domestic rates on behalf of the central government.

CAPITAL EXPENDITURE
Expenditure on the acquisition or enhancement of a fixed asset, which adds to and not merely maintains the value of existing assets.

CAPITAL FINANCING
Sources of money that have been used to finance the capital programme. The Council uses various methods to finance its capital expenditure, including direct financing, usable capital receipts, capital grants, revenue reserves and earmarked reserves.

CAPITAL FINANCING REQUIREMENT (CFR)

The CFR represents the Council's underlying need to borrow in order to finance its capital expenditure. It is the difference between the value of Total Fixed Assets in the balance sheet and the Revaluation and Capital Financing Accounts. This represents the propensity of the authority to borrow for capital purposes and is the basis for the minimum revenue provision charge to the revenue account.

CAPITAL ADJUSTMENT ACCOUNT

This account contains the amount that was required to be set aside from the capital receipts and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and the amount that must be set aside from revenue for the repayment of external debt.

CAPITAL GRANTS UNAPPLIED

These are capital grants that the Council has received, where the conditions of the grant have been satisfied, that have yet to be used to finance capital expenditure.

CAPITAL PROGRAMME

The planned capital schemes the Council intends to carry out over a specified period of time.

CAPITAL RECEIPTS

Proceeds arising from the sale of fixed assets (such as land and buildings) and repayments of the principle elements of capital loans. The Council can use the proceeds from capital receipts to finance new capital investments, the proceeds cannot be used to finance revenue expenditure.

CASH FLOW STATEMENT (INDIRECT METHOD)

The indirect method adjusts net income from an accrual to a cash basis by adding back non-cash expenses and adjusts net income for changes between the starting and ending account balances in current assets (excluding cash) and current liabilities for the period.

CIPFA - CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

Professional accountancy body specialising in the public sector.

COLLECTION FUND

A separate fund recording the income and expenditure relating to Council Tax and Business Rates.

CONTINGENT LIABILITIES/ ASSETS

A contingent liability / asset is either:

- a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control, or
- a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

CREDITORS

Amounts owed by the Council for goods or services they have received for which payment has not been made.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefit schemes liabilities.

DEBTORS

Amounts owed to the Council for goods or services the Council has provided for which payment has not been received.

DEFRA

DEPRECIATION
This is a charge made to the service revenue accounts each year to reflect the reduction in the value of the asset used in delivery of services.

DWP
Department for Work and Pensions.

EXPENDITURE AND FUNDING ANALYSIS
The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

FINANCE LEASE
This is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

FINANCIAL INSTRUMENT
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Most straight forward financial assets (debtors, bank deposits and investments) are covered, together with more complex ones not used by the Council (debt instruments with embedded swaps and options).

GOVERNMENT GRANTS
Grants made by the government towards either revenue or capital expenditure or support the cost of provision of services. These grants may be specifically towards the cost of particular schemes or to support the revenue spend of the Council.

GROSS BOOK VALUE
The historical cost or the revalued amount of the asset before depreciation.

GROUP ACCOUNTS
Group Accounts consolidate the financial results of the Council and its subsidiaries.

HISTORICAL COST ADJUSTMENT
This is the difference between Historical Cost Depreciation and the actual depreciation charged calculated on re-valued assets.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Defined accounting standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of other entities. The Accounting Standards emanate from the International Financial Reporting Interpretations Committee (IFRIC).

IMPAIRMENT
Where the value of fixed assets reduces below its carrying amount on the balance sheet.

INVENTORIES
Items bought for consumption or resale, or raw materials, currently being held.

LAA
Local Area Agreement

LIABILITY
Where the Council owes payment to an individual or an organisation.

LSP
Local Strategic Partnership

MHCLG
Ministry of Housing Communities and Local Government

MINIMUM REVENUE PROVISION (MRP)
The minimum amount which must be charged to a Council's CIES each year for the servicing of debt.

NET BOOK VALUE
This is the value of an asset that is on the balance sheet. It represents its historical re-valued cost less the accumulated depreciation of the asset.

NET WORTH
The total value of an organisation expressed as total assets less total liabilities.

NON –DISTRIBUTED COSTS
Past service pension costs including settlements and curtailments which are not to be included in total individual service costs.

NON DOMESTIC RATES (NDR)
The Council collects Non domestic rates for its area based on local rateable values multiplied by a national uniform rate. With the introduction of the Business Rates Retention Scheme on 1 April 2013, billing authorities act as agents and collect Non domestic rates on behalf of major preceptors and central government.

NON OPERATIONAL ASSET
Fixed assets held by the Council but are not directly occupied used or consumed in the delivery of services.

NOTTINGHAMSHIRE BUSINESS RATES POOL
As a result of the new business rates arrangements the Nottinghamshire Business Rates Pool was formed. This is administered by Nottinghamshire County Council and includes the seven Nottinghamshire Districts and Nottinghamshire County Council.

OPERATING LEASE
A lease where the ownership of the asset remains with the lessor.

OPERATIONAL ASSET
Fixed assets held and occupied, used or consumed by the Council in the direct delivery of services.

POOLED FUNDS

Funds from many individual investors that are aggregated for the purposes of investment

PRECEPT
The levy made by precepting authorities on billing authorities, requiring the latter to collect income from taxpayers on their behalf.

PROJECTED UNIT CREDIT METHOD

Under the projected unit credit method the obligation for long-term employee benefits is measured by calculating the present value of the expected future payments that will result from employee services provided to date

PROVISIONS

Liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

RATEABLE VALUE (RV)
The annual assumed rental value of a property that is used for business purposes.

REALISED VALUATIONS
Any revaluations in the Revaluation Reserve relating to individual assets when they are disposed of are transferred to the Capital Adjustment Account and are referred to as Realised Valuations. This ensures the Revaluation Reserves balance represents revaluations on assets that the Council still holds.

RELATED PARTIES
The Council is required to disclose material transactions with related parties,bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

REFCUS
Revenue Expenditure Funded by Capital Under Statute.

RENEWABLE ENERGY RELIEF
The amount of non-domestic rates to be retained by the Council in respect of designated renewable energy projects.

RESERVES
Funds set aside for expenditure in future years. Certain reserves have constraints on how they can be spent.

REVALUATION RESERVE
Records unrealised revaluation gains/ losses from holding fixed assets.

REVENUE EXPENDITURE
Expenditure on the day-to-day costs of providing services.

REVENUE INCOME
Income from day-to-day provision of services

REVENUE SUPPORT GRANT (RSG)
Grant from Central Government towards the cost of service provision.

S106
Developer contributions lodged under Section 106 of the Town and Country Planning Act 1990 (as amended).

SOFT LOAN

A loan to an outside body at less than market rates.

TRANSFER PAYMENTS
Relates to payments for which no goods or services are received by the Council e.g. Rent Allowances.

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

T 0115 981 9911
E customerservices@rushcliffe.gov.uk
W www.rushcliffe.gov.uk

Appendix C

David Hoose
Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
(date)

Dear David

Rushcliffe Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the 'Council) and the consolidated financial statements of the Council and its subsidiaries (the 'Group') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

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 myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which 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 s151 Officer 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 undertaken by the Council (and the Group) have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

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

Accounting estimates, including those measured at fair value

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

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

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

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 not already disclosed.

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

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. We have 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 s151 Officer, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements of the Council (and the Group) may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity 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 (or the Group'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 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 statement of financial position date. In particular, I have considered the impact of Covid-19 on our Investment Properties. An impairment review is therefore not considered necessary

Charges on assets

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

Going concern

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

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

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements 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 at Appendix 1.

Ultimate parent company

I confirm that the ultimate parent company for Rushcliffe Borough Council is the Ministry of Housing, Communities and Local Government.

This letter was tabled and approved at the meeting of the Governance Group on 24 November 2020

Yours faithfully

………………………

Peter Linfield -Deputy Chief Executive and Executive Manager – Finance and Corporate Services

………………………

Councillor Purdue-Horan - Chair of the Governance Group

Appendix 1

Unadjusted misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Dr: Deferred Income			42	
Cr: Grant Income		42		

Correct recognition of Covid 19 first tranche of income into 2019/20 and not 2020/21

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Audit Completion Report

Rushcliffe Borough Council

Year ended 31 March 2020

MAZARS

CONTENTS

MAZARS

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

Governance Scrutiny Group Members
Rushcliffe Borough Council
Rushcliffe Arena
Rugby road
Nottingham
NG2 7YG

24 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 6 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

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

Yours faithfully

David Hoose
Mazars LLP

Mazars LLP – Park View House – 58 The Ropewalk, Nottingham, NG1 5DW
Tel: +44 (0) 115 964 4744 – Fax: +44 (0) 115 964 4744 – www.mazars.co.uk

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Rushcliffe Borough Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Governance Scrutiny Group meeting on 24 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 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 of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Valuation of property, plant and equipment and assets held for sale; and
- Valuation of net pensions liability.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

The NAO has not yet issued its Group Instructions regarding the audit work required and its timetable for audit reporting. The Council is expected to again be below the threshold requiring a detailed review of your WGA submission, and we would expect to be able to provide the information required by NAO by the confirmed deadline..

