

2021/22 ANNUAL GOVERNANCE STATEMENT

1. SCOPE AND PURPOSE

1.1 Scope of responsibility

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

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

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

1.2 The purpose of the governance framework

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

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

The governance framework has been in place at Rushcliffe Borough Council for the year ended 31 March 2022 and up to the date of approval of the statement of accounts.

2 THE GOVERNANCE FRAMEWORK

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

2.1 Vision and priorities

Long term strategic planning has enabled Rushcliffe to address its immediate financial pressures, develop a medium term financial strategy to 2026/27 and introduce its seventh Corporate Strategy covering the period 2019 to 2023. The document is defined as a living strategy – one which will grow and evolve over its lifespan to adapt to the change needs of the authority. The four key priorities, contained within the Strategy, are:

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

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

The Council continues to work towards the delivery of its Transformation Strategy, its plan to address the financial pressures facing all public bodies. This outlines how the Council will meet its financial challenges until 2026/27. The Transformation Strategy focuses upon three key elements – income generation, transformation and business cost reduction. As part of the transformation process, the Council is continuously reviewing the services it provides to identify improved or alternative methods of delivery which will enable it to meet its financial targets without eroding the high quality of service for which Rushcliffe is known.

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

2.2 Improvement and Efficiency

As with other public bodies, the Council faces unprecedented financial pressures. The 2022/23 Medium Term Financial Strategy (MTFS) predicts a deficit of £1.3m to 2024/25 (returning to a surplus thereafter). Last year we projected a budget deficit of £1.5m until 2023/24 in the MTFS. The impact of both Covid and now the Ukraine conflict continues to be felt with the impact of rising inflation. This undoubtedly presents risk to the Council's budget position. That said the Council has increased Contingency budget to £0.3m and a recommendation to July 2022 Cabinet (as a result of 2021/22 budget efficiencies) a further £0.25m pay contingency given the uncertainty of future pay awards. Other pay and service pressures arise from the ability to attract and retain staff and the impact on Council pay scales of the increasing national minimum living wage. This is likely to lead to significant additional financial pressures as staff salaries are affected and pay differentials are eroded. This may also have an impact with our external partners (eg Leisure contracts) who will look to address the potential of a rising cost base.

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

the impact of high inflation) as a result of the Ukraine crisis means the trajectory of economic recovery remains uncertain and will continue to be closely monitored and the associated changes to the Council's projected financial position.

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

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

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

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

Critical to this is the Council's approach to commercialism, covered in the Transformation Strategy. A combination of capital demands and opportunities within the Borough led the Council to take the strategic decision to realign its financial commitments resulting in a reduction in its spend on the Asset Investment Strategy as significant resources are required for investment in the Bingham Leisure Hub and the crematorium. The Council's Capital and Investment Strategy incorporates reporting on commercial investments (complying with professional recommended practice) including the investment in 2 office facilities in Edwalton, governing the risk of such investments individually; and collectively in relation to the Council's other income streams. Over the term of the MTFS, the income generated from such investments is estimated to rise from £1.6m (2021/22) to £2.4m (2026/27) and performance is reported to Corporate Governance Group throughout the year. The Council no longer invest in assets specifically for a commercial return.

2.3 The Constitution

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

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

- Council decides upon certain policies and other specialist functions that cannot be delegated elsewhere, including the setting of the council tax;

- Cabinet is allocated authority by Council to take executive decisions and approve policies not reserved for consideration by Council. Cabinet and Council works to a Forward Plan of forthcoming decisions for up to three months ahead;
- The work of Cabinet has been supported by four scrutiny groups. Following a review of scrutiny in early 2019, the Council now has a Corporate Overview Group, which manages corporate performance and financial control as well as the work programmes for the three additional scrutiny groups of Governance, Growth and Development, and Communities;
- Separate committees exist for Standards, Planning, Employment Appeals, Licensing, and Interviewing; and
- Delegation arrangements to officers are set out in detail within the Constitution.

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

The Constitution, as a whole, is reviewed when necessary and appropriate. The last review was in July 2021 and a further review is planned for July 2022.

2.4 **Policies, Procedures, Laws and Regulations**

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

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

The Council's financial management arrangements should conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). During 2021/22, the Council's financial management arrangements complied in all respects with the governance requirements of the aforementioned statement, in particular:

- During 2021/22, the Director Finance and Corporate Services held the post of Chief Finance Officer. The post holder is a professionally qualified accountant with direct access to the Chief Executive, Leader of the Council and other Cabinet members. The post holder also has direct access to the Governance Scrutiny Group and the Council's internal and external auditors.
- The Chief Finance Officer has a line of professional accountability for all finance staff and for ensuring that the finance function is 'fit for purpose'. The Council has established robust arrangements to manage its finances, including a Medium Term Financial Strategy, annual

budget process and compliance with CIPFA's Codes and Guidance on the Prudential Framework for Capital Finance, Treasury Management and the management of reserves.

