

## **AUDIT COMMITTEE**

- Date and Time :-** Tuesday, 30 July 2019 at 2.00 p.m.
- Venue:-** Town Hall, Moorgate Street, Rotherham.
- Membership:-** Councillors Cowles, Vjestica, Walsh (Vice-Chair), Wilson and Wyatt (Chair)
- Independent Member – Mr. B. Coleman**

The business which will be discussed are described on the agenda below and there are reports attached which give more details.

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## **AGENDA**

1. To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972
2. To determine any item(s) which the Chairman is of the opinion should be considered later in the agenda as a matter of urgency
3. Apologies for Absence
4. Declarations of Interest
5. Questions from Members of the Public or the Press
6. Minutes of the previous meeting held on 18th June, 2019 (Pages 1 - 8)
7. Audited Statement of Accounts 2018-19 (Pages 9 - 195)
8. Annual Governance Statement 2018-19 (Pages 196 - 218)
9. Financial Outturn 2018-19 - Treasury Management and Prudential Indicators (Pages 219 - 234)

10. Audit Committee Annual Report 2018/19 (Pages 235 - 248)
11. Audit Committee Forward Work Plan (Pages 249 - 258)
12. Items for Referral for Scrutiny
13. Exclusion of the Press and Public  
That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).
14. Corporate Strategic Risk Register (Pages 259 - 272)
15. Date and time of next meeting  
Thursday, 26<sup>th</sup> September, 2019, commencing at 2.00 p.m.

*Shua Kemp.*

Chief Executive.

**AUDIT COMMITTEE**  
**Tuesday, 18th June, 2019**

Present:- Councillor Wyatt (in the Chair); Councillors Cowles, Vjestica, Walsh, Wilson and Bernard Coleman.

Apologies for absence:- Apologies were received from Councillor .

**1. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH MARCH 2019**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 26<sup>th</sup> March, 2019.

It was noted that the Committee's revised Terms of Reference had been approved at the 22<sup>nd</sup> May Council Meeting.

Resolved:- That the minutes of the previous meeting of the Audit Committee be approved as a correct record of proceedings.

**2. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

**3. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS**

There were no members of the press or public present at the meeting.

**4. PUBLICATION OF UNAUDITED STATEMENT OF ACCOUNTS 2018/19**

Paul Stone, Head of Corporate Finance, presented the Draft Statement of Accounts 2018/19 which had been published on the Council's website on 31st May, 2019, as required under the Accounts and Audit Regulations 2015.

The publication of the unaudited accounts triggered a period of 30 working days (ending on 12<sup>th</sup> July, 2019) for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor.

The external audit of the unaudited accounts had commenced on 3rd June, 2019 with Grant Thornton reporting their findings to the July meeting of the Committee.

The deadline for publishing the audited accounts was 31st July, 2019.

The Highlights Report (Appendix B) summarised the key financial disclosures reported in the 2018/19 draft Statement of Accounts and provided further detail on each of the key financial issues referred to above.

Resolved:- That the draft 2018/19 Statement of Accounts be received.

**5. DRAFT ANNUAL GOVERNANCE STATEMENT 2018-19**

Consideration was given to the 2017-18 draft Annual Governance Statement (AGS) presented by David Webster, Head of Internal Audit.

In producing the 2018-19 AGS, the Council had gathered sufficient evidence to support the statements that it had made. Each Strategic Director had been asked to oversee a self-assessment of governance in their Directorate. This had comprised of completion of a self-assessment form based on the Principles and Sub-Principles in the Local Code by each Assistant Director as well as a review and update of the detailed issues raised in the 2017-18 AGS. Each Strategic Director was also required to sign a Statement of Assurance based on the information arising from their review of current and previous governance issues.

The Corporate Governance Group had reviewed evidence contained within the returned Statements of Assurance as well as considering which issues were of sufficient significance to require reporting in the Statement. The Group had then produced the AGS.

The AGS would be updated by 31st July to reflect any issues that emerged between now and the completion of the final Statement of Accounts. It would also take account of any comments made by the Committee and external auditor.

At the start of 2018/19 the Commissioners had retained responsibility for Children's Safeguarding all other Children's Social Care Services, the appointment and dismissal of statutory officers and for Adult Social Care. On 14th June, 2018, the results of an independent check, a "Health Check", of the Council had been published and reported that the Council had demonstrated that it was fit to continue its improvement journey without Commissioner oversight.

As a result of the Health Check, the Commissioner Team recommended to the Secretary of State that the Government intervention in Rotherham could be concluded. The Secretary of State had announced on 18<sup>th</sup> September, 2018, that he would remove the Commissioners from the Council but that the Council should submit to him an independent review of their performance to ensure compliance with the requirements of Part 1 of the 1999 Act.

This was submitted on 14<sup>th</sup> February, 2019, and stated that the Council had continued to make good progress since the Commissioners were stood down and had acted on the recommendations made by the independent progress review report in June 2018. Accordingly, it was announced on 27<sup>th</sup> March, 2019, that the Secretary of State was content to let the Directions relating to the governance of the Council lapse on 31<sup>st</sup>

March, 2019.

Recommended practice required the Leader of the Council and the Chief Executive to sign the Annual Governance Statement prior to its publication.

It was felt that there should be reference within the Statement to the revised Audit Committee's Terms of Reference as identified previously.

Resolved:- (1) That the 2017-18 draft Annual Governance Statement be noted subject to the suggested amendment with regard to the revised Terms of Reference.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to the publication of the Annual Governance Statement by 31<sup>st</sup> July, 2019, be noted.

(3) That the final version of the Annual Governance Statement be submitted to the 30<sup>th</sup> July meeting of the Audit Committee following completion of the audit of accounts by Grant Thornton UK LLP.

## **6. EXTERNAL AUDIT UPDATE**

Gareth Mills, Engagement Lead, Grant Thornton UK LLP, gave the following verbal report:-

- Grant Thornton had received the draft accounts and the Annual Governance Statement narrative report on 31<sup>st</sup> May
- Their external audit had commenced on 3<sup>rd</sup> June and making good progress to date
- Work would continue for the next 5-6 weeks before the report was submitted in July

Attention was drawn to the potential impact on the pension fund by the McCloud Judgement. This was a national issue and not particular to Rotherham. However, the Strategic Director, Finance and Customer Services, reassured the Committee that there was no particular expectation that there would be any change to Rotherham's outturn position. External Audit were reporting on the accounts and technicalities of Statement of Accounts; if it was a matter for the Council's budget and financial plan it would be reported to Cabinet.

Resolved:- (1) That the update be noted.

(2) That a further update be provided to the next meeting on the McCloud Judgement.

## **7. EXTERNAL INSPECTION RECOMMENDATION UPDATE**

Consideration was given to a report, presented by Jackie Mould, Head of

Performance, Intelligence and Improvement, providing details of recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

The report included detail of progress being made in respect of the following specific areas and Directorates:-

- the "Fresh Start" Improvement Plan;
- Adult Care and Housing;
- Children and Young People's Services;
- Regeneration and Environment Services
- Finance and Customer Services

The summary of recommendations from "Active" Inspection and Audit Action Plans was appended to the submitted report (Appendix A).

It was noted that the major outstanding issues from the majority of the inspection had been addressed.

Resolved:- (1) That the report be received and its contents noted.

(2) That the governance arrangements that were currently in place for monitoring and managing the recommendations from external audits and inspections, as now reported, be noted.

(3) That the Audit Committee continue to receive regular reports in relation to external audit and inspections and the progress made in implementing recommendations.

## **8. INTERNAL AUDIT ANNUAL REPORT 2018-19**

Consideration was given to a report presented by David Webster, Head of Internal Audit, on the role of Internal Audit, the work completed during the 2018/19 financial year and highlighted the key issues that had arisen. It provided the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment as well as the performance of the Internal Audit function during 2018/19.

Appendix 1 of the report submitted included:-

- Legislative requirements and Professional Standards
- The Head of Internal Audit's annual opinion on the control framework, risk management and governance
- Resources and audit coverage during the year
- Summary of audit work undertaken during 2018/19 including both planned and responsive/investigatory work
- Summary of other evidence taken into account for control environment opinion

- Summary of audit opinions and recommendations made
- Internal Audit Performance Indicators

There had been substantial changes to the Internal Audit Team during 2018/19. Resource levels provided sufficient capacity to provide an adequate level of assurance and sufficient work completed to enable the Head of Internal Audit to provide his opinion that the Council had overall an adequate and effective framework of governance, risk management and control.

A Quality Assurance and Improvement Programme (QAIP) was put into place during 2018 with the results reported to the Audit Committee in January 2019 (Minute No. 70 refers). This showed that 10 of the 17 actions had been completed. An updated QAIP based on the internal assessment had been produced to maintain and increase the level of conformance within the Team. This had 27 recommendations and suggestions which would be actioned and monitored during 2019.

63% of audits where an assurance level was given resulted in a Substantial or Reasonable assurance level. During 2018/19, 182 recommendations were made to improve the internal control, risk management and government arrangements across the Council. Appendix A contained a summary of results together with definitions of the assurance levels and recommendation categories.

A new system of tracking audit recommendations had been implemented in May 2018. At the start of the year there had been 60 overdue outstanding actions; by March, 2019 this had reduced to 49 and, due to further work undertaken after the year end, now stood at 29.

Discussion ensued on the report with issues raised/clarified around:-

- Summary of audit opinions
- Number of Members who had undertaken the re-issued fraud awareness e-learning

Resolved:- (1) That the Internal Audit work undertaken during the 2018/19 financial year and the key issues that had arisen therefrom be noted.

(2) That the overall opinion of the Head of Internal Audit be noted.

(3) That the information contained regarding the performance of Internal Audit during 2018/9 be noted.

## **9. AUDIT COMMITTEE FORWARD WORK PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period July, 2019 to June, 2020.

Resolved:- That the Audit Committee forward plan, now submitted, be supported and any amendments arising actioned in due course.

#### **10. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral for Scrutiny.

#### **11. EXCLUSION OF THE PRESS AND PUBLIC**

Resolved:- That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relates to finance and business affairs).

#### **12. ADULT CARE, HOUSING AND PUBLIC HEALTH RISK REGISTER**

Consideration was given to a report, presented by AnneMarie Lubanski, Strategic Director, Adult Care, Housing and Public Health, and Helen Fisher, Programme Manager, providing details of the Risk Register and risk management activity within the Adult Care, Housing and Public Health Directorate.

The Committee sought reassurance on the Risk Register and risk management activity in particular highlighting:-

- How the Register was maintained/monitored and at what frequency
- Involvement of the Cabinet Member
- How risks were included on and removed from the Register
- Anti-fraud activity in the Directorate

A detailed breakdown was given of the 17 risks included within the Register of which 4 related to Adult Social Care, 4 to Adult Social Care Commissioning, one jointly owned by Adult Social Care and Commissioning, 6 to Housing and 2 by Public Health. Additionally the Directorate had a separate RAID log (risks, assumptions, issues, dependencies) for all its project activity.

Discussion ensued with the following issues raised:-

- Procurement of new Housing IT system
- Repairs and Maintenance Contract re-tendering exercise
- Pending outcome of the Judicial Review

Resolved:- That the progress and current position in relation to risk management activity in the Adult Social Care, Housing and Public Health Directorate, as detailed in the report now submitted, be noted.



**13. INTERNAL AUDIT PROGRESS REPORT - 1ST MARCH TO 31ST MAY 2019**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1<sup>st</sup> March to 31<sup>st</sup> May, 2019, and the key issues that had arisen therefrom.

8 audits had been finalised since the last Committee meeting, all with Substantial or Reasonable Assurance.

Work had commenced on the 2019/20 annual plan, the current position being attached at Appendix A. Audit opinions and a brief summary of all audit work concluded since the previous meeting were set out at Appendix B.

Internal Audit also carried out unplanned responsive work and investigation into any allegations of fraud, corruption or other irregularity. One report of this type had been issued since the last meeting (Appendix C).

Internal Audit's performance against a number of indicators was summarised in Appendix D which showed that target performance was being achieved except for chargeable time which had been affected by annual leave. Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. For those over 120 days old the detail was then given, where they had been deferred the comment received from the Manager was given and where there was no change to the due date or comment, the Manager had not updated the system. There had been an overall reduction from a total of 49 to 29.

Discussion ensued on various matters contained within the agreed actions section of the report which included:-

- Council Tax collection rates
- Liquid Logic
- Regulation 24 process

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> March to 31<sup>st</sup> May, 2019, and the key issues arising therefrom be noted.

(2) That the information submitted regarding the performance of Internal Audit and the actions being taken by management in respect of the outstanding actions be noted.

**14. URGENT BUSINESS**

There were no urgent items.

**15. DATE AND TIME OF NEXT MEETING**

Resolved:- That a further meeting be held on 30<sup>th</sup> July, 2019, commencing at 2.00 p.m.

**Committee Name and Date of Committee Meeting**

Audit Committee – 30 July 2019

**Report Title**

Audited Statement of Accounts 2018/19

**Is this a Key Decision and has it been included on the Forward Plan?**

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

Rob Mahon – Finance Manager Financial Accounting  
Finance & Customer Services Directorate  
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**Ward(s) Affected**

All

**Report Summary**

Members are asked to consider Grant Thornton's findings, as set out in the ISA260 Report (Appendix 4), before formally approving the 2018/19 Statement of Accounts (Appendix 1) and the 2018/19 Narrative Report (Appendix 2) for publication as final and to issue Grant Thornton with the Letter of Management Representations (attached as Appendix 3) which Grant Thornton require to complete their audit.

The ISA 260 report sets out Grant Thornton's overall conclusions from their 2018/19 audit in relation to their two statutory objectives:

- To give an opinion on the Council's financial statements, and
- To conclude on whether the Council has arrangements in place to secure value for money in the use of its resources.

Members will note that Grant Thornton intend to issue an unqualified opinion on the Statement of Accounts.

The ISA260 Report also provides details of the external auditors 'value for money opinion'. Grant Thornton also intend to issue an unqualified opinion in respect of the Council's value for money arrangements.

**Recommendations**

1. Consider Grant Thornton's overall audit findings from their 2018/19 audit as set out in the ISA 260 report in Appendix 4.
2. Having taken due regard of these findings, formally approve the 2018/19 Statement of Accounts attached as Appendix 1 for publication as final and the 2018/19 Narrative Report attached as Appendix 2 for publication as final; and
3. Approve that Grant Thornton be issued with the Letter of Management Representation attached as Appendix 3.

**List of Appendices Included**

Appendix 1 – 2018/19 Statement of Accounts to be published as final

Appendix 2 – 2018/19 Narrative Report to be published as final

Appendix 3 – Letter of Management Representation

Appendix 4 – ISA 260 2018/19

**Background Papers**

Accounts and Audit Regulations 2015

CIPFA Code of Practice on Local Authority Accounting 2018/19

Interim Audit Letter 2018/19

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Audited Statement of Accounts 2018/19**

### **1. Background**

- 1.1 At the Audit Committee meeting on 29 January 2019 members received Grant Thornton's Audit Plan for 2018/19 which set out the audit approach to discharge their audit objectives and the risks they had identified in relation thereto. At the subsequent Audit Committee meeting on 26 March 2019, Members were presented with an External Audit progress report from Grant Thornton on the interim position setting out progress following the planning and controls evaluation stages of their audit.
- 1.2 The ISA 260 report summarises Grant Thornton's overall conclusions from their 2018/19 audit in relation to their two statutory objectives:
  - To give an opinion on the Council's financial statements, and
  - To conclude on whether the Council has arrangements in place to secure value for money in the use of its resources (Value for Money Conclusion)
- 1.3 In order to complete the audit process in compliance with the Accounts and Audit Regulations 2015, the Audit Committee, as the body charged with governance within the Council, is required to formally resolve that the Statement of Accounts and Narrative Report be approved for publication as final. Approval can now take place, as the period for local electors to exercise their rights to ask questions of the auditor or to raise a formal objection that an item of account is unlawful, has expired.
- 1.4 Grant Thornton also require as part of their audit completion processes, that they are provided with a Letter of Management Representations providing additional assurance on certain matters. The Letter of Management Representations (attached as Appendix 3) has been signed by the Strategic Director - Finance and Customer Services. This also needs to be agreed and signed on behalf of Audit Committee.