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. We have received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, plant and equipment and Investment Properties	Amber	We are awaiting evidence from management to support the assumptions used by the Council's internal valuation expert to support the detailed valuation for items that we have selected for sample testing. We are consulting on the on the form of the audit opinion wording that should be used against the backdrop of COVID-19. We currently expect that the disclosed 'material uncertainty' in property valuations caused by Covid19 will lead to an emphasis of matter paragraph in the audit opinion. We say more on this at page 7.
Pensions	Red	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration.
Whole of Government Accounts (WGA)	Green	NAO Group Instructions for local authority 2019/20 audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.
Audit Quality Control and Completion Procedures	Green	Our audit work is undergoing final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion, completing the consolidation checks of Streetwise accounts into the Group accounts and obtaining final management representations. We also need to agree the final copy of the trial balance to the latest version of accounts.

Status

- Red: Likely to result in material adjustment or significant change to disclosures within the financial statements
- Amber: Potential to result in material adjustment or significant change to disclosures within the financial statements
- Green: Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Governance Scrutiny Group with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

2. EXECUTIVE SUMMARY (CONTINUED)

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum dated 6 February 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £852k using a benchmark of 2% of Gross Revenue Expenditure on the Surplus/Deficit on Provision of Services for the Group. Our final assessment of materiality, based on the final financial statements and qualitative factors is £818k using the same benchmark for the single entity. We set our trivial threshold (the level under which individual errors are not communicated to the Governance Scrutiny Group), at £25k based on 3% of overall materiality.

Misstatements and internal control recommendations

Section 3 sets out any internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance Scrutiny Group in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are 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 10 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 and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

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 on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

Significant risk

Valuation of property, plant and equipment and Investment Properties

The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Authority's holding of PPE. Although the Authority uses an internal valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the valuation of PPE to be an area of significant risk.

At the outset of the Covid19 outbreak, guidance issued by the Royal Institute of Chartered Surveyors set out an expectation that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings at the balance sheet date.

How we addressed this risk

We addressed this risk through performing the following audit work:

- Assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considering whether the overall revaluation methodology used by the Council's valuer is 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 reference to alternative sources of valuation data to provide information on regional valuation trends;
- Assessing the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.

Current Position

We are finalising our sample testing of valuations on both PPE and Investment Properties and completing our testing in relation to the significant audit risk identified.

At the outset of the Covid19 outbreak, an expectation was raised that valuers were likely to conclude that a "material uncertainty" over the valuation of land and buildings existed at the balance sheet date. The Council's valuer has followed guidance issued by the Royal Institute of Chartered Surveyors and as expected their valuation report concluded that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. The Council did disclose this uncertainty in the draft financial statements but we have requested the Council update its financial statements to ensure this is disclosed to reflect the conclusion of the Councils valuer and not RICS in general.

We have considered the impact to our auditor's report and have included an 'emphasis of matters' paragraph to draw attention to the relevant disclosure note in the financial statements. Our draft Auditor's Report at Appendix B includes the 'emphasis of matter' paragraph we expect to include. This is not a modification to the audit opinion and this approach is consistent with our other local authority audits.

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of net pensions liability

The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

In relation to the valuation of the Council's defined benefit pension liability in addition to our standard programme of work in this area we addressed this risk through performing the following audit work:

- review 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 provided by PwC, the consulting actuary engaged by the National Audit Office;
- agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;
- critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; and
- liaise 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 IAS 19 valuation is complete and accurate.

Current Position

The procedures we have undertaken to date have not identified any material errors or uncertainties in the financial statements.

Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration. These assurances will also inform us of any concerns relation to the valuation of pension fund assets as a result of any uncertainty caused by Covid 19. We will need to consider the impact of this on the Council's share of the pension fund assets as shown in the balance sheet before issuing our opinion. This may give rise to additional disclosures in the Council's financial statements and also an additional 'emphasis of matter' explanation in our audit report.

In July 2020, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 was likely to have led to an overstatement of the pension fund liability as at 31 March 2020. Management did not obtain an updated actuarial valuation for these matters following the advice of the actuary. Management has liaised with the Pension Fund and its actuary and taken the view that this matter would not have a material impact on its estimated net pension liability valuation. As a result and it is not reflected in the Statements. We are satisfied the impact is not material to the gross liability estimate.

A second emerging issue is the Goodwin case that was brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. Management has liaised with the Pension Fund and its actuary and taken the view that this matter would not have a material impact on its estimated net pension liability valuation and it is not reflected in the Statements.

We will update the Governance Scrutiny Group if any significant reporting issues emerge from these areas.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management

We have discussed the impact of Covid19 on the Council's business and concluded there were no additional financial statement significant audit risks arising.

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

Financial Resilience

One area of concern arising from Covid19, is the impact on the Council's financial resilience. The full financial impact of Covid19 is not yet certain, however the initial outbreak impacted on the Council's ability to enact its original 2020/21 plan, including income generation and expenditure reductions. We recognise the Council is working through the implications and considerations through business planning and financial planning updates. The impact on the Council's finances will impact the level of useable reserves and it is important the Council develops clear plans to ensure the Council's financial resilience is assured over the medium term.

Financial Statement Matters: Sources of estimation uncertainty, including PPE, investment properties and pension fund assets and liabilities

We assessed the impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuers have followed RICS guidance and as expected their valuation reports conclude that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been disclosed in the notes to the Statement of Accounts although we have requested some further changes to the note to aid clarification on PPE and the material uncertainty.

We are awaiting confirmation from the Pension Fund Auditor as to whether there is a material uncertainty disclosure on the pension fund assets.

Financial Statement Matters: Going Concern

The Council's going concern status is confirmed through the 2019-20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of financial statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of Covid-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular, reviewing management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of Covid-19.

We provided a briefing note to management and requested the Council perform a formal going concern assessment for 2019/20 prior to us forming our final audit opinion. This was presented to the Governance Scrutiny Group meeting on 29 September and was considered satisfactory.

Financial Statement Matters: Financial Instruments

Whilst the Government has introduced a number of measures to ease financial hardship, the Council needed to consider the impact on expected credit losses and the impairment of financial assets.

Financial Statement Matters: Legal Cases

The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities. These included:

- the proposed remedy for the 'McCloud' case (which emerged initially in 2018/19 and was reported on in our previous Audit Completion Report). An updated IAS19 valuation report has not been sought from the Council's actuary for this matter as management assess the impact to be immaterial; and
- the 'Goodwin' case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. The factors underpinning this case are likely to apply to the Local Government Pension Scheme and employers are being asked to determine whether there is a risk that their liabilities are materially misstated. Management has sought advice from its actuary in relation to this matter and concluded that the impact on this accounting estimate is not material and need not be included in the Council's pension liability estimates.

2. SIGNIFICANT FINDINGS (CONTINUED)

Audit Fees

As explained in our Audit Strategy Memorandum, we continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular, we have increased the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment and investment properties

We expect this to be a permanent uplift to the audit fee and have provided management with an estimate, to be confirmed on completion of our work, of £6,194

We have discussed with management the additional audit testing and audit work required relating to pension assets and liabilities as well as adjustments for 'McCloud'; uncertainty in the valuation of land and buildings; going concern; and financial instruments as result of additional risks arising from Covid 19. We have provided management with an estimate of between £5,317 and £6,817 for these matters. The final amount will be agreed on completion of our work and be proportionate to the level of specific additional work required.

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.
Draft accounts were received from the Council on the 14th June and were of a good quality. Some amendments were made by the client to the draft accounts after the audit commenced. We noted note 40 requires more clarification and have asked for this to be amended.

Management Co-operation

During the ongoing coronavirus situation, Mazars has implemented clear and decisive measures to ensure the welfare of our people and clients while ensuring that we continue to deliver for those who rely on us. Remote working has meant the audit is not as efficient as we would like or expect, including an extended period of query resolution. This is consistent across all our clients and a reflection of the impact of Covid19.

Management have been under substantial pressure to deliver against many competing priorities since March 2020 and we want to extend our thanks to the finance team for their positive support and co-operation during the course of the audit.

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 2019/20 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.

We have not received any questions or objections.

Possible delay in Audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion. The NAO has not yet issued its Group Instructions for local authority audits. If it looks that these Instructions are to be significantly delayed then we may agree with management to issue the Auditor's Report, but without the Audit Certificate, shortly after the audited Statement of Accounts has been approved by the Governance Scrutiny Group. We would then issue the Audit Certificate separately as soon as we are able to do so. We will update the Governance Scrutiny Group when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we will not be able to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

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

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

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

Significant deficiencies in internal control

We have not identified any significant deficiencies in internal control. Any minor issues will be discussed with the finance team as part of the audit de-brief.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £25k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements 2019/20

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Deferred Income			42	
	Cr: Grant Income		42		
	Correct recognition of Covid 19 first tranche of income into 2019/20 and not 2020/21				
	Total unadjusted misstatements				

The Governance Scrutiny Group must formally approve managements decision not to formally adjust the financial statements for these items.

These unadjusted items must also be formally appended to the management representation letter.

Adjusted misstatements 2019/20

We have not at this stage identified any misstatements above our trivial threshold and which also exceeds our audit materiality, that management need to amend

Disclosure amendments

In addition to the above numerical errors that relate directly to the primary statements or their related notes, our audit also identified a small number of errors and adjustments in relation to other disclosures. Some errors were identified by management and amended within the first versions of the draft financial statements. We identified the following errors. These have been discussed with management who have agreed to the amendments and includes:

- Note 40 – requirement to update note on PPE and material uncertainty and the disclosure on Pensions
- Note 21 – bracket signage changed as incorrect on some lines
- Collection Fund – NNDR income updated correctly from £23.389m to £23.339m (identified by management)
- Collection Fund –note 5 total updated correctly
- EFA – note number updated for adjustments between the funding and accounting basis
- EFA – figures changed to be consistent between main EFA statement and relevant notes
- AGS – updated to make it clearer in sections 2.4 and 2.7 that RSM were Internal Auditors in 2019/20

5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2019/20 financial year, we identified no significant audit risks.