- Internal audit services are provided to the Council by BDO. The effectiveness of this service is monitored by the Governance Scrutiny Group.
- The Chief Executive and three Directors are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Oversight of these arrangements is provided by the Director Neighbourhoods.

2.5 Risk Management

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

The Council's risk management arrangements are regularly reviewed. In the last twelve months, the Governance Scrutiny Group reviewed the Risk Register in September, considering Risk corporate, operational and Covid-19 related risks. Six new risks were reported and five were removed. Additionally, there were five increases and ten reductions to risk ratings.

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

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

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

2.6 Development and training needs

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

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

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

During 2022/23 the Council's Member Development Group will meet four times to develop the Council's Become a Councillor Campaign, the induction programme which officers deliver

following the Borough Council election in May 2023, and the training plan for 2023/24 following the induction.

The identification and delivery of appropriate training for officers is overseen by the whole of the Executive Management Team who ensure that organisational Learning and Development Plans linking to individual annual Performance Development Reviews (PDRs) are effectively managed and delivered. The Council recognises the importance of training to its workforce. A skills audit for Corporate Governance Group Members is due to take place in the coming months.

2.7 Communication

Principle B - *Ensuring openness and comprehensive stakeholder engagement*

Three editions of Rushcliffe Reports – the Council’s newsletter for residents – are printed and circulated to over 50,000 households each year and these set out details of a number of key service changes and request customer feedback.

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

Despite further COVID-19 challenges, the Council has continued to increasingly implement the use of recognised communication techniques to keep its residents, staff and members informed, including the use of social media which saw it attract hundreds more subscribers across its various channels as they in total approach 20,000 followers.

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

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

2.8 Partnerships

The Council has put in place strong governance arrangements around the major leisure services, garage services, Streetwise Environmental Ltd (SEL) and car parking contracts. In 2021/22 there were quarterly meetings of the Streetwise Board chaired by the Non-Executive Director and Chairman of Streetwise. Whilst Streetwise brings opportunity there is also risk in terms of how the company develops. Its level of profits have been minimal and a decision was taken by Cabinet in February 2022 to bring the Company back in-house from 1 September 2022. This was precipitated by the loss of the Metropolitan Housing Contract; and when balancing risk with reward there was little justification to retain a separate Company. Since 1 June 2022 the Chief Executive is the Chair of the Company until it winds down, with the Council’s s151 Officer also representing RBC as a Corporate Director.

Rushcliffe Enterprises Ltd (REL) has also been set-up as a holding company for the Council which incorporates SEL (chaired by the Chief Executive); and any other companies that the Council creates in the future. Currently this is dormant.

A revised company and governance structure has also been adopted to provide proportionate oversight and governance of SEL and Streetwise Environmental Trading Ltd. This incorporates an Oversight Board (3 Cabinet Members and the Chief Executive) and annual reports to both Governance Scrutiny Group and Cabinet. From 1st September 2022 such arrangements will no longer be required.

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

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

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

2.9 Transparency

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

All reports to meetings of Council, Cabinet, Scrutiny Groups and other committees are publicly available on the Council's website. Minutes are also published providing a record of the meeting and any decisions taken, and the Council provides public access to audio and video recordings of meetings. Despite Covid the Council continued with its business (see Section 4.1). Other forms of public accountability reporting include the Annual Statement of Accounts, the Council's Annual Report and in-year financial and performance monitoring reports which are reported to the Governance Scrutiny Group and Corporate Overview Group respectively. Reports from the Council's internal auditors (BDO) and external auditors (Mazars) are published online, including their annual reports.

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

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

3 REVIEW OF EFFECTIVENESS

3.1 Introduction

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

3.2 The Council

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

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

3.3 The Cabinet

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

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

3.4 Scrutiny groups - Governance Scrutiny Group

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

- Overseeing financial governance arrangements
- Overseeing strategic risk management
- Scrutinising the Annual Governance Statement
- Scrutinising the Statement of Accounts
- Reviewing the plans and work of Internal Audit
- Overseeing the review of the Constitution

- Receiving reports from external audit in relation to the audit arrangements.

3.5 Other Scrutiny Groups

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

In addition to the Corporate Overview Group and Governance Scrutiny Group, the Council has two other scrutiny groups which were formed during 2019. The first, Communities, looks at areas that affect the community such as the Council's partnerships and the development of a Carbon Management Plan for the Council and the WISE environmental crime enforcement update. The other group, Growth and Development, is tasked with looking at different aspects of growth within the Borough and has, this year for example, scrutinised reports in relation to the River Trent footbridge and cycling networks in the borough.