### **2. Key Issues**

- 2.1 The draft unaudited 2018/19 Statement of Accounts was published on the Council's website on 31 May 2019 alongside the draft Annual Governance Statement and draft Narrative Report.
- 2.2 A report was submitted to Audit Committee on 18 June 2019 to highlight key aspects of the 2018/19 Statement of Accounts and changes to local authority financial reporting.
- 2.3 The draft unaudited Statement of Accounts and draft Narrative Report have now been audited by Grant Thornton. There is one audit adjustment which relates to the Council's pensions liabilities. This was as a result of the Supreme Court's decision in June 2019 in respect of the McCloud case. The outcome from the case required revised estimates of the pension liabilities to be received from the Council's actuary. The Council has updated the Statement of

Accounts to reflect this revised information. It should be noted that the McCloud judgement impacts on the pension liabilities of all local authorities.

- 2.4 Aside from the McCloud issue, the Council is pleased to report, that no other audit adjustments have been necessary other than a small number of presentational changes. All of these presentational changes have been incorporated into the final versions of both the Statement of Accounts and the Narrative Report which Audit Committee are being asked to approve (Appendices 2 and 3). None of the presentational changes affect the financial performance or financial position of the Council previously reported in the unaudited Statement of Accounts.
- 2.5 The ISA 260 Report outlines any issues that Grant Thornton have found with regards to areas of significant audit risk, their opinion as to whether reasonable professional judgement has been exercised, and provides recommendations for further improvements in the production of the accounts.

### **Value for Money (VFM) Conclusion**

- 2.6 The ISA 260 report also sets out the approach, risks, work and conclusion reached by Grant Thornton on whether the Council has satisfactory arrangements in place to secure the economy, efficiency and effectiveness in the use of its resources.
- 2.7 The conclusion reached, is that the Council has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### **3. Options considered and recommended proposal**

- 3.1 There is no discretion on whether to comply with the Code of Practice on Local Authority Accounting or the Accounts and Audit Regulations 2015. The purpose of the recommendations is for Audit Committee to meet its responsibilities in relation to the closure of the accounts.

### **4. Consultation on proposal**

- 4.1 Close liaison continues to be maintained with the Council's External Auditors to ensure that complex accounting issues and action taken in response to changes to the local authority accounting framework are agreed in advance of the financial statements being prepared.

### **5. Timetable and Accountability for Implementing this Decision**

- 5.1 The statutory deadline for publishing the audited financial statements is 31st July. Grant Thornton anticipates giving an unqualified opinion by this date which will enable this deadline to be met.

### **6. Financial and Procurement Advice and Implications**

- 6.1 There are no financial or procurement implications directly associated with this report, other than continuing to produce good quality financial statements and

supporting working papers which meet Grant Thornton's expectations and will help to minimise the audit fee.

**7. Legal Advice and Implications**

7.1 None, other than ensuring compliance with the requirements of the Accounts and Audit Regulations 2015.

**8. Human Resources Advice and Implications**

8.1 There are no Human Resource implications arising from the report.

**9. Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

**10. Equalities and Human Rights Advice and Implications**

10.1 There are no implications arising from this report to Equalities and Human Rights.

**11. Implications for Partners**

11.1 There are no other implications arising from this report to Partners.

**12. Risks and Mitigation**

12.1 Robust project management arrangements have been put in place to ensure that the financial reporting timetable is adhered to and quality standards met.

**13. Accountable Officers**

Judith Badger, Strategic Director – Finance & Customer Services

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Named officer	Click here to enter a date.
Head of Legal Services (Monitoring Officer)	Named officer	Click here to enter a date.

*Report Author:* **Error! Reference source not found.**

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## METROPOLITAN BOROUGH OF ROTHERHAM

## STATEMENT OF ACCOUNTS 2018/19

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## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Authority's responsibilities**

The Council is required:

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

### **Certificate**

I confirm that the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 30 July 2019.

**Signed on behalf of Rotherham MBC**

**Audit Committee Chair**

30 July 2019

### **The Chief Financial Officer's responsibilities**

The Chief Financial Officer 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 ('the Code').

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.

**Judith Badger CPFA**

**Strategic Director - Finance and Customer Services**

30 July 2019

## Explanation of the Financial Statements

The Statement of Accounts summarises the Council's financial performance during the year ended 31 March 2019 and shows its overall financial position at the end of that period.

The Statement is prepared in accordance with the Code of Practice on Local Authority Accounting (the Code), as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code is based on approved accounting standards issued by the International Accounting Standards Board (IASB) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC), except where these are inconsistent with specific statutory requirements.

The principle basis, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements of the Council are set out in the section of this report headed 'Statement of Accounting Policies'. These accounting policies are kept under review and updated where appropriate to take account of changes in accounting practice adopted within the Code.

The Statement of Accounts comprises:

- **Statement of Responsibilities for the Statement of Accounts** (Page 2) – which details the respective responsibilities of the Council and its Chief Finance Officer for the accounts;
- **An explanation of the financial Statements** (Page 3) – which details the components of the Financial Statements;
- **A Statement of Accounting Concepts and Policies** (Page 12) – These are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. The accounting concepts and policies that have been applied in preparing the Council's 2018/19 financial statements are detailed on Page 12;
- **Financial Statements and related disclosure notes** – which are explained further below.

For the sake of clarity, the Accounts and Audit Regulations 2015 clarified that the Annual Governance Statement does not form part of the Statement of Accounts although there is an expectation that it is published alongside the Statement of Accounts. The Council follows this practice.

To comply with the Accounts and Audit Regulations 2015 and the Code, the Narrative Report will be published alongside the Statement of Accounts.

## Financial Statements

The Financial Statements report the Council's financial performance for the year and its financial position.

The Council's financial performance is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES)** (Page 5) – The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council utilises income generated from local taxpayers and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amount to be met from local taxpayers and housing rents is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement
- **Movement in Reserves Statement (MIRS)** (Page 6) – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments. Reserves are analysed into usable reserves and unusable reserves. Usable reserves represent revenue or capital resources which are available to fund revenue or capital expenditure or repay debt in the future, subject to the need to maintain a prudent level of reserves to cover contingencies and unforeseen commitments. Useable Reserves are those that the Council is not able to use to provide services, they are used to hold unrealised gains and losses, for example the revaluation reserve or to hold balances in relation to adjustments between accounting basis and funding basis under regulations.

- **The Cash Flow Statement** (Page 9) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 108) – This Account summarises the income and expenditure in respect of the provision of local Council housing accommodation. Councils' are required by statute to account separately for all transactions relating to the cost of providing such accommodation.
- **Collection Fund Account** (Page 116) – By statute, Billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Council during the accounting period and the distribution of these funds.

The Council's financial position is reported through the:

- **Balance Sheet** (Page 8) - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth and are matched by the reserves held by the Council. Reserves are analysed into usable and unusable in the same way as in the MIRS.

The financial statements described above include the income, expenditure, assets, liabilities, reserves and cash flows of maintained schools within the control of the Council.

The Council's Financial Statements also include the Metropolitan Debt Administration statement (Page 119) as under the Local Government Act Reorganisation (Debt Administration – South Yorkshire) Order, 1986, the Council became responsible for the administration of the former South Yorkshire County Council Debt with effect from 1 April 1986. A separate account has been established to record the transactions, in order to arrive at an average rate of interest with which to charge the four district councils and joint boards within the South Yorkshire area.

The **Expenditure and Funding Analysis**, included as Note 1 (Page 35) in the Notes to the Accounts, accompanies the Comprehensive Income and Expenditure Statement. It takes the net expenditure that is chargeable to taxation and rents (i.e. the General Fund and Housing Revenue Account) and reconciles it to the Comprehensive Income and Expenditure Statement.

**Main Financial Statements and Notes to the Core Financial Statements**

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

Notes to the Core Financial Statements

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. The Council utilises income generated from local taxpayers and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The amount to be met from local taxpayers and housing rents is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement

All of the Council's income and expenditure relates to continuing operations.

None of the items included within other comprehensive income and expenditure are reclassifiable within the surplus or deficit on provision of services.

The reportable segments shown below are those used for internal management reporting including budget monitoring reported to Senior Leadership Team and Cabinet. *Changes to the structure during the year are the reason for the 2017/18 figures being reclassified to reflect the structure as at the end of 2018/19.*

2017/18 as reclassified Gross Expenditure £000	2017/18 as reclassified Gross Income £000	2017/18 as reclassified Net Cost £000		2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Cost £000	Notes
110,395	(46,394)	64,001	Adult Care and Housing	114,440	(47,309)	67,131	
68,803	(84,345)	(15,542)	Local Authority Housing (HRA)	68,419	(83,030)	(14,611)	
111,635	(33,827)	77,808	CYPS Excl Schools	123,625	(37,526)	86,099	
85,343	(90,474)	(5,131)	Schools	76,562	(79,812)	(3,250)	49
83,185	(30,858)	52,327	Regeneration and Environment Services	82,959	(31,194)	51,765	
16,906	(16,975)	(69)	Public Health	16,465	(16,439)	26	
9,437	(3,362)	6,075	Assistant Chief Executive Office	10,761	(3,355)	7,406	
104,347	(89,557)	14,790	Finance and Customer Services	98,180	(81,586)	16,594	
13,273	(10,828)	2,445	Central Services	8,261	(10,386)	(2,125)	
603,323	(406,619)	196,704	Cost of Services	599,672	(390,637)	209,035	
60,202	(16)	60,187	Other Operating Expenditure	35,208	(9)	35,199	4
45,943	(1,782)	44,161	Financing and Investment Income and Expenditure	42,980	(1,976)	41,004	5
0	(225,787)	(225,787)	Taxation & Non-Specific Grant Income and expenditure	0	(235,082)	(235,082)	7
709,468	(634,204)	75,264	Deficit on Provision of Services	677,860	(627,704)	50,156	
		(33,505)	(Surplus) on Revaluation of Non Current Assets			(34,222)	38b
		(1,567)	Write down of Met Debt			(1,723)	38a
		(93,612)	Remeasurements of the Pensions Net Defined Benefit Liability (Asset)			52,055	18
		(128,684)	Other Comprehensive Income & Expenditure			16,110	
		(53,420)	Total Comprehensive Income & Expenditure			66,266	

## Movement in Reserves Statement

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 are detailed in Note 37) and 'unusable reserves' (which are not available for use and are detailed in Note 38). The 'surplus or (deficit) on the provision of services' line shows the economic cost of providing the Council's services on a commercial accounting basis. The "adjustments between accounting basis and funding basis under regulations" line represents the statutory adjustments required to arrive at the amounts to be charged to the General Fund Balance for Local Tax purposes. The 'net increase /decrease before transfers to statutory and other reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from statutory and other reserves undertaken by the Council.

2017/18	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
<b>Balance as at 1 April 17</b>	<b>53,239</b>	<b>35,156</b>	<b>27,422</b>	<b>5,219</b>	<b>11,483</b>	<b>132,519</b>	<b>(107,480)</b>	<b>25,039</b>	37/38
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(82,395)	7,131	0	0	0	(75,264)	128,684	53,420	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	66,978	(4,616)	1,393	4,450	2,863	71,069	(71,069)	0	
<b>Increase / (Decrease) in Year</b>	<b>(15,417)</b>	<b>2,515</b>	<b>1,393</b>	<b>4,450</b>	<b>2,863</b>	<b>(4,195)</b>	<b>57,615</b>	<b>53,420</b>	
<i>Schools Balances transferred out on conversion to academy</i>	401					401		401	
<b>Balance as at 31 March 18 carried forward</b>	<b>38,223</b>	<b>37,671</b>	<b>28,815</b>	<b>9,669</b>	<b>14,346</b>	<b>128,725</b>	<b>(49,865)</b>	<b>78,860</b>	

2018/19	General Fund (GF) Balance including GF Earmarked Reserves £000	Housing Revenue Account (HRA) Balance including HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
<b>Balance as at 1 April 18</b>	<b>38,223</b>	<b>37,671</b>	<b>28,815</b>	<b>9,670</b>	<b>14,346</b>	<b>128,725</b>	<b>(49,863)</b>	<b>78,862</b>	37/38
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(53,373)	3,217	0	0	0	(50,156)	(16,110)	(66,266)	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	41,447	(14,313)	(3,469)	927	4,593	29,186	(29,186)	0	
<b>Increase / (Decrease) in Year</b>	<b>(11,926)</b>	<b>(11,096)</b>	<b>(3,469)</b>	<b>927</b>	<b>4,593</b>	<b>(20,971)</b>	<b>(45,296)</b>	<b>(66,267)</b>	
<i>Schools Balances transferred out on conversion to academy</i>	82					82		82	
<b>Balance as at 31 March 19 carried forward</b>	<b>26,379</b>	<b>26,575</b>	<b>25,346</b>	<b>10,596</b>	<b>18,939</b>	<b>107,836</b>	<b>(95,159)</b>	<b>12,677</b>	



**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves, are 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".

2017/18 £000		2018/19 £000	Notes
1,102,552	Property, Plant and Equipment	1,155,828	19
6,970	Heritage Assets	8,721	23
27,827	Investment Property	27,573	20
2,577	Intangible Assets	3,034	21
190	Long Term Investments	190	30
3,909	Long Term Debtors	3,791	33
1,144,026	Long Term Assets	1,199,138	
34	Short Term Investments	34	24/29
649	Assets Held For Sale	180	22
692	Inventories (Stock)	659	31
54,028	Short Term Debtors	51,592	33
28,838	Cash and Bank Balances	34,698	34
84,241	Current Assets	87,163	
(1,463)	Bank Overdraft	(11,920)	34
(148,938)	Short Term Borrowing	(183,079)	24
(61,520)	Short Term Creditors	(70,543)	35
(5,204)	Short Term Provisions	(4,940)	36
(217,125)	Current Liabilities	(270,481)	
(5,144)	Long Term Provisions	(5,000)	36
(28)	Long Term Creditors	(240)	35
(419,702)	Long Term Borrowing	(407,389)	24
(505,163)	Other Long Term Liabilities	(588,621)	50
(2,245)	Capital Grants Received in Advance	(1,892)	8
(932,282)	Long Term Liabilities	(1,003,142)	
78,860	Net Assets	12,677	
(128,725)	Usable Reserves	(107,836)	37
49,865	Unusable Reserves	95,159	38
(78,860)	Total Reserves	(12,677)	

**Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period.

	2017/18 £000	2018/19 £000	Notes
Deficit on the provision of services	75,264	50,156	
Adjustments to net surplus or deficit on the provision of services for non-cash movements :			
Depreciation & Impairment	(43,738)	(36,877)	
Carrying Amount of Non- Current Assets Sold	(51,287)	(25,806)	
Pension Fund Adjustments	1,548	(36,010)	
(Increase)/Decrease in Provisions	(439)	409	
Increase/(Decrease) in Inventories	(10)	(33)	
Increase/(Decrease) in Debtors	(663)	(2,230)	
(Increase)/Decrease in Creditors	(2,233)	1,681	
Other Non Cash Adjustments	(965)	98	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	27,551	37,128	39
Net cash inflows from Operating Activities	5,028	(11,484)	
Investing Activities	24,195	39,079	40
Financing Activities	(60,380)	(22,998)	41
Net decrease in cash and cash equivalents	(31,157)	4,597	
Cash and cash equivalents at the beginning of the reporting period	(3,782)	27,375	34
Cash and cash equivalents at the end of the reporting period	27,375	22,778	34

**Accounting Policies**

- A) Statement of Accounting Policies
- B) Accounting Standards issued but not yet adopted
- C) Critical Judgements in applying Accounting Policies
- D) Assumptions made about the future and other major sources of estimation

**A STATEMENT OF ACCOUNTING CONCEPTS AND POLICIES****1 General Principles**

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"), supported by International Financial Reporting Standards (IFRS).