Matters kept under review

We did though identify the Council's medium term financial sustainability and commercialisation as matters which we needed to keep under close review during our audit. Although the Council achieved a surplus for the current year the 2020/21 financial position and future years are more challenging, with the underlying factors being common to all bodies in the local government sector.

We acknowledged that the Council made a surplus in 2019/20 and is continuing to examine its 20/21 budget and taking forward its transformation programme to generate proposals to bridge the potential gap although note proposed reserve contributions of £0.422m being utilised in 2020/21. Savings of £0.6m are included within the Council's 2020/21 budget.

Before drawing our conclusion, we have:

- Reviewed the 2019/20 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- Reviewed the 2020/21:
  - Revenue and Capital budgets and Medium Term Financial Plan; and
  - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies.
- Considered the Council's latest financial monitoring information and its updated medium term outlook;
- Updated our risk assessment for the progress made regarding transformation proposals, any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council's Annual Governance Statement for any significant issues;
- Reviewed the Councils Investment Holdings and rental income;.
- Considered the general findings from our audit work in other areas; and
- Taken into account updated NAO VFM Conclusion guidance.

Matters kept under review (continued)
In April 2020 NAO issued an update to its VFM guidance to auditors which set out how local auditors should approach considering the impact of COVID-19 on their 2019/20 VFM arrangements conclusion risk assessment. The guidance states that auditors should generally consider local bodies' arrangements and their response to the pandemic as part of their 2020/21 work on VFM arrangements, and that only where there is a clear indication of a significant failure of arrangements during the 2019/20 financial year as a result of COVID-19 would it be appropriate to raise a 2019/20 significant risk. We have not identified any significant failures in the Council's arrangements during 2019/20 and are satisfied that no additional significant VFM risks have been identified in relation to these matters.

Other observations:

The COVID-19 lockdown occurred in the final two weeks of the Council's financial year and the impact on the 2019/20 financial outturn was not significant. Council spending by department was slightly below the budget and, despite the requirement to close the Leisure Centres and the cessation of car parking charges during late March, the revenue outturn position was contained within the original net budget amount. This was broadly in-line with earlier forecasts and the Council has been able to increase its earmarked reserves by £1.7m, mainly as a result of planned efficiencies plus decreased expenditure and increased income – particularly in relation to the increased NNDR pool surplus. Capital expenditure was also £19.2m lower than expected most of which is being carried forward.

The impact of COVID-19 on the Council's 2020/21 financial position has been significant and has required a prompt response by management. A budget impact report has gone to each cabinet meeting since May 2020 setting out the potential impact of Covid. These mainly affect the income receivable from fees and charges, with an estimate that approximately £2.8m might be lost in income with additional cost pressures expected to be in the region of £2.5m-£4.5m. The Government has indicated its commitment to funding the costs of COVID-19 to councils, and to date the Council has received £1.6m in grant support. Management has continued to update its budget forecasts and, whilst the Council has sufficient reserves that could manage the short term effects, the ongoing impacts and resource levels will determine the extent of service provision possible. For example, reallocating existing earmarked reserves could adversely impact upon the Council's ability to provide funding for capital projects, future transformation initiatives and the ability to manage future events with negative consequences for the Council's financial position.

Overall a balanced position in 2020/21 is achievable although the situation is acknowledged to be challenging and requiring continued strong management actions and the use of the organisation stabilisation reserve.

The full financial impact of COVID-19 in the medium term is not yet certain. The initial outbreak has impacted on the Council's ability to enact its original 2020/21 plan, including income generation and expenditure reductions. We recognise the Council is working through the implications and considerations through business planning and financial planning updates. The 2020/21 budget and MTFP assumptions were updated and presented to Cabinet in September 2020. This shows the expected position is a deficit of £0.422m in 20/21. Efficiencies of (£0.624m) are expected, Covid funding of (£1.5181m) with additional cost pressures of £2.564m. Voluntary payments are still expected to be paid on MRP as there are sufficient reserves in the organisation stabilisation reserve to meet the deficit. Budgets are continuing to be revisited and updated and it is important the Council continues to ensure its financial resilience is assured over the medium term. There is also an acknowledgement that national funding reviews are unlikely to now take place as originally planned, so creating more uncertainty for the medium term.

We note that the Council has a figure of £3.822m unallocated in its Asset investment programme and have taken a step back from commercial investments as a result of Covid 19 although 2 new investments are due to complete in 20/21. Investment income is still expected to generate approx. £1m per year for the Council and represents 20.3% of income in 20/21 rising to 26% in 2024/25. Covid to date has not had a significant negative effect on the income generated from investments but we advise caution in the current climate when considering any future investments due to obvious volatility in property holdings as well as the likelihood of voids or non payment of rent.

The Council's response to the pandemic will be a major focus of our 2020/21 audit and value for money assessment under the new Code of Audit Practice framework and supporting NAO guidance. We will continue to liaise with management and update our understanding of the Council's arrangements as part of our risk assessment and reporting in the new financial year.

Our overall Value for Money conclusion
We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

David Hoose
Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW
(date)

Dear David

Rushcliffe Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Rushcliffe Borough Council (the 'Council) and the consolidated financial statements of the Council and its subsidiaries (the 'Group') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

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 myself that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which 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 Trust you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 Officer 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 undertaken by the Council (and the Group) have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

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

Accounting estimates, including those measured at fair value

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

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

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

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 not already disclosed.

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

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. We have 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 s151 Officer, for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements of the Council (and the Group) may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the entity 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 (or the Group'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 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 statement of financial position date. In particular, I have considered the impact of Covid-19 on our Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

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

Future commitments

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

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

Going concern

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

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

Annual Governance Statement

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

Narrative report

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

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements 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.

Ultimate parent company

I confirm that the ultimate parent company for Rushcliffe Borough Council is the Ministry of Housing, Communities and Local Government.

Yours faithfully

Peter Linfield
Deputy Chief Executive and Executive Manager – Finance and Corporate Services

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

Report on the financial statements

Opinion

We have audited the financial statements of Rushcliffe Borough Council ('the Council') and its subsidiary ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Rushcliffe Borough Council and the Group as at 31st March 2020 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 2019/20.

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.

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to note 4 in the General Notes to the Accounts, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land, buildings and investment properties. As disclosed in note 40 of the General Notes to the Accounts, the Council's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Responsibilities of the Chief Finance Officer, the Executive Manager - 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 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Manager- Finance and Corporate Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer 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.

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.

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.

Conclusion on Rushcliffe Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Rushcliffe Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. 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.

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. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

David Hoose
For and on behalf of Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

November 2020

APPENDIX C
INDEPENDENCE

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

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

CONTACT

David Hoose
Partner

Phone: +44 (0) 115 964 4744
Email: David.hoose@mazars.co.uk

Anita Pipes
Manager

Phone: +44 (0) 7919 395 251
Email: anita.pipes@mazars.co.uk

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Rushcliffe Borough Council	**Governance Scrutiny Group** **Tuesday, 24 November 2020** **Capital and Investment Strategy – Mid-Year Report 2020/21**

Report of the Executive Manager - Finance and Corporate Services

1. Purpose of Report

1.1. The purpose of this report is to summarise the capital and investment activities of the Council for the period 1 April to 30 September 2020. During this period, the Council acquired Unit 1 Edwalton Business Park closely followed by Unit 3 Edwalton Business Park in October.

1.2. The Capital and Investment Strategy for 2020/21, approved by Council on 5 March 2020 outlines the Council's capital and investment priorities as follows:

- Security of capital;
- Liquidity of investments; and
- Optimising yield earned on investments (cash and property).

1.3. The strategy includes indicators that help ensure that the Council's capital investment plans are affordable, prudent and sustainable. Setting an integrated Capital and Investment Strategy is a requirement of the CIPFA Code of Practice.

2. Recommendations

It is recommended that the Group notes the Capital and Investment Strategy up-date position at 30 September 2020.

3. Reasons for Recommendation

3.1 CIPFA's Code of Practice for Treasury Management (2017) recommends that Councillors should be informed of Treasury Management activities at least twice a year. This report, therefore, ensures this Council is embracing best practice for the scrutiny of capital and investment activity in accordance with the Code of Practice.

4. Supporting Information

Economic Background

4.1. The Coronavirus outbreak has caused huge economic damage to the UK and around the world. In the first six months of 2020/21:

- The fall in growth in the UK economy was revised from 28% to 23%, still one of the largest falls in output of any developed nation.
- The Bank of England base rate was cut on 19 March 2020 to 0.1%, just a week after being cut to 0.25%.

Economic Forecast

4.2. Economic growth fell by a record 20% in April 2020. The economy has since been recovering better than expected but medium-term projections are a less informative guide than usual. We are now in a second lockdown which could damage the economy further. Up until now the Government have been trying to deal with any spikes in virus infections with localised measures, in an attempt to limit the amount of economic damage done but unfortunately has now had to resort to another national lockdown set to last at least 28 days.

