

Commentary on Company Performance from the Company Secretary and the Contracts

Management Team

**1. Governance Arrangements**

- 1.1. The companies are managed by a joint board, which until 31 May 2022 comprised, an external non-executive director (Chairman) and the Managing Director. The Streetwise Board reports to the Oversight Board.
- 1.2. In 2021 the Governance Scrutiny Group was established, and the 2021 annual report was subsequently presented to them in November 2021 for scrutiny with a satisfactory outcome. The report was also considered by Cabinet.
- 1.3. As you would expect the Articles of Association for the companies set out the governance arrangements. Appointment of the Directors is determined by Rushcliffe Borough Council as owner. The Articles also contain “Reserved Matters” which means that key decisions are always referred to the Oversight Board ensuring that RBC retains key strategic control over all such decisions.
- 1.4. In terms of mitigating risk, the Reserved Matters require Oversight Board approval of the annual Business Plan, plus key matters such as acquisitions and mergers, entering into financial commitments exceeding £20k, changing bank arrangements, and entering into significant contracts.

**2. External Accreditations**

- 2.1. Over the last three years Streetwise has pursued and been successful in gaining and retaining a number of nationally recognised accreditations, including: UKAS accredited ISO9001 and ISO 14001 (Environmental Management); the Contractors’ Health and Safety Assessment premium scheme (CHAS); Construction Line Gold status; and the Considerate Constructors Scheme.
- 2.2. These are important not only to show that Streetwise has been externally validated and recognised but also crucially to enable the business to win and retain contracts. Without these accreditations the opportunity to work for such companies as Barratt Homes, Wates and G F Tomlinson and other developers would not be possible.

**3. Environmental credentials**

- 3.1. Streetwise has continued to improve its environmental credentials in line with the Carbon Reduction Plan which was implemented during 2020 and 2021.
- 3.2. For example, the renewal and updating of the vehicle fleet by moving towards alternative low emission fuel, hybrid and electric vehicles; battery powered tools is having a positive impact in reducing Streetwise’s carbon footprint; and the installation of trackers in all vehicles has improved route efficiency and driver behaviour.
- 3.3. In addition, Streetwise has been able to support a number of community groups throughout the year. It was particularly pleasing to see an increase in the number of

individuals and groups volunteering to undertake litter picking. There are now around 500 active volunteers.

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

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

- 4.1. Business development is reviewed at SEL monthly Board meetings. Sales targets from the 2021/22 Business Plan have been monitored. Despite the loss of the Metropolitan contract sales targets were on the whole achieved resulting in a combined turnover of £3.1m.
- 4.2. Segmented market analysis is undertaken. Marketing and business development is tailored for each segment. This ranges from basic advertising, flyers, social media, targeted visits, and relationship management through to monitoring tender portals for the identification and submission of larger tenders.
- 4.3. Grounds maintenance is a mature and competitive market. However, it is a large market and Streetwise is competitive with small to medium contracts (sub £50K).
- 4.4. A new website was launched in 2020/21 aimed at commercial and domestic markets. Traffic and enquires have continued to be received from this source for new work.
- 4.5. Despite the challenging conditions Streetwise has continued to win contracts and develop positive relationships with developers and clients. Year on year an average of approximately 7% growth has been achieved with 8.7% actually achieved in 2021/22 (after the loss of the Metropolitan contract).

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

- 5.1. The RBC contract is monitored by service users and the central RBC client hub. A framework of performance indicators is measured and monitored on a monthly basis. The framework includes a monthly review with the client hub team and quarterly meetings with the service users. In addition, the SEL Board continues to monitor contract performance at its monthly meetings.
- 5.2. Some key points regarding performance during 2021/22 are as follows:

##### **a) Grounds Maintenance:**

- Generally, a good performance on grounds maintenance work.

##### **b) Community Development**

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

**c) Neighbourhoods**

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

**d) Events**

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

**e) Hound Lodge**

- An excellent service was provided through the whole year.

**f) RBC Satisfaction with Streetwise**

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

**6. Financial standing**

- 6.1 The final Statutory Accounts for 2021/2022 for both SEL and SETL are attached. The accounts were approved and signed off by the Board on 31 May 2022 and will be submitted to Companies House by 31 December 2022.
- 6.2 Turnover for SEL amounted to £2.8m for the year down from £3.1m in the previous year, a decrease of 9.7%. Cost of sales was £1.9m (2021: £2.3m) representing a decrease of 17.4%. The main reason for this is the loss of the Metropolitan contract in September 2021 which accounted for only £300k turnover in 2021/22 compared to £750K in 2021, a decrease of £450K.
- 6.3 This means that core turnover (ignoring Metropolitan) actually grew from £2.3m in 2021 to £2.5m in 2022, an increase of 8.7%. This is down to the hard work and professionalism of the Streetwise team.
- 6.4 Margins have been pressurised again this year due to the competitiveness of the market and significant increases in costs have been experienced, especially fuel costs, the majority of which Streetwise has had to absorb. Despite this, turnover and financial performance exceeded expectations with an underlying profit for the eighth consecutive year prior to accounting adjustments for the Local Government Pension Scheme.
- 6.5 The accounting adjustments to comply with IAS19 (International Accounting Standard) in relation to the Local Government Pension Scheme once again have had a significant impact on the accounts. For example, the pension charge (including the accrued element) to the accounts for the year is £133k (2021: £110k) with an overall net pension liability of £1.5m (2021: £1.3m).
- 6.6 The cashflow position at the end of the financial year remained positive with £467K (2021: £498k) cash at bank and in hand as at 31 March 2022.
- 6.7 Members' Funds are £46k deficit (2021: £309K), an increase of £263k, which is very positive. The movement is actually represented by movements in the net pension liability less the loss after tax and pensions for the year of £62k.

- 6.8 The post balance sheet event note on page 12 explains the impact of the decision made by RBC cabinet on 8 February 2022 to transfer the prime contract back to RBC and for SEL to cease trading after the year end on 31 August 2022.
- 6.9 SETL turnover for 2022 was £340K (2021: £374K), a decrease of £34k. Part of the reason for this was poor ground conditions between December and March when certain grounds work could not be carried out.
- 6.10 Overall, operating profit, after taxation, amounted to £18k (2021: £76k). This is relatively small when compared to overall company turnover.
- 6.11 Consolidating the two companies' accounts results in a combined turnover of £3.1m and a total comprehensive profit for the financial year, after tax, of £280k (2021: £257k loss). This is an improvement during the year on the overall financial position compared to the previous year although a profit over the 2 years of £23k (albeit in a difficult operating environment given Covid).

## 7. Key Financial performance indicators

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

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