The objective of the Statement of Accounts is to provide information about the Council's financial performance, financial position and cash flows that is useful to a wide range of stakeholders in assessing the Council's stewardship of its resources.

Fundamental to making this assessment is that information is both relevant and faithfully represented.

A key feature of relevance is materiality. Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information presented in the Statement of Accounts. Conversely, there is no need to comply with the accounting principles or disclosure requirements of the Code where information is not material.

Information is faithfully represented if it is complete, unbiased and properly determined using appropriate estimation techniques and judgements.

The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the Statement of Accounts. The accounting policies and estimation techniques selected are those that best assist users in their understanding of the financial information presented or disclosed in the Statement of Accounts. The expectation is that this will be achieved by selecting accounting policies that are compliant with the Code.

Consistent policies are applied both within the year and between years. Where policies have changed the reason and effect is disclosed.

The underlying assumptions made in preparing the Statement of Accounts are that financial performance is reported on an accruals basis and that the Council is a going concern.

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.

The CIES is reported using total cost principles under international financial reporting standards not the way in which local government is funded. The income and expenditure reported in the CIES will not therefore correspond to the outturn charged to the General Fund and HRA reported against the Council's budget.

Note 1 in the Notes to the Core Financial Statements, the "Funding and Expenditure Analysis" provides a high level reconciliation of the expenditure analysis reported in the CIES to the net amount charged to the General Fund and HRA which is to be met by taxpayers and council house tenants together with additional disclosure on material reconciling adjustments.

## **2 Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or 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 by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied unless the Code specifies that the change should be applied prospectively.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

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

## **3 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.

The general principle is that revenue is measured at the fair value of the consideration received which, in most transactions, will be the amount of cash and cash equivalents receivable. This position is in accordance with the new IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised when the following conditions have been met:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

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 those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

Interest payable on borrowings (other than that capitalised on qualifying assets) 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Where the Council acts as an agent for another party, income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

#### **4 Overheads and Support Services**

Support services are operated, managed and reported as separate segments they are not apportioned across services but instead reported separately in their own right in the Comprehensive Income and Expenditure Statement. Under the Council's current structure such costs predominantly fall within Assistant Chief Executive's or Finance and Customer Services Directorates.

#### **5 Debtors**

Debtors are recognised when the Council has delivered or tendered a supply of goods or services. They are recognised and measured at fair value when revenue has been recognised, except for a financial asset where they form part of the asset's carrying value (see accounting policy note 22). Amounts paid in advance of the receipt of goods/services are recognised as a prepayment.

#### **6 Creditors**

Creditors are recognised when the Council receives a supply of goods or services. They are recognised and measured at fair value of the consideration payable except for a financial liability where they form part of the liability's carrying value (see accounting policy note 22). If consideration is received but the revenue does not meet the revenue recognition criteria, a receipt in advance is recognised.

#### **7 Tax Income (Council Tax, Residual Community Charge, and National Non-Domestic Rates)**

##### Council Tax

Council Tax collection is an agency arrangement. Income shown within the Comprehensive Income & Expenditure Statement is the Council's share of the year's accrued income. The difference between this and the amount transferred to the General Fund under statute (representing the demand on the Collection Fund for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. Debtors are shown exclusive of the proportions attributable to major preceptors.

##### National Non-Domestic Rates (NNDR)

NNDR collection is an agency arrangement. Business rate income within the Comprehensive Income & Expenditure Statement is the Council's share of the accrued business rate income for the year. The difference between this and the amount transferred to the General Fund under statute (representing the Council's share of the estimated business rate income for the year together with the Council's share of the previous year's surplus or deficit which is distributed or recovered) is taken to the Collection Fund Adjustment Account. The central share (after allowable deductions) of business rate income is paid out of the Collection Fund to central government. Growth in business rate income in an Enterprise Zone area, business rate income from renewable energy schemes and from businesses in New Deal areas is wholly attributable to the Council and transferred in full to the General Fund on an accruals basis. Debtors are shown exclusive of the proportions attributable to major preceptors

#### **8 Inventories**

Inventories are measured at the lower of cost and net realisable value except where acquired through a non-exchange transaction when cost is assumed to be equal to fair value at acquisition date.

Inventories are measured at the lower of cost and current replacement cost where held for distribution at no charge or for a nominal charge.

The cost attributed to identify inventory is assigned using the first-in, first-out (FIFO) basis.

**9 Work in Progress (Construction Contracts)**

Where the Council acts as a contractor, if the outcome of a construction contract can be estimated reliably, the percentage of completion method is used to recognise revenue and expenses. Contract revenue is matched with the contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and surplus/deficit which can be attributed to the proportion of work completed.

If the outcome cannot be estimated reliably, revenue is recognised only to the extent it is probable costs will be recoverable, and costs are recognised as an expense in the period incurred. When the uncertainties no longer exist, revenue and expenses are recognised using the percentage of completion method.

Should it become apparent that total costs will exceed total revenue the expected deficit on the contract is immediately expensed.

**10 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.

**11 Provisions, Contingent Liabilities and Contingent Assets**

Provisions

A provision is recognised when:

- there is a present obligation (legal/constructive) as a result of a past event,
- it is probable a resource outflow will be required to settle the obligation, and
- a reliable estimate of the amount can be made.

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 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 each reporting date and adjusted to reflect current best estimates. 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.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is

treated as an asset but the amount recognised does not exceed the amount of the provision.

#### Contingent Liability

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.

A contingent liability is not recognised in the financial statements but disclosed as a note to the accounts. If it becomes probable that a resource outflow will be required for an item previously dealt with as a contingent liability, a provision is recognised.

#### Contingent Asset

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.

A contingent asset is not recognised in the financial statements but disclosed as a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. If it has become virtually certain an inflow will arise and the asset's value can be measured reliably, a debtor and related revenue are recognised.

## **12** Reserves

The Council sets aside specific amounts as usable 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/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 unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the sections relating to the relevant policies.

## **13** Government and Non-Government Grants

Government grants and third-party contributions, including donated assets are recognised as due when there is reasonable assurance that;

- the Council will comply with the conditions attached to them, and
- the grants and contributions will be received.

Where conditions of grant remain outstanding which could give rise to grant being repaid, grant is carried in the balance sheet as grant received in advance. Conditions are stipulations that give the grant funder or donor the right to the return of their monies if it is not used for the purpose specified.

Revenue grants or contributions are credited to the relevant service line within net cost of services if specific or to Taxation and Non-Specific Grant Income if general or non ring-fenced.

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in



Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

#### 14 Non-current Assets – Property, Plant and 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 and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or 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 (i.e. repairs and maintenance) is charged as an expense when it is incurred.

##### 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, and
- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs.

Borrowing Costs - The Council has adopted a policy under IAS 23 'Borrowing Costs' to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. In implementing a policy of capitalisation of borrowing costs the Council has determined what it sees as a qualifying asset and what the borrowing costs are, that are to be capitalised.

- Qualifying Assets – Assets that take a substantial period of time to get ready for their intended use or sale, where this would cause a significant balance of borrowing costs to accrue.
- Borrowing costs – Where the Council borrows to specifically fund a scheme the amount that is capitalised is the actual cost of borrowing less investment income. Where funds are borrowed generally a capitalisation rate is used based on the weighted average of borrowing costs during the period.

The Council only capitalises borrowing costs when in addition to the above it becomes probable that the capital expenditure will result in future economic benefits or service potential to the Council; and that the borrowing costs can be measured reliably.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, 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. 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, unless the donation has been made conditionally. 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:

- infrastructure, community assets – depreciated historical cost,
- property, plant and equipment and intangible assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.
- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as a Asset Held for Sale, it will be measure at fair value less cost to sell.

Depreciated historical cost is used as a proxy for current value for relatively short life assets such as vehicles, plant and equipment.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. In support of this the Council carries out an annual review of its assets for impairment. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains unless they reverse a previous revaluation or impairment loss in which case they are credited to the relevant service line within net cost of services.

Where decreases in value are identified, the revaluation loss is 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.

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 of Assets

At the end of each reporting period an assessment takes place 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.

## Disposals

The carrying amount of an item is derecognised:

- on disposal through, for example, sale, donation, granting of a finance lease or transfer, or
- when no future economic benefits or service potential are expected from its use or disposal as a result, for example, of it being abandoned, scrapped or decommissioned.

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 revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value is the price that would be received from the selling the asset in an orderly transaction between market participants under the conditions prevailing at the end of the reporting period. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value. Depreciation is not charged on Assets Held for Sale.

Assets held solely for capital appreciation purposes are classified as investment properties.

Non-operational property, plant and equipment which do not meet the criteria for reclassification as either Assets Held for Sale or investment properties are held within property, plant and equipment as Surplus Assets. Surplus Assets are carried in the balance sheet at their existing use value and revalued immediately prior to disposal if the current carrying value is materially different in order that the proper gain or loss on disposal can be determined.

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. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council'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.

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 appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. 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).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the Council's valuer (Council dwellings over 30 Years or by using notional Major Repairs Allowance (MRA) if notional MRA reasonably reflects the annual cost of maintaining property in its current condition over a thirty-year period, other buildings and non-operational properties up to 100 years)
- vehicles – a reducing balance method over the useful life of the asset, as advised by a suitably qualified officer (Up to 10 years)
- infrastructure – straight-line allocation over 40 years
- plant, equipment and computers – straight-line allocation over the useful life of the asset as advised by a suitably qualified officer (plant and equipment up to 15 years and computers/office equipment up to 10 years).

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Componentisation will take place as assets are acquired, enhanced, replaced or revalued.

Revaluation gains/losses 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.

## **15 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 Non-Current 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,
- amortisation of intangible Non-Current Assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP) and the policy is detailed below. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

Depreciation, revaluation and impairment losses represent a "real" charge to the HRA to be met by rent payers. However, the Council took advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the

amount of depreciation charged on council dwellings at the notional Major Repairs Allowance (MRA) included within the HRA Business Plan for that year. From 2017/18, depreciation, revaluation and impairment losses are determined in accordance with the new Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

#### Minimum Revenue Provision (MRP)

Prudent provision (MRP) is made annually for the repayment of debt relating to capital expenditure financed by borrowing or credit arrangements. The amount charged is determined having regard to the relevant statutory requirements and related guidance on MRP issued by MHCLG.

In 2014/15 the Council carried out a review of historic MRP payments made, indicating a significant overpayment, that has since been recovered via an annual MRP holiday (in line with the CIPFA Prudential Code & MRP Guidance). The recovery of any MRP that had been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years' charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year. Following the introduction of the revised CIPFA Prudential Code 2018/19 and CIPFA Treasury Management Code of Practice it is no longer permissible for the Council to calculate new MRP overpayments in relation to historical transactions, however it can continue to realign the existing overpayment as the new code is not to be applied retrospectively.

## **16 Leases and Lease-Type Arrangements**

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. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council will recognise a lease where the contract for individual asset exceeds £25k.

### (a) Finance Leases – Council as Lessee

An asset held under a finance lease 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 years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – 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).

The apportionment is done in such a way as to produce a constant rate of interest on the outstanding liability in each period over the lease term

An asset recognised under a finance lease 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.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses arising on leased assets. Instead, a Minimum Revenue Provision is made towards the deemed capital investment in accordance with statutory requirements and the Council's policy for determining MRP. Depreciation, revaluation and impairment losses are therefore replaced by the revenue provision in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

(b) Operating Leases – Council as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

(a) Finance Leases – Council as Lessor

Where the Council grants a finance lease over an asset, 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 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 Council'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 asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including 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 will be 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 in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 appropriated from the Capital Adjustment Account to the General Fund Balance in the Movement in Reserves Statement.

(b) Operating Leases – Council as Lessor

Where the Council grants an operating lease over an asset, 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. 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.

## 17 PFI and PPP Arrangements

Private Finance Initiative (PFI) and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The only exception to this is where PFI assets are transferred to academies under 125 year lease arrangements, at which point the assets are removed from the Council's balance sheet.

PFI assets are initially recognised at their fair value when they are first made available for use balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment (this is normally based on the relevant elements of capital cost in the operator's financial model). Initial direct costs to the Council are added to the carrying amount of the asset. Any upfront contributions made by the authority to the PFI operator, either in the form of a cash lump sum or transfer of property that will not be used to provide services under the arrangement, are applied to write-down the PFI liability at the contribution's value agreed in the operator's financial model when the PFI asset is first made available for use.

PFI assets under construction are recognised on the balance sheet where the terms and conditions of the contractual obligation are such that the economic benefit of the asset flows to the Council at that time, similar to an asset that a Council constructs or develops for its own use.

PFI assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- payment towards liability – applied to write down the Balance Sheet liability due to the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease),
- lifecycle replacement costs – are accounted for as they are incurred. Where the profile of lifecycle expenditure actually incurred by the PFI operator differs significantly from the projected profile included within the PFI model adjustments are made to account for the difference. A prepayment is recognised where planned expenditure paid for through the unitary payment exceeds the actual amount incurred by the PFI operator. An additional liability is recognised where planned expenditure is less than that actually incurred. The prepayment / additional liability is carried forward in the balance sheet until the expenditure is actually incurred / settled, or , in the case of a prepayment when there is no longer an expectation that it will eventually be incurred by the PFI operator at which point it is charged to revenue. Lifecycle replacement costs which represent the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 14.

## 18 Investment Properties

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 being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. 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 and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 19 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 (e.g. software licences) is 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 Council 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 is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. 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 and 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.



## 20 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 is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. 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.

## 21 Heritage Assets

Heritage assets' principal purpose is to contribute to knowledge and culture and which are preserved in trust for future generations for their artistic, cultural, environmental, historical, scientific or technological associations. They are recognised on balance sheet at cost or value. Where they are carried at value, the most appropriate and relevant valuation method is used including, e.g., insurance values. Revaluations are carried out as and when necessary in order to keep carrying values current (there is no requirement for them to be revalued at least every 5 years).

Operational heritage assets (i.e. those that are being held for their heritage characteristics, but are also used for other activities or services) are accounted for as operational assets.

Depreciation is not provided on heritage assets where they have indefinite lives.

Revaluation gains and losses and impairments of heritage assets are accounted for in exactly the same way as for Property, Plant and Equipment.

## 22 Financial Instruments

### 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).
- **Treasury Investments:**  
Those valued at **Amortised Cost** – assets that have fixed or determinable payments but are not quoted in an active market. These assets are Solely for Principal and Interest (SPPI), and they are part of the Council's Business Model. Whist Money Market Funds (MMF) behave as Amortised Cost, strictly they are FVPL, but there is little material difference in accounting, as such the Council will treat them as Amortised Cost.
  - **Non-Treasury Investments:**  
These are assets that have may have a quoted market price and/or do not have fixed or determinable payments, although where, for instance a loan is provided to a third party (SPPI), and is for a policy reason, then it would be at Amortised cost too. Where is is not Amortised cost, this classification has two further sub sets for valuation:
    - **Fair Value through Comprehensive Income (FVCI)**, policy driven investments (not solely for profit), activity, which would normally simply be equity stakes in joint companies etc.

- **Fair Value through Profit and Loss (FVPL)**, assets held purely for commercial investment (primarily for profit, firstly to raise monies/profit, that will be used to support the execution of normal service functions.

(a) Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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.

When the Council makes loans at less than market rates (soft loans) 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, 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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

(b) Fair Value Through Profit or Loss (FVPL) and Fair Value through Comprehensive Income (FVCI)

These are assets that have a quoted market price and/or do not have fixed or determinable payments. Of this classification those assets that are policy driven investments, not used to solely generate profit, but to actively support the execution of normal service functions are to be valued at Fair Value through Comprehensive Income (FVCI). They 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. Where the asset has fixed or determinable payments, then this would be Amortised Cost (as above) with annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. In practice FVCI is likely to contain only service equity investments,

Assets are maintained in the Balance Sheet at fair value. Fair value is measured by reference to prevailing interest or market rates using an appropriate valuation technique.