4.3. UK unemployment rate stood at 3.9% in the second quarter of 2020, unchanged over a three-month period and below market expectations of 4.2%. The Bank of England has warned that this figure could double to 7.5% by the end of the year, and only fall slowly in 2021. The full effects of the Covid19 outbreak have been significantly mitigated by the extensive take-up support from temporary government schemes. Uncertainty remains about the prospects for employment after furlough comes to an end.

4.4. The current Bank of England base rate is 0.1%. The Bank of England took emergency action in March to cut the Bank Rate to first 0.25% and then to 0.1%. It has remained unchanged, but some forecasters are suggesting that a cut into negative territory could happen. The Bank of England suggest such a move would do more damage than good. Link (the Council's Treasury Advisors) are forecasting no change within the forecast horizon ending on 31 March 2023.

4.5. Inflation, for July 2020, showed a bigger than expected rise to 1% from 0.6% in June. This trend is set to continue with inflation levels expected to be above 2% in 2023.

4.6. Overall, there was a strong pick-up in economic growth although more recently evidence suggests this has stunted. The furlough scheme was set to end October but has now been extended to the end of March 2021 due to the fear that its withdrawal will lead to many job losses. Consumers will also probably remain cautious in spending and this will dampen growth. Uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year is a significant risk. Economic recovery is expected to be only gradual and, therefore, prolonged. The trajectory will be dependent on factors such as the success of a Coronavirus vaccine.

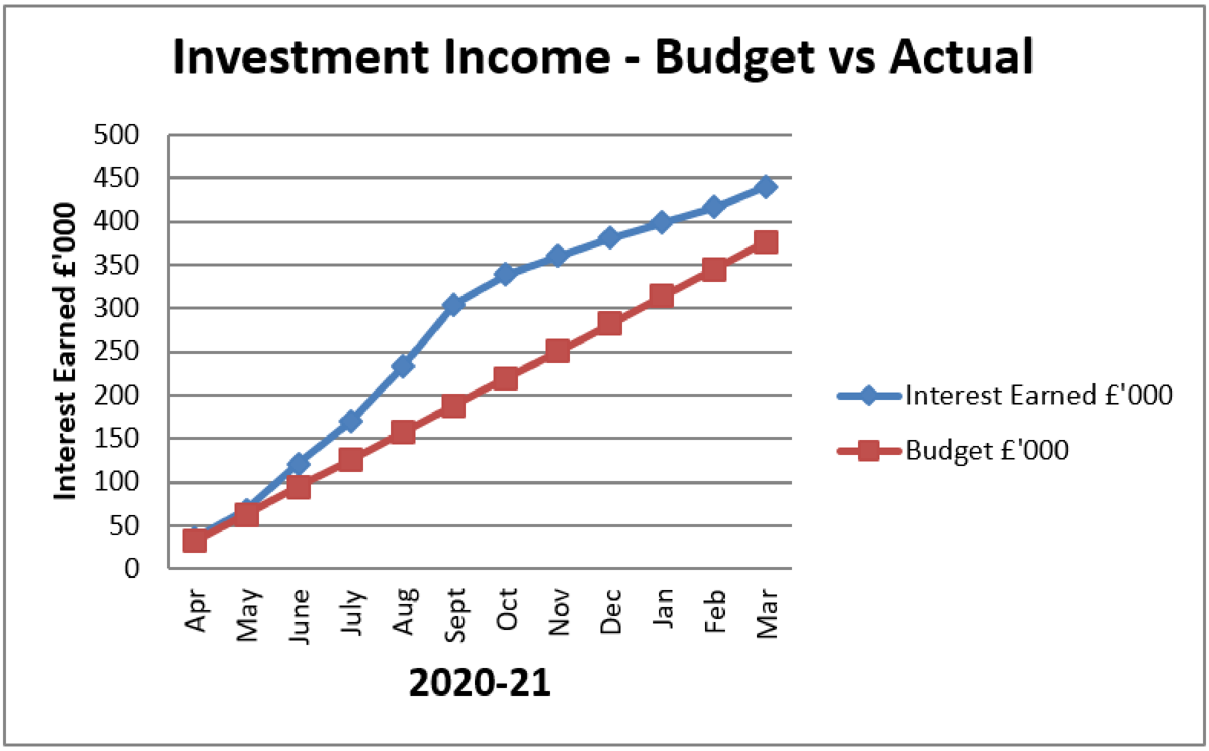
Investment Income

4.7. A combination of base rate forecasts, constraints on the lending list and the expenditure expected to be incurred on the Capital Programme meant the Council budgeted to receive £376,800 in investment income in 2020/21. Actual interest earned to 30 September 2020 totalled £297,610 with total receipts for the year expected to be £440,460. Interest receipts are higher than estimated due to investing in higher interest earning diversified funds coupled with delays in the capital programme. Going forward this could change; for example, if interest rates alter in light of the second wave of Covid19. All investments have been made in accordance with the Council's Capital and Investment Strategy.

4.8. In order to maintain returns and mitigate risks, the Council has continued to diversify its investments mix. As a result, the Council is currently placing deposits in Money Market Funds, Call Accounts, CCLA Property Fund, UK Local

Authorities and Diversified Funds with a maximum of £5 million being placed with any single institution.

4.9. The projected return on investments is highlighted in the following graph, which depicts the performance against the budget.



4.10. The average interest rates achieved so far this year on the Council's investments are compared to the London interbank bid rate (LIBID) rates. In addition, the Council has just over £12 million invested in diversified income and property accounts that are earning on average a rate of 4.3% in interest.

Benchmark	2020-21 LIBID	Council Performance
Instant Access	0.07%	0.10%
1 month	0.02%	0.08%
3 month	0.11%	-
6 month	0.21%	0.50%
12 month	0.35%	0.42%

4.11. The table below highlights the level of investment activity and the rates obtained at 30 September 2020. Investments were made in line with Link's approved counterparty list.

Financial Institution	Amount £	Length of Investment	Interest	Date
Rotherham Metropolitan Borough	5,000,000	184 days	1.00%	26 May 2020
Lancashire County Council	5,000,000	2 Years	1.20%	15 Oct 2019
Aviva Investors	339,161	Call	0.00%	N/A
Federated Investors (Uk)	4,707,920	Call	0.06%	N/A
Hsbc Asset Management	1,368,466	Call	0.01%	N/A
Invesco Aim	4,993,702	Call	0.04%	N/A
Aberdeen Asset Management	4,456,231	Call	0.08%	N/A
Barclays Bank Plc	263,955	32 Days	0.02%	N/A
Santander Uk Plc	1,805,000	Call	0.12%	N/A
Residual MMF/Call Account Balances	331,592	35 Days	0.47%	N/A
Royal London Cash Plus Fund	991,347	On-going	1.38%	N/A
Ccla Property Fund	2,070,647	On-going	4.58%	N/A
Ccla Diversified Income Fund	1,779,479	On-going	4.58%	N/A
Kames Diversified Income Fund	3,358,073	On-going	5.01%	N/A
Investec Diversified Income Fund	3,706,999	On-going	4.07%	N/A
Total Investments/Average Interest Rate	**40,172,572**		**0.74**	

4.12. As the table above indicates, investments at 30 September 2020 totalled £40.173 million with an average rate of interest of 0.74% (2019/20 1.87%). In light of the pandemic, it is no surprise that for the first half of 2020/21 interest rates achieved were lower than last year. These funds were available on a temporary basis, and the level of funds available were mainly dependant on the timing of precept payments, receipt of grants and progress on the capital programme. The rates achieved vary between different institutions, for different durations, dependant on when the investment was made.

4.13. We are currently carrying out a Money Market Fund (MMF) review with a view to maximising returns on the call accounts. Whilst the Council continues to ensure investments are secure and liquidity is achieved (in light of uncertain income streams), it is proactively looking to maximise its rate of return.

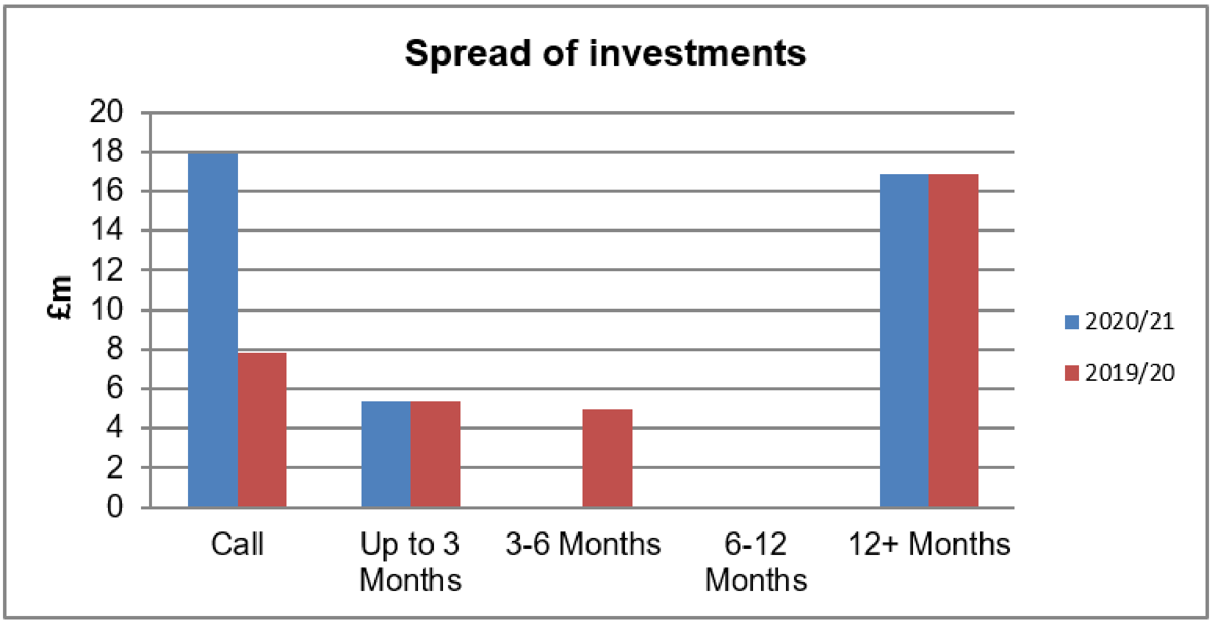
4.14. The fair value of the Council's diversified funds fell by £1.238m at 31.3.2020. The table below shows their recovery to date. These investments are held long term and it is anticipated that in the long term these values will recover. As at 31.09.2020 these funds had recovered by £573,991.

