



**Streetwise Annual Report 2020/2021**

**Report of the Managing Director**

**1. Purpose of report**

- 1.1. This report provides a summary of our key operational and financial performance for the year 2020/2021. In addition, it provides details of the governance arrangements for the Streetwise companies and the measures in place to minimise the operational and reputational risks to the Borough Council.

**2. Background**

- 2.1. Streetwise Environmental Limited (SEL) was incorporated in 2014, is wholly owned by Rushcliffe Borough Council, and is limited by guarantee and with maximum liability of £1. Streetwise Environmental Trading Limited (SETL) was established in 2018 to expand the trading capability. SETL is limited by shares (£100) and again is wholly owned by Rushcliffe Borough Council via Rushcliffe Enterprises Limited.
- 2.2. SEL was awarded Rushcliffe's street cleansing and grounds maintenance five year contract in 2014 under the then TECKAL regulations (Public Contract Regulations 2015). The contract was extended by a further three years and expires in September 2022.
- 2.3. In 2019 Streetwise acquired a grounds maintenance company and this has been successfully incorporated into SETL.
- 2.4. In terms of the extent of operations and services provided and as part of the Rushcliffe contract, Streetwise:
  - a) cleans all town and major village centres in Rushcliffe by 10am each day;
  - b) mechanically sweeps 1,018 miles of roads multiple times each year with 1,212 tonnes of waste collected;
  - c) collects 413 tonnes of rubbish from litter picking and bin emptying in the Borough;
  - d) undertakes hedge cutting and shrub pruning for Rushcliffe generating 84 tonnes of green waste which is recycled;
  - e) removes over 1,000 fly tips around the Borough. The largest last year was over 30 tonnes;
  - f) cuts grass in parks and open spaces up to 18 times p.a.;
  - g) maintains all the trees on Rushcliffe owned land; and
  - h) maintain 20 sports pitches which are line marked weekly during the various playing seasons.
- 2.5. In addition to the Rushcliffe Borough Council contract, Streetwise has contracts with and undertakes regular work with over 90 Parish and Town Councils, local authorities, schools and sports clubs across Nottinghamshire, Lincolnshire and Leicestershire.

- 2.6. Recently Streetwise has been awarded a 5-year (starting 2021) contract to manage and maintain the Romans' Quarter development at Bingham with over 1,000 properties.
- 2.7. Streetwise operates from three sites including West Bridgford, Bingham (main office) and Sproxton.

### **3. Governance Arrangements**

- 3.1. The companies are managed by a joint board, currently comprising, an external non-executive director (Chairman) and the Managing Director. The Streetwise Board reports to the Oversight Board. New for this year is the annual report being scrutinised by the Governance Group and considered by Cabinet.
- 3.2. 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 referred to the Oversight Board ensuring that RBC maintains strategic control.
- 3.3. 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.
- 3.4. Due to their size the Streetwise companies are not required to have an annual external audit. However, Streetwise decided to commission an annual external audit to provide an additional layer of scrutiny and assurance. Streetwise uses the same external auditors as the Borough Council to improve efficiency and coordination.

### **4. External Accreditations**

- 4.1. Over the last two years Streetwise has pursued and been successful in gaining 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. These are important not only to show that we have been externally validated and recognised but to enable us to win contracts. Without these accreditations the opportunity to work for Barratt Homes, Wates and G F Tomlinson and other developers would not be possible.

### **5. Business Plan**

- 5.1. An annual three-year rolling business plan is produced which is reviewed by the SEL Board and reviewed and approved by the Rushcliffe Enterprises Limited Board, now Oversight Board. The plan is commercially confidential and sets the strategic direction, the supporting tactical plan and funding plan to deliver the strategy.
- 5.2. Progress is monitored regularly by the SEL Board and Oversight Board.

### **6. Risks and business continuity**

- 6.1. Strategic and operational risks are identified and monitored by the SEL Board. A risk register is maintained and reviewed regularly. Streetwise purchases services from the Borough Council to provide expertise and resilience to our management team. For example, Streetwise has access to the RBC ICT infrastructure and business continuity measures. This was particularly beneficial at the start of the first lockdown where our office-based employees were able to work remotely with a seamless transition.

- 6.2. Whilst not relating to the review year 2020/21, it is important to note that Metropolitan Thames Valley Housing Association (MTV) decided not to renew the contract with Streetwise in 2021/22. The contract finished on 31 August 2021. MTV was the second largest client and does therefore create challenges. These are being actively managed to minimise risk and impact on business continuity. This does not impact Streetwise's ability to deliver services and in particular the RBC prime contract.

## **7. Environmental Credentials**

- 7.1. Playing our part in becoming carbon clever and reducing our carbon footprint is recognised as an issue of growing importance. As referred to above Streetwise gained ISO 14001 accreditation for the first time in 2020/21. A Carbon Reduction Plan has been produced with the aim of reducing our carbon footprint and working closely to support the Borough Council's carbon reduction targets. Initiatives within the plan include:
- a) updating our fleet, moving towards alternative low emission fuel, hybrid and electric vehicles;
  - b) increasing the number of battery powered hand tools;
  - c) installation of trackers in all vehicles to improve route efficiency and driver behaviour;
  - d) increased recycling; and
  - e) planting trees to offset carbon emission.
- 7.2. Streetwise is proud to be sponsor of the Celebrating Rushcliffe Awards, Environmental Group or Project of the Year, for the last 5 years.