Changes in fair value posted to Other Comprehensive Income and Expenditure. Movements in impairment loss allowances debited/ credited to Surplus or Deficit on the Provision of Services (with a compensating credit/debit not against the carrying amount of the asset but to Other Comprehensive Income and Expenditure to offset movements against gains/losses on fair value). Cumulative gains/losses on fair value are posted to the Surplus or Deficit on the Provision of Services on derecognition.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

(c) Fair Value Through Other Comprehensive Income (FVOCI)

These are assets held purely for commercial investment (primarily for profit). All gains and losses posted to Surplus or Deficit on the Provision of Services as they arise.

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month (i.e. the normal expectation of loss for this category of investment, no event occurring) or lifetime basis (whereby the initial assessment of risk has changed significantly by an event occurring). 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 authority holds a number of loans to local businesses. It does not have reasonable and supportable information that is available without undue cost or effort to support the measurement of lifetime expected losses on an individual instrument basis. It has therefore assessed losses for the portfolio on a collective basis.

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 this being the price that would be paid in an orderly transaction between market participants on the date on which the liability is recognised. Ordinarily, this will be the transaction price, such as the principal amount of a loan received. Thereafter they are 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 the 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. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The amount of interest charged to the HRA is determined on a fair and equitable share basis by reference to the HRA's Capital Financing Requirement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge 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.

Where the Council has entered into financial guarantees that are not required to be accounted for as financial instruments they are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

## 23 Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, are recognised as an expense in the year in which employees render service to the Council. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis at the earlier of when the Council can no longer withdraw an offer of those benefits or when the Council recognises the cost of restructuring.

Redundancy payments are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Pension strain costs are charged to Non Distributed Costs in accordance with statutory provisions which require that the General Fund 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.

### Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The National Health Service Pension Scheme, administered by the NHS Business Services Authority (NHSBSA).
- The Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education.
- The Local Government Pensions Scheme (LGPS), administered by South Yorkshire Pensions Authority.

All three schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The arrangements for both the National Health Service and Teachers' schemes mean that liabilities for these benefits cannot be identified specifically to the Council. These schemes are therefore accounted for as if they were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Public Health and Children's and Education Service line in the Comprehensive Income and Expenditure Statements are charged with the employer's contributions payable to the National Health Service and Teachers' Pensions Scheme in the year.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the South Yorkshire Pension Fund 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 projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liability is analysed into the following components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - past service cost – the increase in liabilities arising from current year decisions as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - net interest – interest receivable on the fair value of plan assets held at the start of the period adjusted for changes in plan assets during the year as a result of contributions and benefit payments less the interest payable on pension liabilities both determined using the discount rate based on high quality corporate bonds used to measure the defined benefit obligation at the beginning of the period – debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - re-measurements - return on plan assets (net of admin expenses and excluding amounts included in net interest) and actuarial gains/losses that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions debited/credited to the Pensions reserve as Other Comprehensive Income and Expenditure.
  - contributions paid to the South Yorkshire 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 such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on 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 also 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 (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **24** Repayment of Debt – Metropolitan Debt

The Council is responsible for administering the former South Yorkshire County Council debt portfolio. Part of this debt portfolio is the Council's own liability (as a former member of the SYCC) and as such it will make its own principal and interest payments. Principal repayments are based on a 10% Sinking Fund using a methodology prescribed in Statutory Instrument 1986 No. 437 and will be extinguished by 2020/21.

### **25** Value Added Tax (VAT)

VAT payable is included only to the extent that it is irrecoverable from HM Revenue & Customs, whilst VAT receivable is excluded from income. The net amount due from/to HMRC at the end of the financial year is included within debtors or creditors.

### **26** Events after the Reporting Period

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

- 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 is 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 the Strategic Director - Finance and Customer Services authorises the audited Accounts for issue are not reflected in the Statement of Accounts.

### **27** Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **28** Interests in Companies and Other Entities

Where the Council exercises control, shares control or exerts a significant influence over another entity, and the Council's interests are material in aggregate, it will prepare Group Accounts. The Council's interest in another entity can be contractual or non-contractual and may be evidenced by, but is not limited to, the holding of equity or debt instruments in the entity as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Council has control over another entity, where it is able to direct the activities of that entity such that it is has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

Shared control with another party or parties in a joint venture arises where decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control including the Council.

The Council can exert a significant influence over an associate where the Council has the power to participate in the financial and operating policy decisions of an entity which fall short of control or joint control.

The Council's single entity financial statements include the income, expenditure, assets, liabilities, reserves and cash flows of the local Council maintained schools within the control of the Council.

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non-Current Assets of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

Interests in companies and other entities are recorded in the Council's balance sheet as financial assets at cost, less any provision for losses.

## **29 Acquisitions and discontinued operations**

Transfers of functions to or from other public sector bodies are accounted for with effect from the date of transfer. Assets and liabilities are transferred at their carrying value at the date of transfer unless otherwise agreed and the balance sheet restated to reflect the value of assets brought onto or removed from the balance sheet. The financial effect of functions transferred, to or from the Council are disclosed separately in the current year as "transferred in" or "transferred out" operations. The financial effect of functions transferred to another public sector body are disclosed separately in the comparative year to enable the performance of continuing operations to be compared on a like for like basis.

A function in this context is an identifiable service or business operation with an integrated set of activities, staff and recognised assets and/or liabilities that are capable of being conducted and managed to achieve the objectives of that service or business operation.

Discontinued operations are activities that cease completely. Income and expenditure relating to discontinued operations are presented separately on the face of the Comprehensive Income and Expenditure Statement.

**B** ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) has introduced changes in accounting policy as a result of amendments to accounting standards. These standards have been issued, but have not yet been adopted by the Council. If these had been adopted for the financial year 2018/19 there would be no material change.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

IFRS 9 has now been implemented by RMBC but no prepayments with negative compensation feature; therefore the above amendments to IFRS 9 are currently not applicable to RMBC.

Amendments to IAS 40 Investment Property: Transfers of Investment Property

The amendment to IAS 40 states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. This will not make a material change to RMBC's Investment Properties.

It is unknown at this time as to whether the following amendments will have a material effect on the Authority.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle;



**C CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out, 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 are:

- Back funding pension contributions - The Council is liable to make annual revenue contributions in respect of its Pension Fund deficit liabilities as specified in the actuary's certificate of rates and contributions. Agreement was reached with South Yorkshire Pensions Authority that the amounts due in respect of 2017/18, 2018/19 and 2019/20 could be settled by way of a single payment made in April 2017. The amount settled in April 2017 in respect of 2018/19 was £7.331m, this was a discounted payment in respect of past service deficit. The discount given for doing this and has been apportioned over the three years on a pro rata basis.
- Better Care Fund – The Council entered into a partnership agreement with Rotherham Clinical Commissioning Group (CCG) in April 2015 to manage the Better Care Fund (BCF) as a pooled budget arrangement from 2015/16 onwards. A joint assessment was conducted with the CCG on how the arrangement should be accounted for by reference to the Department of Health Group Manual for Accounts 2015/16 (Chapter 3 Annex 1) and the guidance on “Pooled budgets and the Better Care Fund” produced in October 2014 by HFMA /CIPFA. In accordance with this guidance, the Council has recognised income and expenditure and assets and liabilities proportionate to the risks and rewards it enjoys. The total available BCF funding for the year was £35.599m, of which the Council was allocated and recognised in its accounts £24.758m of income and £24.249m of expenditure, resulting in an underspend of £0.509m which was approved by the BCF Board.
- Business rates appeals – The introduction of the business rates retention scheme with effect from 1 April 2013, means that the Council shares in the risks and rewards of growth or decline in business rates income with central government and the fire authority. As a consequence the Council recognises on its balance sheet its proportion of business rates assets and liabilities including its share of refunds to business ratepayers as a result of appeal. Valuation Office statistics on appeals lodged and settled since the April 2010 rating valuation to the 2017 revaluation has been used to arrive at the best estimate of the likely level of business rate income collectable up to and including 2018/19 which may have to be refunded as a result of outstanding appeals as at 31 March 2019. Since the 2017 revaluation the appeals process has changed resulting in the Valuation Office no longer providing the same statistics, as a result the addition to the provision for potential refunds relating to amounts billed in 2017/18 and 2018/19 has been calculated as a percentage of the amount billed. The Council's share of the provision for appeals £4.326m is shown as a provision in Note 36.

**D ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

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.

**Minimum Revenue Provision**

As stated in Accounting Policy Note 15, the Council is required to make a prudent provision (Minimum Revenue Provision or MRP) to repay debt each year relating to capital expenditure financed by borrowing or credit arrangements. The recovery of any MRP that has been overcharged in previous years will be effected by taking an MRP holiday in full or in part against future years' charges that would otherwise have been made. The MRP holiday will be taken in such a way as to ensure that the total MRP after taking the holiday will not be less than zero in any financial year. The MRP Holiday was calculated in 2014/15, and is intended to end in 2019/20. The revised CIPFA Prudential Code, and Treasury Management Code of Practice prevents any new calculation of MRP holidays, but is not to be applied retrospectively and therefore does not prohibit the Council from completing the current calculated MRP holiday.

**Pensions liability**

Included in the Council's Balance Sheet at 31 March 2019 is an estimated pensions liability of £444m. This compares to £371m at 31 March 2018 and £466m at 31 March 2017. The volatility in the amount of the liability is due to it being highly sensitive to a number of key assumptions used to determine pension fund liabilities, including the rate at which future liabilities are discounted to present value terms, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates, indexation of pensions and the rate of inflation. The sensitivity analysis provided in Note 18 sets out how small changes to these key assumptions can result in a material change to the pensions liability. A firm of consulting actuaries is engaged by South Yorkshire Pensions Authority to provide expert advice about the best assumptions to be applied based on information available each year end.

**Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. If the useful lives of the assets reduce, depreciation increases and the carrying amount of the assets falls.

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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**Note 1**      **Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis (EFA) is to demonstrate to council tax [and rent] payers how the funding available to the authority, i.e. government grants, rents, council tax and business rates for the year, has been used to provide services compared with those resources consumed or earned by authorities in accordance with generally accepted accounting practices (as shown in the Comprehensive Income and Expenditure Statement (CIES). The EFA also shows how this expenditure is allocated for decision making purposes between the Council's Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the CIES on page 6.

2017/18 as restated				2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
62,549	1,452	64,001	Adult Care and Housing	61,952	5,179	67,131
(2,515)	(13,027)	(15,542)	Local Authority Housing (HRA)	10,969	(25,580)	(14,611)
75,284	2,524	77,808	Children and Young People's Services excluding schools	79,831	6,268	86,099
1,561	(6,692)	(5,131)	Schools	(953)	(2,297)	(3,250)
44,573	7,754	52,327	Regeneration and Environment Services	44,404	7,361	51,765
(70)	1	(69)	Public Health	16,330	(16,304)	26
5,671	404	6,075	Assistant Chief Executive Office	6,253	1,153	7,406
13,262	1,528	14,790	Finance and Customer Services	(2,904)	19,498	16,594
(187,413)	189,858	2,445	Central Services	(192,860)	190,735	(2,125)
12,902	183,802	196,704	<b>Net Cost of Services</b>	23,022	186,013	209,035
0	60,186	60,186	Other Operating Expenditure	0	35,199	35,199
0	44,161	44,161	Financing and Investment Income and Expenditure	0	41,004	41,004
0	(225,787)	(225,787)	Taxation & Non-Specific Grant Income and expenditure	0	(235,082)	(235,082)
12,902	62,362	75,264	<b>(Surplus) / Deficit</b>	23,022	27,134	50,156
		(88,395)	Opening General Fund and HRA Balance as at 1 April			(75,894)
		12,902	Less (Surplus) / Deficit on General Fund Balance in year			23,022
		(401)	Transfer from/to reserves to/from Academies			(82)
		(75,894)	<b>Closing General Fund and HRA Balance at 31 March</b>			(52,954)

**Note 1a**      **Adjustments in Expenditure and Funding Analysis**

2017/18 as restated					2018/19			
Capital Adjustment	Pension Adjustment	Other Adjustment	Total		Capital Adjustment	Pension Adjustment	Other Adjustment	Total
£000	£000	£000	£000		£000	£000	£000	£000
692	1,427	(667)	1,452	Adult Care and Housing	2,145	4,159	(1,126)	5,178
308	544	(13,879)	(13,027)	Local Authority Housing (HRA)	216	1,259	(27,055)	(25,580)
309	1,949	266	2,524	Children and Young People's Services excluding schools	395	5,943	(69)	6,269
2,099	(7,746)	(1,045)	(6,692)	Schools	802	(2,324)	(775)	(2,297)
11,030	2,097	(5,373)	7,754	Regeneration and Environment Services	8,716	6,263	(7,619)	7,360
0	0	1	1	Public Health	0	0	(16,304)	(16,304)
53	347	4	404	Assistant Chief Executive Office	123	1,022	8	1,153
644	889	(5)	1,528	Finance and Customer Services	617	2,560	16,321	19,498
3,220	2,472	184,166	189,858	Central Services	2,324	0	188,411	190,735
43,550	0	16,636	60,186	Other Operating Expenditure	18,497	0	16,702	35,199
2,210	11,004	30,947	44,161	Financing and Investment Income and Expenditure	403	9,797	30,805	41,005
2,799	0	(228,586)	(225,787)	Taxation & Non-Specific Grant Income and expenditure	5,139	0	(240,221)	(235,082)
66,914	12,983	(17,535)	62,362		39,377	28,679	(40,922)	27,134

Notes:

1. Capital Adjustments - This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
  - 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 as it is income that is not chargeable under generally accepted accounting practices. Revenue grants receivable in the year are adjusted to take out any grants that have conditions that have not been met in the year. This line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
2. 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 is the removal of the employer pension contributions made by the authority as allowed by statute and replaced with current and past service costs.
  - For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.
3. Other Adjustments i.e. between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:
  - For Financing and investment income and expenditure -- this column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
  - 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.

**Note 1b**      **Income and Expenditure Analysed by Nature**

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

<b>Expenditure/Income</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>
<b>Expenditure</b>		
Employee benefits expenses	211,496	221,560
Other services expenses	364,567	352,357
Depreciation, amortisation, impairment	41,245	36,599
Interest payments	32,242	32,278
Precepts and levies	15,956	15,710
Payments to Housing Capital Receipts Pool	1,907	1,906
Loss on the disposal of assets	42,055	17,450
<b>Total expenditure</b>	<b>709,468</b>	<b>677,860</b>
<b>Income</b>		
Fees, charges and other service income	(187,559)	(191,190)
Interest and investment income	(254)	(315)
Income from council tax and non domestic rates	(134,697)	(144,564)
Government grants and contributions	(311,694)	(291,635)
<b>Total income</b>	<b>(634,204)</b>	<b>(627,704)</b>
<b>Deficit on the Provision of Services</b>	<b>75,264</b>	<b>50,156</b>

**Note 1c**      **Income Analysed by Segment**

International Reporting Standard IFRS15 was adopted in the 2018/19 Code of Practice on Local Authority Accounting. Per IFRS15 income from contracts with customers is recognised when the obligation has been fulfilled, i.e. when the service has been provided. Income received in year relating to services that will be provided in the following financial year is accrued to the year that the service will be provided.

Financial Statements have always been prepared on an accruals basis as stated in the accounting policies, therefore the application of IFRS15 has resulted in no change to the recognition of income.

Other income is that which falls outside the definition of income from contracts with service recipients and is mainly non government grants/contributions.