Fair Value	31.03.2020	30.09.2020
Kames	3,358,073	3,644,676
Investec	3,706,999	3,944,358
RLAM	991,347	1,005,134
CCLA Property	2,070,647	1,984,521
CCLA Divesified	1,779,479	1,901,846
	11,906,545	**12,480,536**

4.15. It should be noted that £17.3 million of the above investments relate to funds held in relation to Section 106 Agreements that are yet to be released by the Authority. As part of the agreement, interest has to be paid over once funds are released. This interest amounts to approximately £129,000.

4.16. The above details the counterparties that the Council had placed investments with at 30 September 2020. The graph below depicts our investment spread showing the range of investments and the different time periods; balancing both cash flow risk and counterparty risk and shows the movement from longer term to shorter term investments between 2019/20 and 2020/21. A consequence of Covid19, and ensuring liquidity, is that increasingly the Council is holding lower values of investments, over a shorter period of time, with a greater number of institutions. This is compliant with the Council's Capital and Investment Strategy and recommended action by the Council's Treasury advisors.

4.17. Council agreed, 24 September 2019, to consider its carbon footprint and aim to divest from fossil fuel investments. Currently 22% (24% in 2019) of our portfolio is invested in diversified funds which invest in equities and, therefore, carry a small risk of fossil fuel investments. Security, Liquidity and Yield are the Council's main priority (in accordance with the CIPFA Code for treasury investments).



Borrowing

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

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

4.20. The need to externally borrow is now anticipated to be nil in 2020/21. The Operational Boundary set for the year is £20m (see **Appendix A**).

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

(a) Capital Expenditure – The original budget for 2020/21 was £18.936m and revised largely due to carry forwards giving a current budget of £38.371m. The programme was reviewed in the light of Covid19 impact and re-phasing of £18.465m has been requested together with the removal of £3.828m, the unallocated balance of Asset Investment Strategy provision (this element will be referred to Council). These adjustments will give a revised Capital Programme of £16.078m for 2020-21. The projected outturn is £14.522m – resulting in an estimated underspend of £1.556m. This position is reported to both Cabinet and Corporate Overview Group.

(b) Financing costs to net revenue stream – improved position anticipated due to higher investment returns and projected underspends in net service expenditure.

(c) Expected investment position – linked to underspend on the capital programme- see (a) above.

(d) Capital Financing Requirement (CFR) – the closing position will be less than budgeted for as a result of capital programme re-phasing as mentioned at (a) above. The CFR projected end of year position is £11.527m.

Commercial Investments

4.22. The definition of investments in CIPFA's definition of treasury management activities above covers all financial assets of the organisation as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may, therefore, include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework, which is outlined in the Capital and Investment Strategy.

4.23. The Council is committed to becoming self-sustainable as Central Government funding reduces. This includes ensuring that the Council maximises any income from existing assets and, where there is a business case, invests in assets where there is a commercial return. The Council is holding significant capital funding resources which do not require the authority to undertake borrowing at this stage. These are invested with various financial institutions as detailed above. However, there may be other investments that represent an opportunity to generate higher returns on these funds.

4.24. In recent years, the Council identified specific sums for its Asset Investment Strategy within the Capital Programme which has totalled £20m. This includes commercial investment in areas such as investment in property and subsidiaries, or loans that support service outcomes. Of the £8.382m balance at the start of the year, £4.554m was committed to two acquisitions of Business Units in West Bridgford (paragraph 4.25), the balance £3.828m will be referred to Council for removal from the Programme and will not require funding.

Investments 2020/21

4.25. The purchase of Unit 1 Edwalton Business Park was completed 9 July for £2.083m and Unit 3 Edwalton Business Park was completed 13 October for £2.449m. Further details are provided below.

Unit1, Edwalton Business Park

Details of the investment appraisal are attached at Appendix B, and are summarised as follows:

- The property is leased to Brown Shipley & Co Ltd;
- 10 year Fully Repairing and Insuring (FRI) lease with no break, year 5 rent review (upwards only review)
- It is a well-established location and within the Borough;
- The property is new, with low maintenance costs, and high-quality finishes
- Indications support strong demand for offices in the locality.
- There is a single tenant cash flow risk, albeit this is mitigated by the Council's overall investment property rental streams;
- Rated as grade A on the Energy Performance Certificate

Unit3, Edwalton Business Park

Details of the investment appraisal are attached at Appendix C, and are summarised as follows:

- The property is leased to Inspired Villages Group Ltd, guaranteed by Legal and General;
- 10 year FRI lease with no break, year 5 rent review (upwards only review)
- It is a well-established location and within the Borough;
- The property is new, with low maintenance costs, and high-quality finishes
- Indications support strong demand for offices in the locality
- There is a single tenant cash flow risk, albeit this is mitigated by the Council's overall investment property rental streams
- Rated as grade A on the Energy Performance Certificate

4.26. Individual commercial investment proposals included within the Asset Investment Strategy (AIS) are subject to specific business appraisals. The governance surrounding such decisions is included in the AIS. Details for the above acquisitions can be found at Appendices B and C.

4.27. The Government issued revised guidance on local government investments, effective from April 2018. This guidance introduces additional disclosure requirements some of which are specific to investments of a commercial nature. The Authority now has to disclose its dependence on commercial income and the contribution non-core investments make towards core functions. This covers items included in the Council's AIS, as well as pre-existing commercial investments.

4.28. The expected contributions from commercial investments included in the AIS are shown below. In order to manage the risk to the Council's budget, income from commercial investments should not be a significant proportion of the

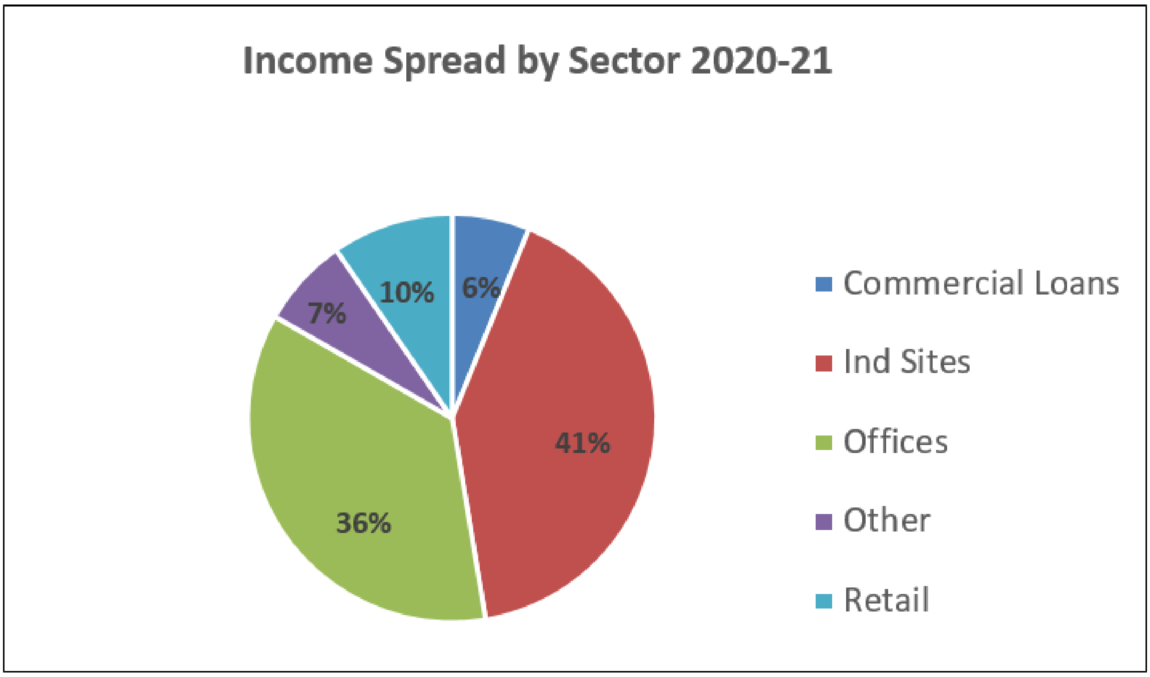
Council's income. As shown below, it is estimated to be around 20% in the current year. Our objective is that this ratio should not exceed 30% in future years, subject to annual review.