## **8. Finance and financial standing– Draft Statutory Accounts 2020/2021**

- 8.1. The draft Statutory Accounts for 2020/2021 are attached. Ordinarily the accounts would have been audited in June, however, due to Covid Mazars could not undertake the audit until week commencing 20 September 2021. The accounts have to be signed off and submitted to Companies House by 31 December.
- 8.2. Turnover for SEL amounted to £3.1m, an increase of 7.9% on the previous year. Cost of sales was £2.3m representing a 14.6% increase on the previous year. Part of the increase was incurred supporting the increased turnover. However, it was an exceptional year with Covid-19 having a significant impact in terms of increased cost of personal protective equipment (PPE), employee absence, and the hire of additional vehicles to comply with Government guidelines for safe working. The impact of Covid was circa £84k which the company has had to absorb.
- 8.3. The main reason for the year on year increase in expenses is an increase in depreciation charged. The policies for depreciating assets were formed when the companies were established and have been considered fair and consistent. However, the disposal of a number of vehicles and equipment in the year revealed that the market value was consistently lower than the net book value. It was therefore prudent to undertake an impairment review of the assets. As a result, the depreciation rate has been increased on plant and equipment from 15% to 20% through to 33% depending on the category, plus adjustments made on residual value of vehicles, which includes the road sweepers purchased in 2015. In total the adjustments amount to £108k and puts the company on a better footing moving forward into 2021/22.
- 8.4. The accounting adjustments to comply with IAS19 (International Accounting Standard) in relation to the Local Government Pension Scheme have a significant impact on the accounts. For example, the net pension liability has increased by

£705k to £1.8m for 2020/21. An unforeseen consequence of SEL being created was that it became exposed to the volatility of actuarial risks in respect of liabilities within the LGPS fund as opposed to these being retained by the Council. A “pass through” arrangement has been agreed in principle with Rushcliffe Borough Council and the external Auditors. It is planned that this will be implemented in 2021/22, therefore removing the liability and the volatility from Streetwise accounts.

- 8.5. The cashflow position remains positive with £498k cash at bank and in hand as at 31 March 2021.
- 8.6. Overall, this has been an exceptionally challenging year with Covid, the impairment review and the impact of the LGPS resulting in a total comprehensive loss for the year of £333k.
- 8.7. SETL turnover increased to £374k in 2020/21 from £107k in the previous year. This is due to the first full year of trading since the purchase of a grounds maintenance company in November 2019. Covid-19 impacted sales with most schools and sports clubs reducing maintenance and line marking of pitches during the lockdown. It is estimated this reduced income by £40k.
- 8.8. Similarly, costs have increased as a consequence of the first full year of trading.
- 8.9. Overall, operating profit, after taxation, amounted to £74k.
- 8.10. Consolidating the two companies’ accounts results in a combined turnover of £3.5m and a total comprehensive loss for the financial year, after tax, of £260k.
- 8.11. Despite this loss Streetwise is a viable going concern with an underlying financial standing and profitability moving forward.

## **9. Ability to win contracts - Business Development**

- 9.1. Business development is reviewed at SEL monthly Board meetings. Sales targets from the 2020/21 Business Plan have been monitored. 2020/21 was an extremely challenging year due to Covid-19. Revised targets were set to reflect the uncertainty. The initial lockdown in March 2020 saw clients suspend services for a number of weeks. Despite this, Streetwise achieved the revised sales target of £3.5m combined turnover.
- 9.2. 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.
- 9.3. 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).
- 9.4. A new website was launched in 2020/21 aimed at commercial and domestic markets. Traffic and enquires has increased by 200% on the previous year.
- 9.5. Despite the challenging conditions Streetwise has continued to win contracts and develop positive relationships with developers and clients. Year on year an average of 7% growth has been achieved.

## **10. Performance monitoring**

- 10.1. 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 monitors contract performance at its monthly meetings.

10.2. Key services were delivered during April, however due to the national lockdown there were no RBC performance inspections.

10.3. Inspections resumed in May, with the tables below showing the percentage of services on or above target.

Month	%	Comment
May	92.5%	Phased return to services
June	100%	
July	100%	
August	94%	
September	75%	Unfortunately, performance dropped during September to 75% of services at tolerance or above. Areas for improvement included Zone 1s (town centres), litter cleansing and detritus management. Immediate action was taken, with toolbox talks to remind employees of the standards required and additional temporary resource deployed to bring sites back to standard.
October	100%	
November	92%	

Month	%	Comment
December	100%	
January	100%	
February	90%	
March	95.5%	

10.4. As shown in the tables above overall performance for the RBC contract has been maintained at a high standard. However, there have been a number of improvement areas which we have been addressing. These areas include: the town centres; detritus management and pavement sweeping. Employee absence and agency cover was a contributing factor at the height of Covid. We have been working in close partnership with colleagues at Rushcliffe to deliver long term improvement in these areas, including additional training, revised working systems, and additional resources.

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<b>Background papers Available for Inspection:</b>	None
<b>List of appendices (if any):</b>	Appendix A – A1 SETL – Draft Statutory Accounts for YE 31/03/2021 Appendix B – A1 SEL – Draft Statutory Accounts for YE 31/03/2021