The authorities fees, charges and other income is analysed as follows:

2017/18 as restated	2017/18 as restated	2017/18 as restated		2018/19	2018/19	2018/19
Income from contracts with service recipients	Other income	Total income		Income from contracts with service recipients	Other income	Total income
£000	£000	£000		£000	£000	£000
(15,772)	(27,046)	(42,818)	Adult Care and Housing	(15,020)	(29,099)	(44,119)
(83,381)	(750)	(84,131)	Local Authority Housing (HRA)	(82,131)	(899)	(83,030)
(2,394)	(2,547)	(4,941)	Children and Young People's Services excluding schools	(2,745)	(1,094)	(4,517)
(3,827)	(2,242)	(6,069)	Schools	(3,073)	(4,017)	(7,090)
(28,420)	(1,320)	(29,740)	Regeneration and Environment Services	(28,212)	(1,825)	(30,037)
0	0	0	Public Health	0	0	0
(2,584)	0	(2,584)	Assistant Chief Executive Office	(2,556)	(2)	(2,558)
(1,742)	(3,140)	(4,882)	Finance and Customer Services	(1,696)	(1,808)	(3,504)
0	(10,152)	(10,152)	Central Services	0	(14,665)	(14,665)
0	(2,242)	(2,242)	Other income below Cost of Service	0	(1,670)	(1,670)
(138,120)	(49,439)	(187,559)	<b>Total Income analysed on a segmental basis</b>	(135,433)	(55,079)	(191,190)

Major source of income from contracts with service recipients:

Adult Care and Housing:	Adult Residential Care
Local Authority Housing (HRA):	Housing Rents
Children and Young People's Services:	Educational Support Services to Academies
Schools:	Fees to parents and room lettings
Regeneration and Environment Services:	A wide range of services including School Meals, Waste Collection/Treatment, Bereavement Services, Licencing, Civic Theatre, Development Control, Registrars, Markets, Building Cleaning and Parking
Assistant Chief Executive Office:	Human Resources services
Finance and Customer Services:	IT services to academies & Schools Insurance Scheme

## Note 2 Adjustments between Accounting Basis and Funding Basis

This note details the statutory adjustments for the differences between the way transactions are presented on a commercial accounting basis and the amounts which are statutorily required to be met under the Local Authority Accounting Framework from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

Movements in Usable Reserves 2017/18						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	20,292	11,158	0	0	0	(31,450)
Amortisation of intangible assets	464	85	0	0	0	(549)
Revaluation losses on Property, Plant and Equipment	(3,482)	(2,242)	0	0	0	5,724
Capital grants and contributions applied	(14,069)	(4,119)	0	0	2,863	15,325
Revenue expenditure funded from capital under statute	6,200	223	0	0	0	(6,423)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	43,133	(1,195)	9,349	0	0	(51,287)
Debt Repayment			192			(192)
Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	(14)	(7,028)	0	0	0	7,042
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(6,049)	0	0	6,049
Use of the Capital Receipts Reserve to repay debt	0	0	(192)	0	0	192
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,907	0	(1,907)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Reversal of Major Repairs Allowance credited to the HRA	0	(2,619)	0	2,619	0	0
HRA depreciation to capital adjustment account	0	0	0	17,463	0	(17,463)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(15,632)	0	15,632
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(26)	36	0	0	0	(10)



Movements in Usable Reserves 2017/18 continued						
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18)	36,431	2,340	0	0	0	(38,771)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,529)	(1,259)	0	0	0	25,788
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,321	0	0	0	0	(1,321)
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(651)	4	0	0	0	647
Total Adjustments	66,977	(4,616)	1,393	4,450	2,863	(71,067)

Movements in Usable Reserves 2018/19						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	17,848	0	0	0	0	(17,848)
Amortisation of intangible assets	602	162	0	0	0	(764)
Revaluation losses on Property, Plant and Equipment & Investment Properties	(6,168)	5,818	0	0	0	350
Capital grants and contributions applied	(26,559)	(1,327)	0	0	4,593	23,293
Revenue expenditure funded from capital under statute	8,235	184	0	0	0	(8,419)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	18,354	(1,147)	8,599	0	0	(25,806)
Debt Repayment			642			(642)
Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	0	(17,822)	0	0	0	17,822
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(10,162)	0	0	10,162
Use of receipts to repay debt	0	0	(642)	0	0	642
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,906	0	(1,906)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Transfer from HRA to Major Repairs Reserve re notional MRA	0	(1,977)	0	1,977	0	0
HRA depreciation to capital adjustment account	0	0	0	18,615	0	(18,615)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(19,665)	0	19,665
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	196	36	0	0	0	(232)

Movements in Usable Reserves 2018/19 continued						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<u>Adjustments primarily involving the Pensions Reserve:</u>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18)	51,055	3,031	0	0	0	(54,086)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,127)	(1,279)	0	0	0	25,406
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income, non-domestic rate income and residual community charge adjustment included in the Comprehensive Income and Expenditure Statement is different from the amount taken to the General Fund in accordance with Regulation	81	0	0	0	0	(81)
<u>Adjustment primarily involving the Accumulated Absences Account:</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23	8	0	0	0	(31)
Total Adjustments	41,446	(14,313)	(3,469)	927	4,593	(29,184)

**Note 3**      **Transfers to and from Earmarked Reserves**

	Bal at	Trans between Reserves	Trans out	Trans in	Bal at	Trans between Reserves	Trans out	Trans in	Bal at
	1 Apr 17	2017/18	2017/18	2017/18	31 Mar 18	2018/19	2018/19	2018/19	31 Mar 19
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>General Fund</b>									
Transformation	2,733	0	0	0	2,733	0	0	0	2,733
Furnished Homes	3,050	0	0	0	3,050	(3,050)	0	0	0
Insurance Fund	350	0	0	0	350	0	0	0	350
Business Rates	4,000	0	0	0	4,000	0	0	0	4,000
Pensions	6,000	0	(1,075)	0	4,925	0	0	0	4,925
PFI - Waste	2,321	0	(2,087)	0	234	(234)	0	0	0
PFI - Leisure	2,393	0	0	0	2,393	(2,393)	0	0	0
PFI - Education (Schools)	9,449	0	(1,290)	2	8,161	(3,541)	(1,480)	0	3,140
Looked After Children	2,000	0	(2,000)	1,000	1,000	0	(1,000)	0	0
Corporate Revenue Grants Reserve	9,545	0	(4,707)	989	5,827	(1,008)	(2,583)	0	2,236
Budget Contingency	0	0	0	0	0	5,200	(2,018)	0	3,182
Corporate Reserves Earmarked to Directorates	2,680	0	(484)	423	2,619	0	(2,742)	123	0
Academy Conversion Reserve	1,290	0	(1,261)	0	29	0	(29)	0	0
Housing Transformation Fund	0	0	0	0	0	0	0	702	702
Area Assembly Ward	0	0	0	13	13	0	0	1	14
Memb Comn Leadership Fund	18	0	0	13	31	0	(35)	26	22
Rotherham Partnership	71	0	(34)	0	37	0	0	6	43
<b>Total</b>	<b>45,900</b>	<b>0</b>	<b>(12,938)</b>	<b>2,440</b>	<b>35,402</b>	<b>(5,026)</b>	<b>(9,887)</b>	<b>858</b>	<b>21,347</b>
Total HRA (within grant reserve)	0	0	0	163	163	0	(128)	0	35
Total General Fund	45,900	0	(12,938)	2,277	35,239	(5,026)	(9,759)	858	21,312
DSG Grant Reserve	(5,213)	0	(763)	(3,711)	(9,687)	(1,194)	(169)	(4,064)	(15,114)
Total Earmarked Reserves	40,687	0	(13,701)	(1,434)	25,552	(6,220)	(9,928)	(3,206)	6,198

**Earmarked General Fund Reserves**

In order to streamline this note a number of minor reserves were combined during 2018/19, with the table above adjusted to reflect the new position. The reserves that were combined have all been fully utilised during the year, therefore requiring no disclosure within the Council's accounts. This note more accurately reflects the Council's use of reserves, and the carried forward balances included within the Council's reserves strategy. The brought forward balance into 2018/19 of £25.552m remains the same as was reported in the 2017/18 accounts.

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in 2018/19. A brief description of the purpose of each reserve is provided as follows:

(i) Transformation Reserve

This reserve is to be used to fund costs associated with transformational change in the delivery of Council services.

(ii) Furnished Homes Reserve

The Rotherham Furnished Homes Scheme offers a range of furniture and other household goods to tenants to assist them in establishing and sustaining their home in exchange for an additional service charge. The reserve was originally established to meet additional financing costs in future years arising from the capitalisation of furniture purchases should the Scheme cease at any point in the future.

Following review, it has been determined to manage this risk within the treasury management budget and consequently this reserve had a nil balance at the 31<sup>st</sup> March 2019.

(iii) Insurance Fund Reserve

This reserve has been set up to cover claims incurred but not yet reported to the Council and not taken account of in the Insurance Provision.

(iv) Business Rates Reserve

This reserve is to cover residual risks relating to appeals.

(v) Pension Reserve

The Pension Reserve is to be used to meet the Council's pension obligations across the medium term.

(vi) PFI – Waste

This PFI arrangement will last for 25 years. The waste services budget was realigned in 2018/19 to match the PFI payment profile. This reserve had a nil balance at the 31<sup>st</sup> March 2019.

(vii) PFI – Leisure

This PFI arrangement will last for 33 years and 3 months. The leisure services budget was realigned in 2018/19 to match the PFI payment profile. This reserve had a nil balance at the 31<sup>st</sup> March 2019.

(viii) PFI – Schools

This PFI arrangement will last for 30 years. The reserve recognises the fact that receipts and payments into the reserve are smoothed out over the life of the contract so that the balance on the reserve at the end of the contract is nil.

(ix) Looked-After Children

This was set up to support the Council's Revenue Budget on a £3m, £2m and £1m basis over the three financial years, 2016/17 to 2018/19 and has been used as planned. This reserve had a nil balance at the 31<sup>st</sup> March 2019.

(x) Revenue Grant Reserve

The Revenue Grant Reserve represents revenue grants which have been recognised within income as the grant's terms and conditions have been met but yet to be applied. They will be used to meet future spending plans relevant to the grant.

(xi) Budget Contingency Reserve

This reserve is available to support the Council's revenue budget position over the short term whilst levels of Local Authority funding remain uncertain.

(xii) Corporate Reserves Earmarked to Directorates

These reserves were created within the Directorates to hold approved carry forwards for use in future years. As part of the review of the reserves strategy undertaken in 2018/19 all reserves will in future be held as corporate reserves. Balances of Directorate reserves held at 1<sup>st</sup> April 2018 were used in support of the 2018/19 revenue budget. This reserve had a nil balance at the 31<sup>st</sup> March 2019.

(xiii) Academy Conversion

This reserve has been created to manage the potential financial impact of schools converting to Academy status. This reserve had a nil balance at the 31<sup>st</sup> March 2019.

(xiv) Housing Transformation Fund

This reserve is established for the management of shared savings generated through the contractual arrangement with the Council's repairs and maintenance contractors. The fund

will be used to support key housing programmes and projects that require general fund support.

(xv) Other Reserves

The remaining reserves have been set up to hold approved carry forwards for use in future years.

(xvi) DSG Grant Reserve

The Dedicated School Grant (DSG) is a ring fenced specific grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) (No 2) Regulations 2018. Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. There is currently a deficit balance on the Dedicated Schools Grant, which in accordance with Government policy, can be carried forward for the deficit to be addressed in future years. Childrens' and Young Peoples Service have implemented a plan to recover the deficit in later years.

There has also been a transfer from General Fund earmarked reserves of £5.543m into the General Fund minimal balance, this movement can be seen on Note 37.

**Note 4**      Other Operating Expenditure

2017/18 £000		2018/19 £000	Notes
2,565	Parish Council precepts	2,748	
13,391	Levies payable	12,961	
1,907	Payments to the Government Housing Capital Receipts Pool	1,906	
42,055	Loss on disposal of non current assets	17,142	49
268	Loss on revaluation & disposal of Assets Held for Sale	442	22
60,186	Total	35,199	

**Note 5**      Financing and Investment Income and Expenditure

2017/18 £000		2018/19 £000	Notes
32,242	Interest payable and similar charges	32,278	26
11,004	Net interest on the net defined benefit liability (asset)	9,796	18
(254)	Interest receivable and similar income	(315)	26
1,169	Income and expenditure relating to Investment Properties and changes in their fair value	(755)	20
44,161	Total	41,004	

**Note 6**      **Surplus / Deficit on Trading Services, including dividends from companies**

The Council considers a trading operation exists where the service it provides is competitive i.e. the service user has the choice to use an alternative supplier than the Council and the Council charges the user on a basis other than a charge that equates to the costs of supplying the service.

The 2017/18 traded services position has been reclassified following a review of services included within the traded services function, and to include some accounting adjustments that are not part of normal budget monitoring.

The trading accounts operated by the Council during the year are as follows:

2017/18 as restated				2018/19		
Expenditure	Income	(Surplus) / Deficit		Expenditure	Income	(Surplus) / Deficit
£000	£000	£000		£000	£000	£000
19,134	(19,773)	(639)	Construction, Street Cleansing and Landscaping	21,252	(21,266)	(14)
1,333	(1,199)	134	Vehicle Maintenance	1,106	(1,280)	(174)
1,645	(2,255)	(610)	Property Services – Fee-billing	1,741	(3,508)	(1,767)
902	(769)	133	Engineering – Fee-billing	844	(696)	148
5,754	(5,243)	511	Cleaning of buildings	6,551	(5,146)	1,405
1,031	(884)	147	Markets	1,878	(726)	1,152
414	(396)	18	Building Regulations Control	407	(388)	19
8,813	(8,661)	152	School Support Services	9,416	(8,443)	973
293	(347)	(54)	Dispersed & Furnished Units	216	(216)	0
39,319	(39,527)	(208)	(Surplus) / Deficit	43,411	(41,669)	1,742

Traded services are included in the Comprehensive Income and Expenditure Statement within the Service that they are based. The Council's traded services include:

**Construction, Street Cleansing and Landscaping**

Streetpride maintains over 680 miles of highways in a clean and safe condition for pedestrians, motorists, other road users and local communities.

**Vehicle Maintenance**

Management and policy of the Council's vehicle fleet and ensuring legislative standards are maintained.

**Property Services – Fee Billing**

Quantity surveyors, project managers, architects, valuers involved in the valuation and construction of new and existing Council buildings.

**Engineering – Fee Billing**

Streetpride provides a design, inspection, assessment service and carries out engineering works to buildings, bridges, structures and highways.

**Cleaning of Buildings**

Facilities Services provides a cleaning service for schools and other premises owned by Rotherham MBC. This service is also utilised by the NHS in certain buildings.

Markets

The Council operates regular markets in Wath and Rotherham town centre. The deficit on markets is significantly higher than 2017/18 due to revaluation losses on the assets, following a revaluation being undertaken in 2018/19.

Building Regulations Control

Building Control service begins at preplanning application stage and continues throughout the entire planning and construction process. Ultimately the Council aims to provide a service that will achieve a fast and trouble-free Building Regulation approval and a rapid response inspection process that will assist a project to fully comply with the Building Regulations when complete. The Council has adopted a charging policy for Building Regulation charges in line with the Building (Local Council Charges) Regulations 2010.

School Support Services

School support services provides catering, Information Technology Support, Human Resources support, training facilities and the provision of supply staff to schools, teachers absence in-house insurance scheme and schools finance support team.

Dispersed and Furnished Units

To enable continued funding and improvements of emergency accommodation properties "crash pads". Income from the weekly charge from occupied units is used to contribute to replace fixtures, furniture and furnishings within the temporary units for people who are facing homelessness.