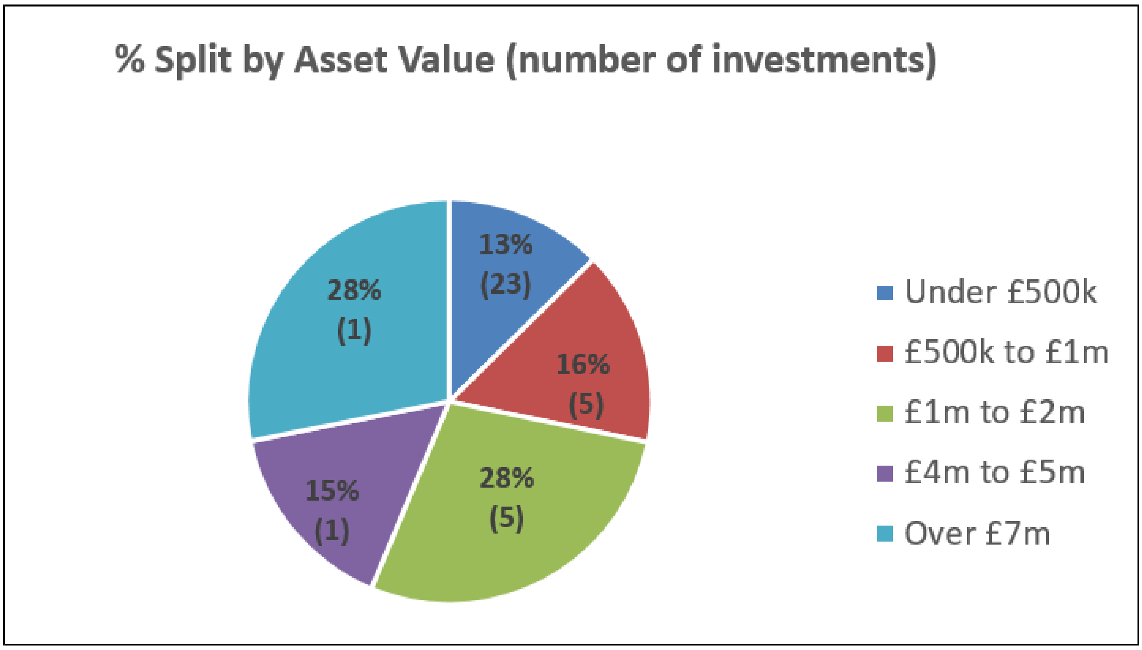
Commercial Investment income and costs

2020/21	Original £000	Current £000	Actual £000	Projected £000
Commercial Property Income	(1,557)	(1,557)	(752)	(1,461)
Running Costs	614	617	244	627
Net Contribution to core functions	(943)	(940)	(508)	(834)
Interest from Commercial Loans	(83)	(83)	(3)	(96)
Total Contribution	(1,026)	(1,023)	(511)	(930)
Sensitivity:				
+/- 10% Commercial Property Income	156	156	75	146
Indicator:				
Investment Income as a % of total Council Income	20.0%	20.0%	18.5%	21.3%
Total Income	8,209	8,209	4,071	7,316

Risk Exposure Indicators

4.29. The Council can minimise its exposure to risk by spreading investments across sectors and by avoiding single large-scale investments. Generally, there is a spread of investment across sectors. The Council's commitment to economic regeneration (not purely financial return) has meant that many of its investments have been in industrial units, which have been very successful. Covid has accelerated remote working which currently has reduced office occupation during lockdown. There is a risk that this may become a new way of working which could reduce demand for office accommodation although the long-term impact is unknown. This will be monitored and reported in future reports.





Security and Liquidity

4.30. Commercial investments are held for longer term asset appreciation as well as yield. Investments or sales decisions will normally be planned as part of the consideration of the 5-year capital strategy to maximise the potential return. Nevertheless, the local and national markets are monitored to ensure any gains are maximised or losses minimised.

4.31. To help ensure asset values are maintained the assets are given quarterly inspections, together with a condition survey every 3 years. Any works required to maintain the value of the property will then form part of Council's spending plans.

4.32. The liquidity of the assets is also dependent on the condition of the property, the strength of the tenants and the remaining lease lengths. The Council keeps these items under review with a view to maximising the potential liquidity and value of the property wherever possible.

4.33. The liquidity considerations for commercial investments are intrinsically linked to the level of cash and short-term investments, which help manage and mitigate the Council's liquidity risk.

Training and Development

4.34. The Council's Treasury Management Advisors, Link Asset Services held a presentation and training session to Councillors on 27 November 2019 and the next is scheduled for 9 December 2020.

5 Conclusion

5.1. Treasury Management continues to be fraught with difficulty. The UK economy is more uncertain whilst the terms of BREXIT are being negotiated and more so by the legacy impact of the worldwide Covid19 pandemic. Together with general international political uncertainty, the effects are expected to have a long-term impact on interest rates and the returns that can be achieved from investments. Officers will continue to be vigilant and report any significant issues to the Governance Scrutiny Group.

6 Risk and Uncertainties

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

7 Implications

7.1. Financial Implications

Financial implications are covered in the body of the report.

7.2. Legal Implications

There are no specific legal implications identified in this report. The report demonstrates the Councils good practice in following CIPFA's Code of Practice for Treasury Management (2017) recommends by informing Councillors of Treasury Management activities at least twice a year. Adoption of the best practice, ensures scrutiny of capital and investment activity undertaken during the relevant period.

7.3. Equalities Implications

There are no equalities implications identified for this report

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

There are no implications

8 Link to Corporate Priorities

Quality of Life	No direct impact
Efficient Services	Responsible income generation and maximising returns
Sustainable Growth	No direct impact
The Environment	Helping to protect the environment by consideration of carbon footprint and fossil-based investments as referred to in paragraph 4.17

9 Recommendations

It is recommended that the Group notes the Capital and Investment Strategy update position at 30 September 2020.

For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers available for inspection	Treasury Management Strategy 2020/21
List of Appendices (if any):	Appendix A – Prudential and Treasury Indicators for 2020/21 position at 30 September 2020 Appendix B – Appraisal Documents Unit 1 Edwalton Business Park Appendix C – Appraisal Documents Unit 3 Edwalton Business Park

APPENDIX A

Prudential and Treasury Indicators for 2020/21
Position at 30 September 2020

	2020/21 £'000 Original Estimate	**2020/21 £'000 Current Projections**
Prudential Indicators		
Capital Expenditure	18,936	14,522
Proportion of financing costs to net revenue streams	6.01%	3.87%
Expected Investment Position (at 31 March 2021)	14,328	22,650
Capital Financing requirement as at 31 March 2021	21,849	11,527
Treasury Management Indicators		
Authorised Limit for external debt Borrowing and other long term liabilities	25,000	25,000
Operational Boundary for external debt Borrowing and other long-term liabilities	20,000	20,000
Upper limit for fixed interest rate exposure on investments up to 1 year	50%	50%
Upper limit for variable rate exposure (investments)	100%	100%
Upper limit for total principal sums invested over 1 year	7,200	11,300

APPENDIX B

ASSET INVESTMENT STRATEGY APPRAISAL MATRIX					Appendix B
PROPERTY	**Unit 1 Edwalton Business Park, Landmere Lane, West Bridgford, NG12 4DE**				
PROPERTY TYPE	**Office**				
TENANT	**Brown Shipley & Co Ltd**				

ASSESSMENT CRITERIA	**Excellent / very good**	**Good**	**Satisfactory**	**Marginal**	**Uncertain**
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength
Lease length and break (for main tenants/income)	>15 years	11 - 14 years	10 - 8 years	7 - 5 years	<5 years or vacant (unless reflected in price)
Rate of Return - % rent against capital	>8%	6%-7%	5%	3%-4%	<3%
Portfolio mix (asset type is balanced in portfolio - no more than x% of portfolio)	<50%	50%-60%	>61%-70%	71%-80%	>80% of portfolio
Property Sector & Risk	Industrial (lower risk)	Office (lower-mid risk)	Warehouse Retail (med risk)	Retail, Leisure (higher risk)	Residential (not part of investment strategy)
Void (after Lease end including marketing, fit out and rent free)	0-9 months	10-12 months	13-18 months	19-24 months	>24 months
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links
Tenure	Freehold	Lease >200 years	Lease 100 - 199 years	Lease 75 - 99 years	Lease <75 years
Repairing terms links to Building quality	Full repairing & insuring	Interal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord
Building Quality/Age	<10 years	10-20 years	21-30	31-35	>35
Rental Growth	within 1 year	within 2-5 years	within 6-7 years	within 8-10 years	>11 years
Purchase Price	<£2m	Between £2m and £3m	Between £3.1m and £4m	Between £4.1m and £7m	>£7m
Proximity to Borough	within Borough	within Nottinghamshire	within East Midlands	within the Midlands	National
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G

PROPERTY	
Address	Unit 1 Edwalton Business Park
Location/Situation (ie what is nearby)	A popular location on Landmere Lane, off Melton Road close to the established and popular Wheatcroft Business Park. The property is located within Edwalton Business Park, providing easy access to West Bridgford and Nottingham, also the ring road giving access to the M1 via the A453 and Nottingham Parkway. The development will provide four detatched, two storey office buildings with parking
Description of Asset (ie age, layout, construction, services, car park)	Yet to be constructed, each of the four buildings is of high architectural merit, set within landscaped grounds with parking. Each office has raised floors, air conditioning, fibre broadband, mezzanine meeting rooms, vaulted first floor ceilings with sky lights, PV panels, LED lighting, one parking space per 225sq ft Service charge will be levied to cover the maintenance and upkeep of the common parts
Size/site area	5,826 sq ft GIA
Planning ie use/class	B1, office
Conditions of sale	