3.6 Directors

Directors are responsible for ensuring proper standards of internal control within their service areas. On-going reviews are undertaken throughout the year. At the end of the financial year, Directors are required to confirm that they have reviewed the system of internal control and identify any areas where improvements are necessary. In 2021/22 the number of Directors was reduced from four to three and the Chief Executive having a department with responsibility for Legal Services, Human Resources and the Business Support Unit.

3.7 Internal Audit

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

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

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

A detailed annual review of the effectiveness of the Council's system of internal control is undertaken every year and reported to the Governance Scrutiny Group. The Annual Report states positively '*Overall, we are able to provide **Substantial Assurance** that the risk and control arrangements at the Council should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance. This is our highest level of assurance*'. Last year the rating was 'moderate assurance' so this represents an improvement in the rating. To this end the Council maintains an adequate and effective framework for risk management, governance and internal control, as recognised by the Head of Internal Audit.

3.8 External Audit

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

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

The auditors give an opinion on the Council's accounts, corporate governance and performance management arrangements. The Council takes appropriate action where improvements need to be made. In their annual report for 2020/21 financial year, Mazars issued an unqualified audit opinion, expressing the view that the financial statements give a true and fair reflection of the financial position of the Authority, and of its expenditure and income for the year. This was after the 30 November deadline primarily due to the knock-on effect of delays in the pensions audit (undertaken by Grant Thornton on behalf of Notts CC) as a result of the impact of Covid on pension fund valuation and associated risks. In terms of value for money, Mazars concluded 'we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability'.

4 SIGNIFICANT GOVERNANCE ISSUES'

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

Covid 19 Issues

The impact of Covid meant the Council had to react to an everchanging situation and where it can take proactive action. Two reports have been presented to the Corporate Overview Group looking at both the internal and external impact of Covid on both the Council and Borough (both community and businesses) and importantly how the both the Council and the community rose to address the challenges presented by Covid.

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

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

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

There have been numerous Covid reports to Cabinet (and many returns to central government) during the year and a 'Going Concern' Report regarding the Council's immediate financial viability

was presented to the Governance Scrutiny Group in November 2021. There are no issues currently regarding the Council operating as a 'going concern'.

A summary of key areas of impact are given below:

Area of Impact	Issue for the Council
Provision of services	Services have largely continued as normal. During periods of lockdown front line services such as leisure centres and customer contact centres have been more effected. Car Park charges were temporarily suspended to assist business recovery, in 2021/22 for 6 months. The Council also responded to new burdens such as enforcement of the Covid Regulations in workplaces and businesses.
Council's Workforce	The majority of the workforce has continued working and the impact on services as a result of Covid (on employee sickness) has been minimal. The Annual Health and Safety Report will be reported to September's Corporate Overview Group.
Supply chains and third parties	The main impact on services provided has been on leisure provision (mentioned above) and this going forward remains a risk to the Council's budget and Transformation Programme. Some payment holidays (or deferrals) have been granted to commercial tenants on a case-by-case basis. Council Tax and Business Rates collection rates remained high at the end of 2021/22,
Reserves, financial performance and financial position	<p>The March 2021 budget projected a transfer from reserves of £3.7m largely to fund Covid grants. At the end of the financial year there was a transfer to Reserves of £1.4m due partly to budget efficiencies but in the main due to Covid grants. Overall earmarked reserves stand at £23.6m at 31 March 2022.</p> <p>Retaining sufficient reserves is essential given the volatile financial environment we currently operate in. The Council's earmarked reserves at 31 March 2022 stand at £9.5m (excluding New homes Bonus and Collection Fund Surplus).</p> <p>The delay in Business Rates reform and Fair Funding creates further uncertainty going forward.</p> <p>The capital programme has been updated with a particular focus on the Crematorium and Bingham Leisure Hub. Property, plant and equipment assets have increased in value as at 31 March 2022 by £12.2m reflecting investment in the asset base (particularly 'assets under construction').</p> <p>The Council continues to monitor financial impairment regarding potential 'bad debts' and these amount to £0.14m a decrease of £0.03m from 20/21 due to a reduction in debts over 365 days.</p>
Cash Flow Management	The Council during the year has again received significant cash advances from central Government enabling sufficient cash to pay in particular business grants. No external borrowing was required.
Other major risks and recovery action	The main concern is that both local businesses and the community recover and Rushcliffe returns to pre-Covid 19 levels of activity. To date the local economy and community has been resilient to the impact of Covid. Vigilance will be maintained particularly regarding the ongoing impact of the 'cost of living crisis'.