**Note 7**      **Taxation and Non Specific Grant Income**

2017/18 £000		2018/19 £000	Notes
100,328	Council Tax Income	107,502	
34,369	Non Domestic Rates	37,062	
31,234	Business Rates grants	33,003	
44,467	Non Ring-fenced government grants	34,768	8
15,389	Capital Grants and Contributions	22,747	8
225,787	Total	235,082	

**Note 8**      **Analysis of grant income credited to the CIES and capital grant received in advance**

The Council receives certain government grants which are not attributable to specific services. The amount of General Revenue Grants Credited to Taxation and Non Specific Grant Income was as follows:

2017/18 £000		2018/19 £000
28,943	Revenue Support Grant	21,923
9,822	PFI Grant	9,822
5,702	Other Non Specific Revenue Grants	3,023
44,467	Total	34,768



## Capital Grants Credited to Taxation and Non Specific Grant Income

2017/18 £000		2018/19 £000
6,864	Department for Transport	10,530
40	Environment Agency	301
1,600	Education Funding Agency: LA Maintained Maintenance Grant	1,020
(244)	Education Funding Agency: Basic Need Pupil Places	4,522
144	Education Funding Agency: LA Maintained Devolved Formula	749
2,022	Education Funding Agency: Targeted Basic Need	0
(644)	Early Years Capital and Entitlement for 2 year olds	(10)
	Healthy Pupils Capital Grant	84
0	Department of Health	0
311	S106 Contributions	824
1,197	Ministry of Housing, Communities & Local Government	1,066
3,713	SOAHP Grant Housing England	1,197
386	Other Local Authorities and Partners	279
0	Priority School Building Programme	864
0	Sheffield City Region	421
0	CIL Contributions	900
15,389		22,747

Community Infrastructure Levy (CIL) income has been disclosed within the Capital Grants table above, in line with the Community Infrastructure Levy (CIL) regulations 2010.

Significant Revenue Grants attributable to specific services and which have therefore been credited to Cost of Services were as follows:

2017/18 £000		2018/19 £000
99,665	Dedicated Schools Grant (Note 16)	92,539
81,185	Housing and Council Tax Benefit: subsidy	74,262
1,912	Sixth Form Funding	1,768
1,053	Troubled Families & Troubled Families Co-ordinator	1,218
6,353	Pupil Premium	5,391
1,512	Housing Benefit and Council Tax Benefit Administration	1,411
432	Youth Offending Teams Grant	432
423	Rotherham Music Hub	419
240	Adult Community Learning Grants	0
1,715	Universal Free School Meals	1,351
58	Yr 7 Catch Up Premium	53
188	SEND Implementation Grant (New Burdens)	142
6,166	Social Care Funding	6,166
13,291	Other NHS Funding (including Better Care Fund)	16,173
187	Local Reform & Community Voices Grant	155
1,535	Independent Living Fund	1,487
16,734	Public Health Funding	16,304
304	Police and Crime Commission	362
819	Discretionary Housing Payments (DHPs)	774
231	Adoption Support Fund	343
500	Fusion Funding	500
609	Elections Grant	399
168	Domestic Abuse Grant	0
214	Estate Regeneration Enabling Grant	0
252	Local Sustainable Transport Fund	311
104	Department for Transport	81
0	Home Office Trusted Relationship Fund	234
159	Asylum Seekers	255
0	Building Stronger Communities (Controlling Migration Fund)	652
0	LA EU Exit preparation	105
0	Yorhub	125
0	Winter Pressures	1,345
695	PE & Sport Grant	705
0	Home to School Transport	139
0	Clean Air Zone	141

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the funding body if they are not applied for their intended purpose. The balance of capital grant received in advance at the year-end was as follows:

31 Mar 18 £000		31 Mar 19 £000
2,245	Section 106 Developer Contributions	1,725
0	CIL Contributions	167
2,245	Total of Capital Grants Received in Advance	1,892

Section 106 Developer Contributions

Section 106 Developer Contributions are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer.

The major balances of Section 106 receipts held by the Council at the year end are as follows:

Income £000	Expenditure £000	2017/18 £000		Income £000	Expenditure £000	2018/19 £000
0	0	0	ACE	(5)	5	0
(382)	806	(826)	Culture and Leisure – General Fund	(299)	29	(1,095)
(115)	31	(1,024)	Other – General Fund CYPS	0	791	(234)
(536)	230	(395)	HRA	0	0	(396)
(1,033)	1,067	(2,245)	Total	(303)	824	(1,725)

**Note 9** Acquired and discontinued operations

The Council did not acquire any new operations in 2018/19.  
All of the Council's income and expenditure relates to continuing operations.

**Note 10** Agency ServicesNHS Funded Nursing Care

The Council administers on behalf of Rotherham Clinical Commissioning Group (CCG) the financial process/procedures relating to the payment of NHS funded nursing fees to nursing care providers, under Health Act flexibilities (section 256 of the NHS Act 2006). The agreement covers the fees for NHS funded nursing care, cost of incontinence products, administration costs and nursing cost of assessments. Any overspend against the approved budget will be recharged by the Council to Rotherham CCG, any underspend will be reimbursed by the Council to Rotherham CCG.

The under spend in the current and previous year were as follows:

2017/18 £000		2018/19 £000
(2,189)	Gross income	(1,915)
2,189	Gross expenditure	1,915
0	(Under) / over spend	0

**Note 11** Transport Act

Authorities are allowed to operate a road charging or workplace charging scheme under the Transport Act 2000. There is no such scheme in place in Rotherham.

**Note 12** Pooled Budgets

The Council, through Adult Social Services, has a pooled budget arrangement with Rotherham Clinical and Commissioning Group (RCCG) (formerly, NHS Rotherham) in respect of the Better Care Fund to enable joint working under section 75 of the National Health Service Act 2006.

The Better Care Fund is split into two Pools. RMBC host Pool 1 with income of £24.758m, which includes the former Intermediate Care and Equipment pooled budgets together with Occupational Therapy services, falls prevention, jointly commissioned integrated services and management of the Disabled Facilities grant funding. The RCCG host Pool 2 with income of £10.841m which supports

Adult Mental Health Liason, social care including residential care and keeping people in their own homes, care management and supporting discharge from hospital and support for carers.

The finance involved in the arrangements where the Council acts as host is detailed as follows:

2017/18 £000	<b>Better Care Fund - Pool 1 RMBC</b>	2018/19 £000
(10,141)	Rotherham CCG	(10,435)
(2,311)	Rotherham MBC - Capital	(2,502)
(9,034)	Rotherham MBC - Revenue	(11,821)
(21,486)	Total Gross Income	(24,758)
2,311	Capital Expenditure	2,502
19,361	Revenue Expenditure	21,641
21,672	Total Gross Expenditure	24,143
186	Overspend	(615)
(186)	Use of balances	106
0	Net Balance as at 31 March	(509)

2017/18 £000	<b>Better Care Fund - Pool 2 RCCG</b>	2018/19 £000
(10,853)	Rotherham CCG	(10,791)
(50)	Rotherham MBC	(50)
(10,903)	Total Gross Income	(10,841)
10,717	Revenue Expenditure	10,947
10,717	Total Gross Expenditure	10,947
(186)	Underspend	106
186	Transfer of balances	(106)
0	Net Balance as at 31 March	0

The Council, through Childrens and Young People's Services Youth Offending Team operates a fund, established and maintained by the local authority for expenditure incurred in the provision of Youth Justice Services in Rotherham in order to meet S38 of the Crime and Disorder Act 1998 – Local Provision of Youth Justice Services. Contributions are made from the Police and Crime Commissioner £153K, National Probation Service £5K and RCCG £70K in line with subsection 2 of the Crime and Disorder Act.

The Local Authority, through Children and Young People's Services, maintains expenditure incurred in the provision of Rotherham's Local Safeguarding Children Board. This is a statutory body, established in accordance with the Children's Act 2004 and Working Together to Safeguard Children guidance 2015. Contributions are made from the Local Authority (Revenue Budget), Rotherham CCG, South Yorkshire Police, South Yorkshire Probation and CAF/CASS.

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>	<b>YOS Pooled Budget</b>	<b>£000</b>
(70,260)	Rotherham CCG	(70,260)
(153,000)	South Yorkshire Police & Crime Commissioner	(153,000)
(5,000)	National Probation Service	(5,000)
(219,876)	Rotherham MBC - Revenue	(233,992)
(448,136)	Total Gross Income	(462,252)
0	Capital Expenditure	0
448,136	Revenue Expenditure	462,252
448,136	Total Gross Expenditure	462,252
0	Underspend/Overspend	0
0	Use of balances	0
0	Net Balance as at 31 March	0

<b>2017/18</b>		<b>2018/19</b>
<b>£000</b>	<b>Rotherham Safeguarding Board</b>	<b>£000</b>
(97,315)	Rotherham CCG	(101,682)
(44,475)	South Yorkshire Police & Crime Commissioner	(45,405)
(2,577)	Other Income	(2,527)
(207,082)	Rotherham MBC - Revenue	(179,850)
(351,449)	Total Gross Income	(329,464)
351,449	Revenue Expenditure	329,464
351,449	Total Gross Expenditure	329,464
0	Underspend/Overspend	0
0	Transfer of balances	0
0	Net Balance as at 31 March	0

**Note 13**      **Members' Allowances**

Members' allowances and expenses during the year totalled £924,962 excluding Joint Council allowances (2017/18 £923,981).

In the light of the Professor Jay Report on 26 August 2014 and subsequent Corporate Governance Report, Members' allowances and Cabinet Member appointments have been subject to change whilst Commissioners have performed certain functions and oversaw actions which the Council would normally carry out. Detailed information about Members' Allowances can be obtained from the Strategic Director - Finance and Customer Services, Finance and Customer Services Directorate, Riverside House, Main Street, Rotherham, S60 1AE.

2017/18 £000	Members Allowances	2018/19 £000
723	Basic allowance	723
201	Special responsibility allowances	202
0	Travel	0
924	Total Members' Allowances and Expenses	925
924	Total	925

**Note 14**      **Staff Remuneration**

The Accounts and Audit Regulations 2015 require the disclosure of certain information relating to officers' remunerations. Details of the number of employees who received remuneration of £50,000 or more based on 2018/19 payroll information, expressed in bands of £5,000 is as follows:

2017/18			2018/19	
Officers Total	Teachers Total		Officers Total	Teachers Total
46	17	50000.00 to 54999.99	35	10
18	10	55000.00 to 59999.99	29	8
18	13	60000.00 to 64999.99	19	9
1	8	65000.00 to 69999.99	6	10
3	7	70000.00 to 74999.99	1	6
3	1	75000.00 to 79999.99	3	2
7	1	80000.00 to 84999.99	1	1
3	2	85000.00 to 89999.99	8	0
1	0	90000.00 to 94999.99	1	0
0	0	95000.00 to 99999.99	1	0
0	0	100000.00 to 104999.99	0	0
0	0	105000.00 to 109999.99	0	0
0	0	110000.00 to 114999.99	0	0
0	0	115000.00 to 119999.99	0	0
1	0	120000.00 to 124999.99	0	0

The number of employees whose remuneration was £50,000 or more includes staff who have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Compulsory Redundancy, Phased Retirement and Redeployment). In some cases that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2018/19, the number of such employees was 3 (3 officers and 0 teachers).

The number of officers and teachers whose remuneration fell between £50,000 - £54,999, has decreased year on year by 18 overall, in the main, due to the conversion of Schools to Academies

reducing the Teachers total. Although the number of officers has also decreased, this is predominantly due to officers moving up into the next pay bracket.

The above table excludes senior employees whose remuneration for 2017/18 and 2018/19 are shown in the Senior Officer notes overleaf. Senior Officers include the Chief Executive, the direct reports to the Chief Executive, and any senior officer posts as defined in the CIPFA Code of Practice.

#### Reclassification of Senior Officers note

The Senior Officer note has been reviewed during 2018/19 to ensure that Council discloses the most appropriate officers in order to meet the code requirements. Previously the Council had taken an approach of disclosing all SLT members, however many of these officers roles do not meet the requirement of a 'senior officer', therefore they have been removed from the 2018/19 and 2017/18 tables below. Those officers removed from the tables below, will have these salaries included within the over 50k officers table above, where applicable.

#### Senior Officers 2017/18

Job Title/Employee	Salary 2017/18 £	Additional Payments 2017/18 £	Compensation & Ex-gratia 2017/18 £	Total remuneration excluding employer pension contributions 2017/18 £	Pension employer contribution 2017/18 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive - Refer to Note (i)	161,600.04	0.00	0.00	161,600.04	24,078.41
Assistant Chief Executive - Refer to Note (ii)	98,949.96	0.00	0.00	98,949.96	14,743.54
Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	147,915.00	0.00	0.00	147,915.00	22,039.34
Strategic Director of Regeneration and Environment - Refer to Note (iv)	115,662.96	0.00	0.00	115,662.96	17,233.78
Strategic Director of Adult Care and Housing - Refer to Note (v)	121,200.00	0.00	0.00	121,200.00	18,058.80
Strategic Director of Finance & Customer Services - Refer to Note (vi)	115,662.96	0.00	0.00	115,662.96	17,233.78
Assistant Director of Legal Services - Refer to Note (vii)	84,381.96	0.00	0.00	84,381.96	12,572.91
<b>Total</b>	<b>845,372.88</b>	<b>0.00</b>	<b>0.00</b>	<b>845,372.88</b>	<b>125,960.56</b>

## Senior Officers 2018/19

Job Title/Employee	Salary 2018/19 £	Additional Payments 2018/19 £	Compensation & Ex-gratia 2018/19 £	Total remuneration excluding employer pension contributions 2018/19 £	Pension employer contribution 2018/19 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive - Refer to Note (i)	162,974.53	0.00	0.00	162,974.53	24,283.21
Assistant Chief Executive - Refer to Note (ii)	100,929.00	0.00	0.00	100,929.00	15,038.42
Former Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	17,495.32	0.00	0.00	17,495.32	2,606.80
Interim Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	30,937.31	5,286.82	0.00	36,224.13	4,898.86
New Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	74,453.67	0.00	0.00	74,453.67	11,093.60
Former Strategic Director of Regeneration & Environment - Refer to Note (iv)	74,390.40	0.00	0.00	74,390.40	11,084.17
New Strategic Director of Regeneration & Environment - Refer to Note (iv)	11,614.33	0.00	0.00	11,614.33	1,730.54
Strategic Director of Adult Care and Housing - Refer to Note (v)	127,765.31	0.00	0.00	127,765.31	19,037.03
Strategic Director of Finance & Customer Services - Refer to Note (vi)	117,975.96	0.00	0.00	117,975.96	17,578.42
Assistant Director of Legal Services - Refer to Note (vii)	86,070.00	0.00	0.00	86,070.00	12,824.43
<b>Total</b>	<b>804,605.83</b>	<b>5,286.82</b>	<b>0.00</b>	<b>809,892.65</b>	<b>120,175.47</b>

The disclosure for Senior Officers Remuneration includes Senior Officers who are a Member of the Senior Leadership Team and in Statutory and Non-Statutory Chief Officers roles and any other officer whose salary details are required to be disclosed by the Accounts and Audit Regulations 2015, including any other employees whose salary exceeds £150,000. The table also includes the Assistant Director of Legal Services as the post holder is also the Monitoring Officer.

## Notes:

- (i) Sharon Kemp commenced her employment as the Chief Executive on 18 January 2016.
- (ii) The Assistant Chief Executive commenced their employment on 1 March 2016.
- (iii) The previous post holder of Strategic Director of Children and Young People's Services left the authority on the 13th May 2018, with the post being covered via an interim arrangement until a full recruitment process could be completed. In order to ensure a successful transition period there was overlap between the former post holder, and new post holder with the interim arrangement. The new post holder was appointed with effect from 24th September 2018.
- (iv) The previous post holder of Strategic Director of Regeneration and Environment left the authority on the 17<sup>th</sup> November 2018, with the post being covered on an interim arrangement until a full recruitment process could be completed. The new post holder was appointed with effect from 28<sup>th</sup> February 2019.
- (v) The Strategic Director of Adult Care and Housing commenced their employment on 8 August 2016.
- (vi) The Strategic Director of Finance and Customer Services commenced their employment on the 1 April 2016.