COSTS	Total Capital Purchase costs	Total Annual Revenue Costs	Total Annual Income	Comments
Purchase price	£1,970,000			
Purchase costs ie SDLT, legal, agents, survey fees	£128,050			
Refurbishment costs	£0			
Borrowing costs/Capital costs		£7,880		
Business Rates		£0		
Management costs & Sinking Fund		£11,000		In-house management
Service charge apportionment		£0		
Rent/Income			£110,000	
Total	£2,098,050	£18,880	£110,000	
Net Annual Profit			£91,120	

Life Costs ie current condition	Brand new, put 5% sinking fund in place for future building maintenance
Yield	5.25% (Gross Rent)
Return on Investment (years)	23
IRR	
Rental growth	Rent review at year 5
Opportunity to add value (ie lease/tenant mgmt, regearing, building changes)	No, brand new purpose built office
Other costs	

LEASE TERMS	
Tenure ie Freehold/Leasehold	999 year lease
Tenant/Tenant Mix	Single tenant
Tenant covenant strength	Please see attached credit check - further investigation required.
Lease term & breaks	10 year lease, no breaks
Rent review & terms	Rent review at year 5
Key lease conditions ie alienation	
Cashflow risk ie to rents	10 month rent free
Void ie current/expected	12-18 months void/rent free
Lease type ie FRI (repairing obligation)	To be confirmed - likely to be FRI

OTHER	
Economic Factors ie market commentary	Early indications demonstrate strong demand for new offices in this location. Four buildings, one owner occupied. RBC completed Agreement For Lease (999 years) for Unit 3. Strong rents at £20psf. Generally strong covenants
Potential uses/alternative uses	None
Benefits	New building - low initial planned maintenance costs Pre-let tenant with strong guarantor (Legal & General) 10 year lease no breaks Rent review at year 5 Good location High quality, architecturally led design Good demand and rent at £20psf

Risks	10 month rent free - will this be topped up? Single tenant cashflow risk due to value of rent within context of portfolio Construction delay Quality of construction Managing defects period Further details / checks required for Pre-let. 12-18 month void
Liquidity	
Local economic benefits	
Local Search info	
Delivery Model ie set up a new company, JV, with another Council	

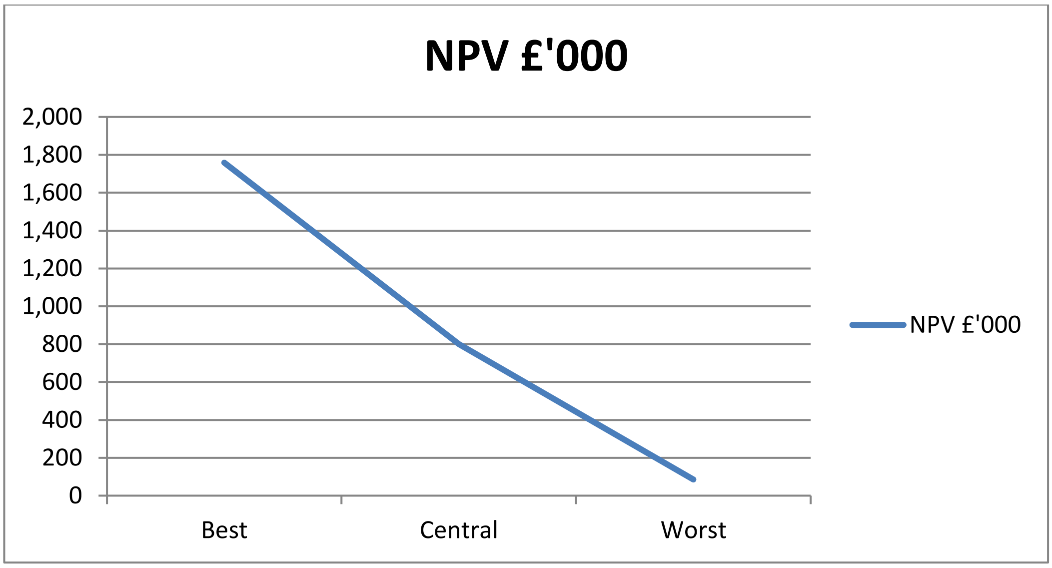
SUMMARY
Opportunity to acquire one further unit on the business estate, with a pre-let in place, in addition to the recent purchase of Unit 3. Demonstrated good demand so far with one owner occupier and two pre-lets. High quality design and internal space provides good competition against other offices. Strong rent at £20psf on 10 year lease with no breaks. Quality of tenant as per credit check (attached). Appears to be a good investment (subject to further checks on pre-let); some risk over cashflow with single tenant and rent of high value, so need to factor in 18 month void to cashflow to determine overall assessment.

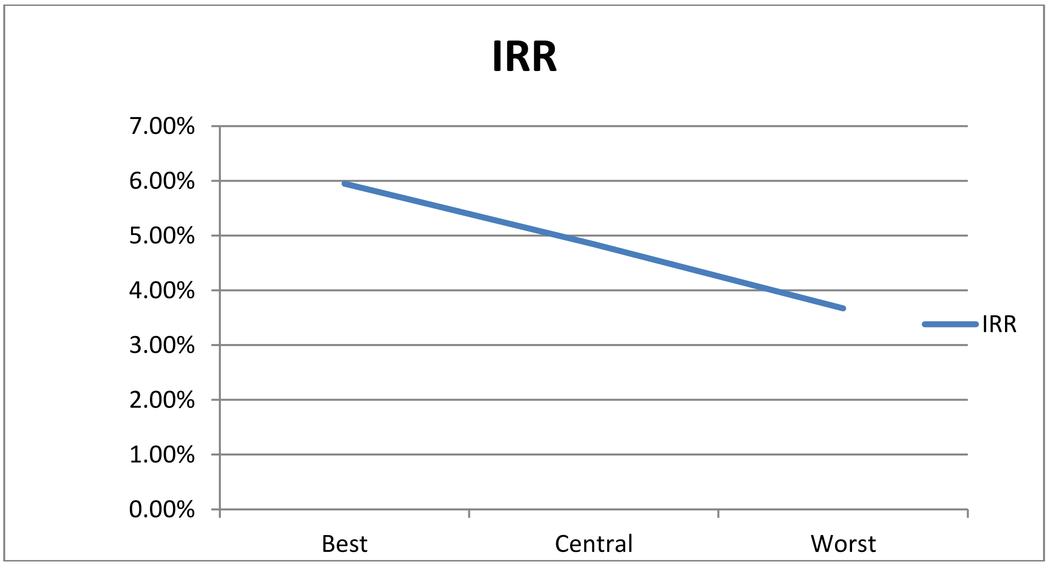
Sensitivity Analysis

1. The following assumptions have been made ranging from worst, central to best case scenarios:

Sensitivity	Best (pa)	Central (pa)	Worst (pa)	Rationale
Inflation for management costs and repairs	1.7%	2.0%	2.3%	Central case being Government inflation target
Inflation on rent and asset value; rent review 5 yearly	3.0%	2.0%	1.0%	Linked to inflation targets and more variable
Vacancy factor	Assume 6 months vacancy at years, 5, 10 etc			

2. Using the above assumptions and assuming disposal in Year 40 gives a Net Present Value ranging from £1.759m to £0.085m and an internal rate of return ranging from 5.95% to 3.67%. The worse case scenario is unlikely given the length of tenures.





APPENDIX C

ASSET INVESTMENT STRATEGY APPRAISAL MATRIX

APPENDIX C

To complete, highlight the applicable box using RAL, 50% of answers should be Excellent, Good or Satisfactory - however, to be appraised alongside the contextual information in tab 2 for comprehensive review

PROPERTY	**Unit 3 Edwalton Business Park, Landmere Lane, West Bridgford, NG12 4DE**
PROPERTY TYPE	**Office**
TENANT	**Inspired Villages Group Ltd guaranteed by Legal and General**

ASSESSMENT CRITERIA	**Excellent / very good**	**Good**	**Satisfactory**	**Marginal**	**Uncertain**
Tenancy strength	Multiple tenants with strong financial covenant	Single tenant with strong financial covenant	Single or multiple tenants with good financial covenant	Tenants with average financial covenant	Tenants with poor financial covenant strength
Lease length and break (for main tenants/income)	>15 years	11 - 14 years	10 - 8 years	7 - 5 years	<5 years or vacant (unless reflected in price)
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Void (after Lease end including marketing, fit out and rent free)	0-9 months	10-12 months	13-18 months	19-24 months	>24 months
Location	Prime	Not prime but in established location	Secondary	Remote from other developments	Isolated, undeveloped area, limited infrastructure links
Tenure	Freehold	Lease >200 years	Lease 100 - 199 years	Lease 75 - 99 years	Lease <75 years
Repairing terms links to Building quality	Full repairing & insuring	Interal repairing 100% recoverable	Internal repairing partially recoverable	Internal repairing non recoverable	Landlord
Building Quality/Age	<10 years	10-20 years	21-30	31-35	>35
Rental Growth	within 1 year	within 2-5 years	within 6-7 years	within 8-10 years	>11 years
Purchase Price	<£2m	Between £2m and £3m	Between £3.1m and £4m	Between £4.1m and £7m	>£7m
Proximity to Borough	within Borough	within Nottinghamshire	within East Midlands	within the Midlands	National
Energy Rating (2018 legislation can't let with F/G assessment)	A/B	C	D	E	F/G