The CIPFA Financial Management Code

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

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

Other Issues

The Council continues to utilise partnership arrangements with other public bodies and private organisations to deliver services. The Council, therefore, remains committed to meeting the challenge of ensuring that the appropriate governance arrangements are in place for each of the major partnerships that the Council has entered or will enter. The biggest developing arrangements as already stated concern the Development Corporation and the Freeport (see Section 2.8 above). A £0.5m reserve has been created to ensure the Council supports the initial business case development and plays an active role in decisions taken by the DevCo and Freeport Boards. Going forward the principle of 'no detriment' for business rates future gains, on the power station site, is being pursued so that the Council still retains a share of business rates it otherwise would have received without the Freeport.

Given all of the challenges linked to Covid and other medium-term uncertainty for example as a result of Business Rates and Fair Funding reviews, the authority has responded positively. The Transformation Strategy and supporting Programme identifies the Council's approach to meeting its efficiency requirements. A combination of cost control and income generation (including fees and charges and council tax) ensures the Council's budget deficit position over the next 5 years is estimated to be £0.624m. Immediate risks are in relation to utility and pay inflation (which are key drivers for general inflation). To help mitigate these in the short term £0.43m of 2021/22 budget efficiencies are proposed leverage to support the budget in 2022/23.

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

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

The Council has retained an ambitious capital programme a core component of which is the Bingham Leisure Hub (also including business/industrial units) with an overall budget of £20m. Efficiencies are expected from the leisure contractor albeit Covid and its impact upon the leisure industry is estimated to have put these back by up to 2 years. Both are due to open in the Autumn of 2022 – there have been some delays, linked to issues in obtaining construction materials (not uncommon in the current economic climate). The financial impact in terms of lost income is

reflected in the 2021/22 year end outturn report to Cabinet (July 2022) where mitigation has been included in terms of the use of 2021/22 revenue budget efficiencies to offset the loss in income (estimated at £0.167m).

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

The continuing regeneration of the high street and the local Rushcliffe economy will be critical to both future service provision and the finances of the Council. Council Tax and Business Rates collection rates have been closely monitored. Positively the collection rates have shown an improvement from the previous year. At the 31 March 2022, collection rates for Council Tax have increased by 0.1% compared to 2020/21, equating to approximately £60k increase over the previous year's performance. The collection rate for Business Rates has also shown an increase relative to the previous year (an increase of 0.2%). Despite the challenge of the pandemic on both businesses and residents, the Borough has maintained an excellent level of Council Tax and Business Rates collection.

One other effect of Covid-19 is that the planned reviews of Business Rates and Fair Funding continue to be delayed. The current expectation is that they will be delayed until at least 2023/24. Hew homes Bonus has already been subject to consultation in 2021, as yet there has been no feedback from Government as to its future (it is expected this will be resolved in synergy with the aforementioned finance reviews). Unfortunately the Comprehensive Spending Review in 2021 shed little light on these issues. This complex economic environment is further compounded by the uncertainty that BREXIT has created .

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

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

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

The Abbey Road disposal and the development of the depot site continues (progress was reported to the Growth and Development Scrutiny Group, January 2021). This will result in 71

new homes, with at least 30% (23 properties) affordable housing in accordance with the environmentally sustainable design code and Masterplan. These are indicative of the Council's commitment to support housing, business growth and the environment.

The Council continues to be involved in various collaboration activities including payroll, tree advice, ICT provision and Building Control, and Trading Standards. In addition, where opportunities arise, consideration is given to the appropriate delivery model and how to involve partners to maximise objectives. More strategically the County Deal as referenced above will also lend itself to future opportunities of collaboration.

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

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

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

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

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

The pensions' triennial review was produced in 2019 with pensions costs for the next 3 years, largely unchanged to what are currently paid. Given the current volatility of financial markets with both Covid-19 and BREXIT on the horizon there will be potential revenue account and balance sheet risks that will be reported in the Medium Term financial Strategy 2023/24 (for any employer contribution rate changes) and the annual accounts closedown process in 2023/24.

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

Issue	Reporting to	Methodology	Timescale
Compliance with the Financial Management Code	Governance Group	Local Authority peer review	By March 2023
Monitor the delivery of the Transformation Strategy and ongoing budget position covering on-going Covid-19 and inflation risks and Streetwise insourcing	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 and Crematorium	Report to relevant scrutiny group and Cabinet	On-going financial and performance reports	Quarterly
Monitor Business Rates, Fair Funding and New Homes Bonus developments	Report to Cabinet and Full Council	Included as part of the Medium Term Financial Strategy reporting; update to CGG as part of the AGS	By March 2023

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

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

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

Signed.....

K Marriott (Chief Executive)

Signed.....

Councillor S Robinson (Leader)

Date 30 November 2022

Date 30 November 2022