- (vii) The Director of Legal Services commenced their employment on 7 March 2016.
- (viii) The LGPS Employer Pension contributions disclosed in 2017/18 and 2018/19 are based on the common rate of contribution set by the Actuary of 14.9 percent. Also contained in the disclosure is the Director of Public Health Employer Pension contributions that are based on the common rate of contribution set by the NHS Actuary of 14.38 percent (including a 0.08 per cent administration levy)

Senior Officer salary costs for 2018/19 have not materially increased or decreased compared to 2017/18.

### Commissioners

A team 5 of Commissioners was originally appointed by the Secretary of State for Communities and Local Government on 26 February 2015 to take over responsibility for discharging the Executive and Licensing functions of the Council. Following the appointment of a substantive Chief Executive, the number of Commissioners reduced to 4 in May 2016/17. These 4 Commissioners remained in post throughout 2016/17, until 31 March 2017 when Sir Derek Myers left the Council following the return of additional powers to the Council.

The team comprised:

Dame Mary Ney (Lead Commissioner)

Patricia Bradwell (Children's Social Care Commissioner)

Julie Kenny CBE (Supporting Commissioner)

The Commissioners were nominated for the period beginning on 26 February 2015 through to the Council's return of powers. Commissioners were withdrawn in September 2018, with the formal end to Government intervention on 31 March 2019.

The fees payable by the Council to the Commissioners for discharging their duties were determined by the Secretary of State for Communities and Local Government. The agreed fees were £800 a day for the Lead Commissioner and £700 a day for other Commissioners.

The Commissioners were paid fees of £19,900 (2017/18 £73,200) for services rendered for the period 1 April 2018 to 31 March 2019. Business expenses of £1,195.52 (2017/18 £5,043.91) were incurred by the Commissioners over the same period in carrying out these services. Employer's national insurance contributions on these fees and expenses are being paid by the Council.

### (xi) Further disclosure for exit packages

In order to bring about a structured approach to reducing staff numbers to achieve necessary budget savings, the Council has continued to operate a voluntary severance scheme during 2018/19. The table below shows the cost to the Authority of staff who have left under the voluntary scheme, together with other departures and those who have been made compulsorily redundant. These costs include, where appropriate, the full pension strain cost arising from early retirement, for which the Council is required to make an additional payment to the Pensions Authority. Since 2016/17 the Council has met this additional cost in full in the financial year that the employee's departure is accounted for. Prior to this, the Council with the agreement of SYPA, spread the cost over 3 financial years and arising from this agreement, residual payments of £0.193m were made in 2018/19

The costs tabulated below are comprised of actual severance payments made during the year less accrued severance payments in respect of individuals who left or were approved to leave during 2017/18 but who were paid in 2018/19 and those staff whose severance was approved and agreed and to which the Council was committed at 31 March 2019 but who are planned to leave in 2019/20.

In 2018/19 no provision was made in respect of severance costs associated with the major restructuring of services (in 2017/18 no provision was made)

These charges are reflected in the total cost of termination benefits shown in Note (xiv) below.

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
Non Schools								
£0 - £20,000	11	8	52	48	63	56	373	284
£20,001 - £40,000	2	6	4	5	6	11	181	316
£40,001 - £60,000	1	0	0	0	1	0	55	0
£60,001 - £80,000	2	0	0	1	2	1	137	71
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	2	0	1	0	3	0	376	0
£150,001 - £200,000	0	0	1	0	1	0	157	0
Total	18	14	58	54	76	68	1279	671

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
Schools								
£0 - £20,000	8	11	26	19	34	30	253	187
£20,001 - £40,000	0	0	0	1	0	1	0	27
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
Total	8	11	26	20	34	31	253	214

N.B. The above figures include 5 settlement agreements entered into to terminate the employment relationship with the School/Council.

(xiv) Termination Benefits

As part of the rationalisation of Council services during 2018/19 99 employees (2017/18, 112) from across the Council, including schools, have been given approval to leave the Council with an exit package (including, Compulsory Redundancies, Voluntary Early Retirement, and Voluntary Redundancy etc.).

The liabilities incurred as a result of the early termination of employees both in schools and non-schools in 2018/19 totalled £0.885m (2017/18 £1.532m) - composed of severance payments of £0.713m (2017/18 £0.881m) and £0.172m in pensions strain costs (2017/18 £0.651m).

**Note 15**      **External Audit Fees**

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2017/18 £000		2018/19 £000
141	Fees payable for external audit services carried out by the appointed auditor	108
22	Fees payable for the certification of grant claims and returns.	25
17	Non-audit services	0
180	Total	133

The amount due to the current external auditor for 2018/19 is £0.130m

**Note 16**      **Dedicated Schools Grant**

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 and the comparative year are as follows:

2017/18				2018/19		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		223,020 (123,142)	Final DSG before Academy recoupment Less Academy figure recouped			235,646 (143,418)
		99,878 (5,213)	Total DSG after Academy recoupment Brought forward from previous year			92,228 (9,687)
18,351	76,314	94,665	Agreed initial Budgeted Distribution	13,045	69,496	82,541
0	(213)	(213)	In Year Adjustments	0	310	310
18,351	76,101	94,452	Final Budgeted Distribution	13,045	69,806	82,851
(28,799)	0	(28,799)	Less actual Central expenditure	(28,484)	0	(28,484)
0	(75,340)	(75,340)	Less actual ISB deployed to schools	0	(69,481)	(69,481)
(10,448)	761	(9,687)	Carry forward to next year	(15,439)	325	(15,114)

During recent years Rotherham has faced growing pressure on the High Needs Budget which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1.004m; in 2016/17 it was £4.632m in 2017/18 it was £5.098m and in 2018/19 it was £5.097m which has contributed to a net deficit in the DSG Central Reserve of £15.1m.

The over spend is as a result of a number of factors; an increase in Education Health and Care Plans, increase in the number of post 16 young people with an EHCP who are now the responsibility of the LA to fund, potentially up until age 25 and an increase in the number of young people accessing higher cost provision.

The Department for Education (DfE) announced in July 2018 that from 2019-20 local authorities would be required to submit a recovery plan to the Department if they have a cumulative deficit of 1% or more of their Dedicated Schools Grant (DSG). The 1% calculation will be based on the latest published total DSG allocations for 2018-19, gross of recoupment, as at the end of the 2018-19 financial year. The plan should explain in detail how the local authority intends to bring their DSG account back into balance.

In most instances the DfE expect local authorities to remove the deficit within 3 years and in those cases where this is not possible to operate within the annual DSG allocation within 3 years. Due to the size of the deficit Rotherham's recovery plan in the short term is to reduce the current in year deficit and have a High Needs Block which is financially sustainable within the annual allocation.

Following consultation with School Forum Rotherham has now submitted the DSG Deficit Recovery plan to the DfE. The DSG deficit recovery plan is predominantly linked to resolving the budget pressures in the High Needs Block which had a £5.1m overspend in 2018/19. As part of the short term strategy to address the annual pressures a disapplication request was submitted to the Secretary of State to transfer £2.8m from the Schools Block to the High Needs Block in 2019/20. This request was approved.

An Social and Emotional Mental Health Strategy for Rotherham (to deliver 125 places) is currently being implemented and will set out a number of partnership activities to address the needs of children with SEMH effectively and reduce demand for higher tier services, including alternative provision.

A Special Educational Needs Sufficiency Strategy has been completed and was presented to Cabinet in May 2019. The Sufficiency strategy aims to increase the number of schools places in Rotherham for children with SEND thus reducing high cost out of area spending. Other aspects of the sufficiency strategy will concentrate on supporting mainstream schools and academies to become increasingly inclusive and thus reduce pressures on special school places.

Additional actions to control expenditure include:

- Utilise all existing placements in the borough
- Review Inclusion Services offer and staffing to better meet the strategic priorities around sufficiency and inclusion.
- Review Top Up arrangements
- Final approval through the AD Commissioning and Performance for all additional funding requests
- Strengthen parent and carer knowledge the offer from available and suitable Rotherham provision in the early stages of the Education, Health and Care Plan process to minimise out of authority parental preference.
- To continue to work with schools to maintain pupils in mainstream settings wherever possible.

## Note 17      Related Party Transactions

A person or close family member is a related party of the Council if they have the potential to control or significantly influence the Council's operating or financial decisions or are key management personnel. Close family member is more narrowly defined as a child, spouse or domestic partner, and children and dependants of spouses or domestic partners.

Another body is a related party of the Council if it is a subsidiary, associate or joint venture of the Council or otherwise related, or has the ability to control or significantly influence the Council's operating or financial decisions.

The potential to control or significantly influence may come about due to member or management representation on other organisations, central government influence, relationships with other public bodies or assisted organisations to whom financial assistance is provided on terms which enable the Council to direct how the other party's financial and operating policies should be administered and applied. The fact that a voluntary organisation might be economically dependent on the Council does not in itself create a related party relationship.

Disclosure of related party transactions is made when material to either party to the extent that they are not disclosed elsewhere in the accounts.

### Joint Ventures and Associates

#### (i)      BDR Property Limited (formerly Arpley Gas Limited)

With effect from 16 March 2008 Arpley Gas Ltd became BDR Property Ltd, a company set up under the Environment Protection Act 1990 by Rotherham, Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd. Waste Recycling Group was subsequently acquired by the FCC group in January 2014 with the company's immediate parent being FCC Environment (UK) Limited.

The company was set up for the purpose of carrying out waste disposal work and civic amenity site management. Its principal activity is management of the Thurcroft landfill site. It operates under a management agency agreement with FCC Recycling (UK) Limited.

The share capital of the company is as follows:

Authorised and fully paid up Share Capital	£1.850 million
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### Council's Shareholding:

- a) For voting purposes – the Company's shares are divided into 'A' shares and 'B' Shares. The 1,998 'A' shares comprise 20% of the total voting shares. One third of these 'A' shares are held by the Council (666 shares costing £6.66). Barnsley and Doncaster Metropolitan Borough Councils have similar share holdings, so that collectively the Councils hold 20% of the total voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.
- c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total. These shares are ranked after the other 3 classes of shares (A, B and C) and payment will only be made should funds remain available for distribution after meeting the entitlements of the other groups of shareholders. No voting rights are attached to these shares.

At the time of publication of this Statement, accounts for the company for the year ending 31 December 2017 were available and the details are as follows:

31 Dec 16 £000		31 Dec 17 £000
131	Turnover	139
67	Profit / (Loss) before taxation	(2,950)
67	Profit / (Loss) after taxation	(2,950)
4,686	Net Assets	1,736

A significant impairment of assets has been recognised within BDR Ltd's accounts (£2.8m), reflecting the earlier than expected closure of the Group's landfill assets as a result of the significant and sustained decline in the quantity and quality of active waste landfilled in the UK and the move towards recycling and recovery. It is not anticipated at this point that this movement will have a significant impact on the Council's share holdings.

(ii) Groundwork Creswell, Ashfield and Mansfield Trust

Groundwork Creswell, Ashfield and Mansfield Trust is a charity and a company limited by guarantee. The members of the company, whose liability is limited to £1, are Amber Valley Borough Council, Ashfield District Council, Bolsover District Council, Derbyshire County Council, Mansfield District Council, Newark and Sherwood District Council, North East Derbyshire District Council, Nottinghamshire County Council, West Lindsay District Council, the Federation of Groundwork Trusts, and Rotherham Metropolitan Borough Council.

The company's principal activities are the promotion of conservation, protection and improvement of the physical and natural environment, to provide facilities in the interests of social welfare and to advance public education.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2018 were available and the details are as follow:

31 Mar 17 £000		31 Mar 18 £000
1,408	Turnover	1,183
(347)	(Deficit) for the year	(504)
946	Net Assets	442

Rotherham Metropolitan Borough Council's made no contribution to the company during 2018/19 (2017/18 nil).

During the financial year ended 31 March 2019, Creswell Groundwork Trust provided no services to the Council (2017/18 nil) and incurred no charges from the Council (2017/18 nil).

A copy of the accounts of the company may be obtained from Mr TM Witts, Worksop Turbine Innovation Centre Shireoaks Triangle Business Park, Worksop S81 8AP.

(iii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to advance education of science and technology, provide facilities for recreational and other leisure time occupation for the public at large in the interests of social welfare, and, to preserve buildings of historical importance to British industry.

At the time of publication of this Statement, accounts for the company for the year ending 29 March 2018 were available and the details are as follows:

29 Mar 17 £000		29 Mar 18 £000
1,773	Turnover	1,827
(996)	(Deficit) for the year	(1,074)
10,256	Net Assets	9,181

During the financial year ended 31 March 2019, the company provided services to the Council to the value of £40,706.50 (2017/18 £61,375.54). Magna incurred charges from the Council of £312 (2017/18 £256).

A loan for £300,000 was issued to the Magna Trust in 2006/07 and of this £190,000 was still outstanding as at 31 March 2019. The Council issued to Magna a short term loan of £250,000 during 2014/15. This was outstanding as at the 31 March 2019. The Council are currently in discussions with Magna regarding a repayment plan for the outstanding balances.

A copy of the accounts can be obtained from Mr J Smith, Magna, Sheffield Road, Templeborough, Rotherham, S60 1DX.

**Other**

The following table discloses material transactions between the Council and other related parties.

2017/18			2018/19
£	Related Parties	Nature of Transactions	£
	<b>Assisted Organisations:</b>		
36,156	Dinnington Resource Centre	Fees	27,555
50,417	Full Life Christian Centre	Grants	53,869
6,333	Get Sorted Academy of Music	Fees	-
53,838	Rotherham Advocacy Partnerships	Grants and fees	64,188
91,203	Rotherham Ethnic Minority Alliance Ltd	Grants and fees	159,540
6,741	Tassabee Project	Grants and fees	415
7,285	United Multicultural Centre Ltd	Grants and Fees	4,071
9,860	Rotherham and Barnsley Mind	Fees	240
293,924	Voluntary Action Rotherham	Grants and Fees	309,286
162,530	Speak Up	Commissioned Services	88,230
174,150	Healthwatch Rotherham	Commissioned Services and fees	157,428
140,000	Rotherham Sight and Sound	Commissioned Services	147,556
	<b>Member Related:</b>		
293,119	Rotherham RISE	Fees	97,167
15,243	Swinton Lock Activity Centre	Grants and Fees	2,101
14,778	Turner Hire & Sales Ltd	Fees and Charges	16,719
	<b>Officer Related:</b>		
161,334	Wickersley Parish Council	Fees and Precept	159,596
54,693	The Source (Meadowhall Education Centre)	Fees	62,334
0	Gallery Town		-
	<b>Commissioner Related:</b>		
60,314	Maltby Learning Trust	Grants and fees	51,730
92,767	Providence Maintenance and Electrical Services Ltd	Fees	86,779
	<b>Other Related Organisations:</b>		
10,905,000	Sheffield City Region Combined Authority	Transport Levy	10,545,330
309,460	Sheffield City Region Combined Authority	Contribution	1,103,873

The following organisations have been removed from the table above as they are no longer considered to be related parties, Grow, Kiveton Park Independent Advice and Morthyng Group Ltd.

**Note 18 Pensions**

The Council participates in three separate pension schemes relating to: Teachers, Local Government employees and staff performing Public Health Functions who transferred to the Council on 1 April 2013. All three schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

**(a) Teachers**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pension Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Scheme benefits are underwritten by the Government. Since April 2015 the Teacher's Pension Scheme has been a career average scheme rather than a final salary scheme with a normal retirement age the same as that for the state pension.

Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities (LEAs). However it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own



employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

During 2018/19 the Council paid employer's contributions calculated at 16.48%, amounting in total to £4.329m (2017/18 £5.336m). The total value of contributions has reduced due to a number of schools converting to academies during 2018/19. Following a valuation by the Government Actuary's Department (GAD) the employer's contribution rate for the Teachers' Pension Scheme will increase from 16.48% to 23.68% from September 2019 and the total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2020 is £4.218m.

(b) Public Health Staff

Under the provisions of the Health and Social Care Act 2012, Public Health functions and the staff performing these duties were transferred from the National Health Service to Local Authorities on 1 April 2013. The majority of staff transferring have the eligibility to continue membership of the National Health Service Pension Scheme (NHSPS).