PROPERTY	
Address	Unit 3 Edwalton Business Park
Location/Situation (ie what is nearby)	A popular location on Landmere Lane, off Melton Road close to the established and popular Wheatcroft Business Park. The property is located within Edwalton Business Park, providing easy access to West Bridgford and Nottingham, also the ring road giving access to the M1 via the A453 and Nottingham Parkway. The development will provide four detatched, two storey office buildings with parking
Description of Asset (ie age, layout, construction, services, car park)	Yet to be constructed, each of the four buildings is of high architectural merit, set within landscaped grounds with parking. Each office has raised floors, air conditioning, fibre broadband, mezzanine meeting rooms, vaulted first floor ceilings with sky lights, PV panels, LED lighting, one parking space per 225sq ft Service charge will be levied to cover the maintenance and upkeep of the common parts
Size/site area	6,842 sq ft
Planning ie use/class	B1, office
Conditions of sale	

COSTS	Total Capital Purchase costs	Total Annual Revenue Costs	Total Annual Income	Comments
Purchase price	£2,320,000			
Purchase costs ie SDLT, legal, agents, survey fees	£150,800			
Refurbishment costs	£0			
Borrowing costs/Capital costs		£18,530		
Business Rates		£0		
Management costs & Sinking Fund		£13,685		In-house management
Service charge apportionment		£0		
Rent/Income			£136,850	
Total	£2,470,800	£32,215	£136,850	
Net Annual Profit			£104,635	

Life Costs ie current condition	Brand new, put 5% sinking fund in place for future building maintenance
Yield - Simple	4.51%
Return on Investment (years)	24
IRR	
Rental growth	Rent review at year 5
Opportunity to add value (ie lease/tenant mgmt, regearing, building changes)	No, brand new purpose built office
Other costs	

LEASE TERMS	
Tenure ie Freehold/Leasehold	999 year lease
Tenant/Tenant Mix	Single tenant
Tenant covenant strength	Unknown - indications that strong covenant (ie guaranteed by Legal and General)
Lease term & breaks	10 year lease, no breaks
Rent review & terms	Rent review at year 5
Key lease conditions ie alienation	
Cashflow risk ie to rents	12 month rent free
Void ie current/expected	12-18 months void/rent free
Lease type ie FRI (repairing obligation)	Unknown

OTHER	
Economic Factors ie market commentary	Early indications demonstrate strong demand for new offices in this location. Four buildings, one owner occupied, two with pre-lets, one being marketed. Strong rents at £20psf Strong covenants
Potential uses/alternative uses	None
Benefits	New building - low initial planned maintenance costs Pre-let tenant with strong guarantor 10 year lease no breaks Rent review at year 5 Good location High quality, architectually led design Strong demand and rent at £20psf Asset value with tenant only £100k more than quoted construction costs

Risks	12 month rent free - will this be topped up? Single tenant cashflow risk due to value of rent within context of portfolio Construction delay Quality of construction Managing defects period Unknown tenant 12-18 month void
Liquidity	
Local economic benefits	
Local Search info	
Delivery Model ie set up a new company, JV, with another Council	

SUMMARY

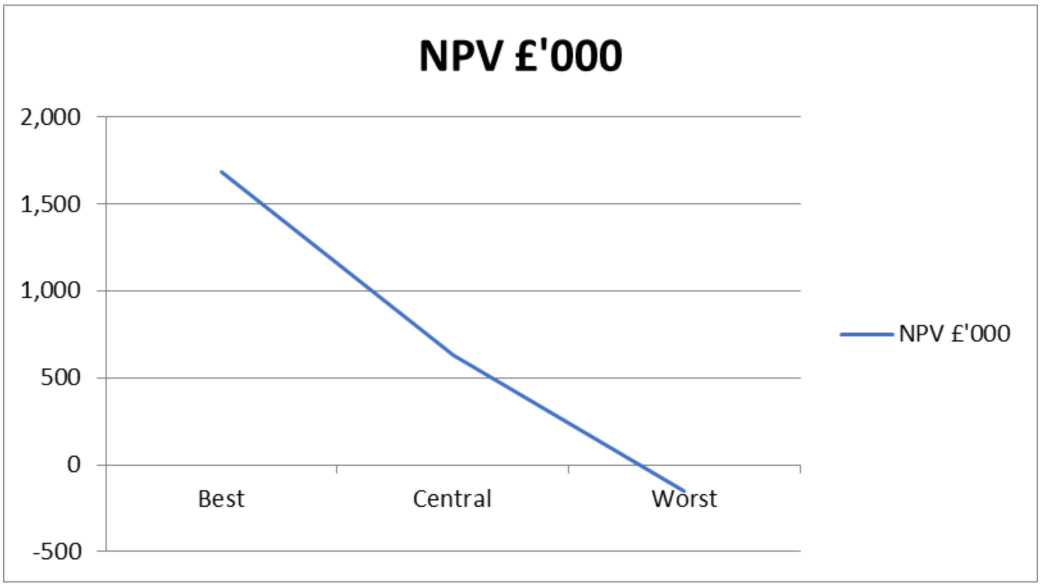
Opportunity to acquire one unit with a pre-let in place, as detailed in this appraisal and one vacant unit (subject to a separate appraisal). Demonstrated strong demand so far with one owner occupier and two pre-lets. High quality design and internal space provides good competition against other offices. Strong rent at £20psf on 10 year lease with no breaks. Quality of tenant unknown. So far been provided two different prices for build cost, need to clear this up - from these figures, it appears the asset value with the tenant is only £100k more than the quoted construction costs. Appears to be a good investment; some risk over cashflow with single tenant and rent of high value, so need to factor in 18 month void to cashflow to determine overall assessment.

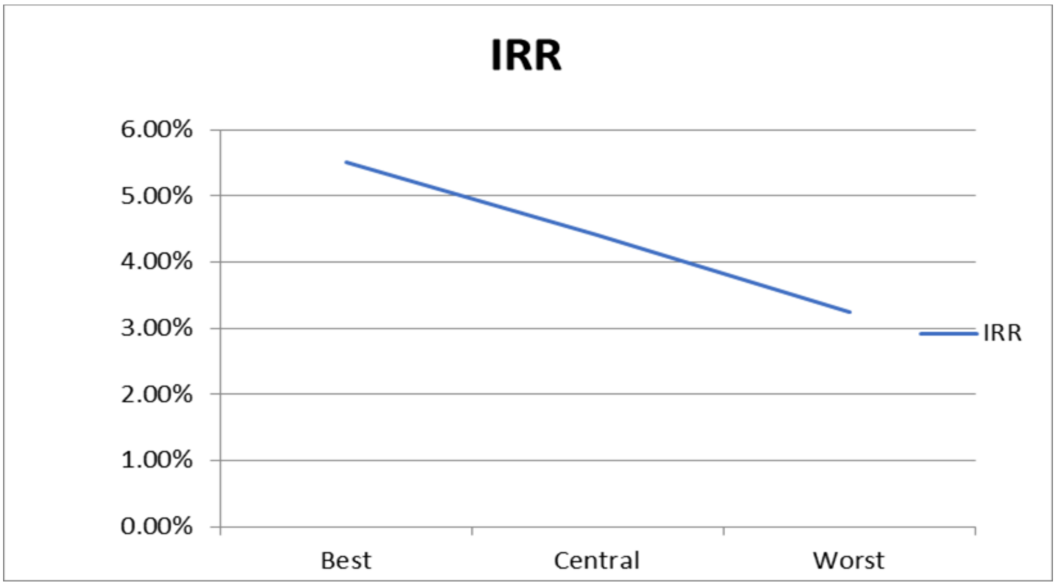
Sensitivity Analysis

3. The following assumptions have been made ranging from worst, central to best case scenarios:

Sensitivity	Best (pa)	Central (pa)	Worst (pa)	Rationale
Inflation for management costs and repairs	1.7%	2.0%	2.3%	Central case being Government inflation target
Inflation on rent and asset value; rent review 5 yearly	3.0%	2.0%	1.0%	Linked to inflation targets and more variable
Vacancy factor	Assume 12 months vacancy at year 1, 5, 10 etc			

4. Using the above assumptions and assuming disposal in Year 40 gives a Net Present Value ranging from £1.165m to a negative £0.152m and an internal rate of return ranging from 5.52% to 3.2%. The worst case scenario is unlikely given the length of tenures.





Glossary of Terms

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

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

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

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

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

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Governance Scrutiny Group

Tuesday, 24 November 2020

Work Programme

Rushcliffe
Borough Council

Report of the Executive Manager – Finance and Corporate Services

1. Summary

1.1. The work programme is a standing item for discussion at each meeting of the Corporate Governance Group. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.

1.2. The table 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.

2. Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out below:

4 February 2021

- Internal Audit Progress Report
- Internal Audit Strategy
- Annual Audit Letter
- External Audit Annual Plan
- Treasury and Asset Investments Strategy – Update
- Risk Management
- Work Programme

18 May 2021

- Internal Audit Progress Report
- Internal Audit Annual Report
- Annual Governance Statement
- Redmond Review Update
- Work Programme

3. Reason for Recommendation

To enable the Council's scrutiny arrangements to operate efficiently and effectively.

For more information contact:	Peter Linfield Executive Manager – Finance and Corporate Services 0115 914 8349 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	None.
List of appendices (if any):	None.