The NHSPS is an unfunded scheme operated on a "pay as you go" basis which provides defined benefits to its members. The NHS Business service (NHSBS) which administers the scheme uses a notional fund as a basis for calculating the employer's contribution rate paid by Local Authorities. However, it is not possible for the Council to identify its share of the underlying assets and liabilities relating to the scheme and it is therefore accounted for as if it were a defined contribution scheme with the amount charged to revenue being the employer contributions payable in the year. Employee contributions in 2018/19 are tiered from 5% to 14.5% based on salary.

During 2018/19 the Council paid employer's contributions calculated at 14.38% (including 0.08% in respect of administration costs) amounting in total to £0.061m (£0.086m 2017/18).

A new NHS Pension Scheme came into effect in April 2015, the main features of the new scheme are that it is a career average scheme rather than a final salary scheme and the normal retirement age is now the same as that for the State Pension.

The 0.08% levy for the administration of the NHS Pension scheme was introduced in March 2017 by the Department of Health. At 14.38% the total contributions expected to be made to the new NHS Pension Scheme by the Council in the year to 31 March 2020 is £0.051m.

(c) Other Local Government Employees

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through its participation in the Local Government Pension Scheme, administered by the South Yorkshire Pensions Authority. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Council is able to identify a share of the underlying liabilities in the scheme attributable to its own employees and accordingly accounts for post-employment benefits as a defined benefit scheme in accordance with the requirements of IAS19. Consequently, the Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the IAS 19 cost of retirement benefits is reversed out through the Movement in Reserves Statement and replaced by the actual contributions payable in the year. The IAS 19 figures provided by the actuary in respect of 2018/19 make allowance for the reduction in liabilities falling on the Council as a result of schools acquiring academy status during the year which are shown as gains / losses on settlements.

During the year the Council paid employer's superannuation contributions calculated at 14.9% amounting to £16.621m (2017/18 £16.529m at 14.9%). In 2017/18 the Council made a prepayment of £21.802m in relation to past service deficit for the 3 years 2017/18, 2018/19 and 2019/20 of which £7.331m relates to 2018/19.

Total ongoing contributions of £16.621m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2020 based on an ongoing service contribution rate of 14.9%.

The contribution rates take account of changes to the Local Government Pensions Scheme which came into effect from April 2014. The main changes were the introduction of a career average scheme rather than a final salary scheme and a "50:50 Scheme Option" whereby members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution for a period of up to 3 years.

They also reflect the most recent triennial actuarial valuation in March 2016 which the South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned from the actuary, Mercer Human Resource Consulting Ltd. This showed an improvement in the fund's position with the Council's share of the Fund deficit on the scheme reducing from £181 million at the previous actuarial valuation in 2013 to £129 million in March 2016 (with the funding level improving from 82% to 88% of scheme liabilities). The next triennial valuation will reflect the fund position as at 31<sup>st</sup> March 2019

The funding plan, in accordance with the Funding Strategy Statement (FSS), is to make good the shortfall and achieve a funding level of 100% by 31 March 2036. In order to make good the funding deficit the Council has made and will continue to make contributions towards recovering Rotherham's share of the deficit on the pensions fund. The deficit recovery contribution in 2018/19 was £7.3m which was included in the lump sum prepayment of £21.8m paid April 2017 and covered the 3 financial years 2017/18 to 2019/20.

The funding level of the Pensions Fund is subject to a range of potentially material risks. The impact of small changes to key assumptions (inflation, pay awards, life expectancy, discounting of future pension liabilities) is set out in the sensitivity analysis later in this note. In assessing the potential level of liabilities the funds actuary has estimated the weighted average maturity profile of the defined benefit obligation to be 19 years.

The Pensions Authority invests the funds held by the scheme with the aim of achieving a return on these funds to pay the benefits due. If actual investment returns do not in future match the assumptions then the value of the assets will be lower and a funding shortfall could arise. To address this, South Yorkshire Pensions Authority has processes in place to monitor investment performance and the actuaries produce an annual review of the fund's performance including a comparison to other local Council funds. The Pension Fund's investment strategy is reviewed alongside each triennial valuation.

In the event that an employer is unable to pay contributions or make good deficits, the Pension Authority's focus is to ensure as far as possible that any liability can be recovered should an employer exit the Pension Fund. Where a Council acts as guarantor for an employer that defaults, the Council is responsible for meeting the liability, otherwise it falls on all employers in the Fund in relation to their size. The Council does not act as guarantor for other employers. Council contractors with access to the LGPS are required to have bonds in place (which are subject to regular review) to cover unpaid liabilities should their business fail before the end of their contract with the Council. In addition, contractors' contributions are subject to smoothing arrangements which are intended to ensure that they are fully funded by the end of the contract period.

An exception to this is regulation 64 of the Local Government Pensions Regulations which require, in some circumstances, that the Council makes Exit Payments in respect of employers leaving the Fund.

The decision of the Court of Appeal on June 26<sup>th</sup> 2019 in the Sargant/McCloud cases (generally referred to for the Local Government Pensions Scheme - LGPS - as "McCloud") ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended in the past constituted unlawful age discrimination.

Although the Court of Appeal's decision was made after the Council had published its Draft 2018/19 Annual Accounts and it is at present uncertain what the full implications of the ruling will be for the LGPS, either as a whole or for individual authorities, it is nevertheless considered that the judgement will be an issue for the LGPS and that the remedy found will be to provide "final salary underpins" for younger members in the same way as they have been provided for members within 10 years of retirement. On this basis, the Government Actuaries' Department (GAD) has undertaken some costings of the potential effect of McCloud on the LGPS as a whole, which were set out in a paper released in June 2019.

In order to reflect the implications of the judgment and to promote a consistency of approach across the sector, the Council's Actuary - Mercers - has re-run the IAS 19 report used in the draft accounts

revising the pensions liabilities incorporated within the 2018/19 Accounts on the basis of the GAD report. As with the other South Yorkshire Authorities, the Council's draft accounts for 2018/19 have therefore been revised to reflect the actuary's estimate of the costs of correcting the discrimination that has been ruled unlawful that will fall on the Council.

Further information in relation to the Local Government Superannuation Scheme can be found in the South Yorkshire Pension Fund Annual Report which is available upon request from the Superannuation Manager, South Yorkshire Joint Secretariat, Regent Street, Barnsley.

### Transactions relating to Post-employment Benefits

The amounts included in the Comprehensive Income and Expenditure statement in relation to post retirement benefit costs under IAS 19 are shown in the table below. It also shows the adjustment made through the Movement in Reserves Statement to bring the amount charged to the General Fund back to the employer contributions payable to the LGPS during the year.

Total Funded & Unfunded Local Government Pension Scheme 2017/18 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2017/18 £000		Total Funded & Unfunded Local Government Pension Scheme 2018/19 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2018/19 £000
(36,008)	0	Net Cost of Services	(34,777)	0
(944)	0	- Current Service Cost	(15,656)	0
9,185	0	- Past Service	6,144	0
(11,004)	(572)	- Gain / (loss) from settlements Financing and Investment Income and Expenditure - Net Interest Expense	(9,797)	(568)
(38,771)	(572)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(54,086)	(568)
0	0	Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	0	0
15,285	0	Remeasurement of the net defined benefit liability comprising:	33,674	0
0	0	- Experience gain / (loss) on liabilities	0	0
78,327	242	- Return on plan assets (excluding the amount included in the net interest expense)	(85,729)	(753)
		- Actuarial gains and (losses) arising on changes in demographic assumptions		
		- Actuarial gains and (losses) arising on changes to financial assumptions		
93,612	242	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(52,055)	(753)
12,983	(749)	Movement in Reserves Statement	28,680	(751)
		- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code		
(25,788)	0	Actual amount charged against General Fund:	(25,406)	0
0	(1,321)	Balance for pensions in year:	0	(1,319)
		- Employer's contributions payable to Scheme		
		- Rechargeable Pensions		

The unfunded liabilities represent Compensatory Added Years' benefits which are not a liability of the LGPS and are therefore recharged to the employer. They have been included in the liabilities figure for the purpose of IAS 19 calculations, as unfunded discretionary benefits arrangements.

Net interest expense above includes £0.446m administrative expenses in relation to investments during 2018/19 (2017/18 £0.443m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial loss of £52.055m (£93.612m gain in 2017/18), has been included in Other Comprehensive Income and Expenditure in the CIES.

### Pension Assets and Liabilities recognised on the Balance Sheet

The amount included in the balance sheet from the Council's obligation in respect of its defined benefit plans is as follows:

	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 18 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 19 £000
Fair Value of Scheme Assets	1,151,589	1,194,074
Present value of Funded Liabilities	(1,500,630)	(1,631,179)
Net (under) funding in Funded Plans	(349,041)	(437,105)
Present Value of Unfunded Discretionary Liabilities	(22,513)	(22,515)
Per Mercers Report	(371,554)	(459,620)
<u>Amount in the Balance sheet:</u>		
Liabilities - funded and unfunded	(1,523,143)	(1,653,694)
Assets - funded and unfunded	1,151,589	1,194,074
Add back Employer Contributions Prepayment for 2018/19 & 2019/20	(14,531)	(7,200)
Pensions Reserve	(386,085)	(466,820)
Pensions Liability	(371,554)	(459,620)

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

Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2017/18	2017/18		2018/19	2018/19
£000	£000		£000	£000
1,103,208	0	Fair Value of Plan Assets at beginning of period	1,151,589	0
28,123	0	Interest on plan assets	29,679	0
		Remeasurement gain / (loss):		
15,285	0	- The return on plan assets, excluding the amount included in interest expense	33,674	0
(443)	0	- Administrative expenses	(446)	0
(3,525)	0	- Settlements	(3,981)	0
25,788	1,321	- Employer contributions	18,075	1,319
14,531	0	- Prepayment Employer Contributions for 2018/19 & 19/20	0	0
7,120	0	- Member contributions	7,132	0
(38,498)	(1,321)	- Benefits/transfers paid	(41,648)	(1,319)
1,151,589	0	Fair Value of Scheme Assets at end of period	1,194,074	0

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

Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2017/18	2017/18		2018/19	2018/19
£000	£000		£000	£000
(1,569,922)	(23,504)	Benefit Obligation at beginning of period	(1,523,143)	(22,513)
(36,008)	0	Current Service Cost	(34,777)	0
(38,684)	(572)	Interest Cost	(39,030)	(568)
(7,120)	0	Member Contributions	(7,132)	0
		Remeasurement gains and (losses):		
0	0	- Experience gain / (loss)	0	0
0	0	- Actuarial Gain / (loss) arising from changes in demographic assumptions	0	0
78,327	242	- Actuarial Gain / (loss) arising from changes in financial assumptions	(85,729)	(753)
0	0	- Past Service Cost	0	0
(944)	0	- (Loss) / gain on Curtailments	(15,656)	0
12,710	0	- Liabilities extinguished on Settlements	10,125	0
38,498	1,321	- Benefits/Transfers paid	41,648	1,319
(1,523,143)	(22,513)	Benefit Obligation at end of period	(1,653,694)	(22,515)

## Analysis of the Fair Value of Plan Assets:

		Total Funded & Unfunded Local Government Pension Scheme 31 Mar 18 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 19 £000
	Quoted (Y/N)		
Cash & cash equivalents:		55,737	39,524
Equity Investments:			
- UK quoted	Y	171,242	170,274
- Overseas quoted	Y	472,151	436,912
Bonds:			
- UK Government fixed	Y	0	0
- UK Government indexed	Y	130,590	154,871
- Overseas Government fixed	Y	29,711	32,479
- Overseas other	Y	30,517	31,643
- UK other	Y	54,470	57,077
Property:			
- UK direct	Y	91,321	104,362
-Property Funds	Y	13,934	11,105
Alternatives:			
- Pooled Investment Vehicles	N	101,916	155,827
		1,151,589	1,194,074

The above asset values are at bid value as required by IAS19.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis discounted to present value terms using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. The Council Fund liabilities have been assessed by Mercer Human Resources Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2018.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2017/18	Discretionary Benefits 2017/18		Local Government Pension Scheme 2018/19	Discretionary Benefits 2018/19
23 years	23 years	Mortality assumptions:		
25.8 years	25.8 years	Longevity at 65 for current pensioners:		
		Men	23.1 years	23.1 years
		Women	25.9 years	25.9 years
25.2 years	25.2 years	Longevity at 65 for future pensioners:		
28.1 years	28.1 years	Men (in 20 years time)	25.3 years	25.3 years
		Women (in 20 years time)	28.3 years	28.3 years
2.1%	2.1%	Rate of CPI inflation	2.2%	2.2%
3.35%	-	Rate of increase in salaries	3.45%	-
2.2%	2.2%	Rate of increase in pensions	2.3%	2.3%
2.6%	2.6%	Rate for discounting scheme liabilities	2.4%	2.4%

Assets in the South Yorkshire Pension Fund are valued at fair value, which in line with the requirement of the Code is principally realisable or bid value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

## Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are longevity, rate of inflation, expected salary increase and discount rate. The sensitivity analysis below indicates the effect on the defined benefit obligation of changes to these assumptions.

- If there were to be one year increase in the life expectancy for both men and women, the defined benefit obligation would increase by £32m if all other assumptions were held constant.
- If the rate of inflation were to be 0.1% higher, the defined benefit obligation would increase by £29.9m if all other assumptions were held constant.
- If the expected salary growth were to be 0.1% higher, the defined benefit obligation would increase by £4m if all other assumptions were held constant.
- If the discount rate used to discount future pension liabilities were to be 0.1% higher, the defined benefit obligation would decrease by £29.4m if all other assumptions were held constant.

In reality interrelationships exist between some of these assumptions, especially between discount rate and expected salary increases that both depend to a certain extent on expected inflation rates. The analysis above does not take account of any interdependence between the assumptions.

**Note 19**      **Property, Plant and Equipment**

2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 Apr 17	659,951	325,841	56,731	185,932	8,212	17,361	20,695	1,274,723
Additions	18,880	4,436	2,961	9,467	183	9,643	366	45,937
Accumulated Depreciation and Impairment written out to gross cost/valuation	(33,566)	(8,982)	0	0	0	0	(1,500)	(44,048)
Revaluation increases/decreases to Revaluation Reserve	7,074	30,312	0	0	0	0	679	38,066
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	1,060	7,294	0	0	0	0	(136)	8,217
Derecognition - Disposals	(6,751)	(44,004)	(3,261)	0	0	0	(865)	(54,880)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	(10)	0	0	0	0	0	49	39
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other Movements in cost valuation as restated	1,174	279	2,062	4,898	2	(9,097)	(136)	(818)
At 31 Mar 18	647,811	315,178	58,494	200,297	8,397	17,907	19,153	1,267,235
Depreciation and Impairment								
At 1 Apr 17	(32,289)	(38,311)	(35,704)	(42,365)	(7,277)	0	(2,978)	(158,924)
Accumulated Depreciation and Impairment written out to gross cost/valuation	33,566	8,982	0	0	0	0	1,500	44,048
Depreciation Charge	(16,803)	(8,727)	(4,357)	(4,333)	(3)	0	(5)	(34,229)
Impairment losses/reversals to Revaluation Reserve	(3,170)	(1,389)	0	0	0	0	(7)	(4,564)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(11,154)	(1,102)	(1,109)	(791)	(185)	(6)	(344)	(14,692)
Derecognition - Disposals	124	2,090	1,458	0	0	0	6	3,678
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment - as restated	(9)	9	0	0	0	0	0	0
At 31 Mar 18	(29,733)	(38,447)	(39,713)	(47,488)	(7,465)	(6)	(1,829)	(164,683)
Net Book Value								
At 31 Mar 18	618,078	276,731	18,781	152,809	932	17,900	17,324	1,102,552
At 31 Mar 17	627,662	287,530	21,027	143,567	935	17,361	17,717	1,115,799



2018/19	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 Apr 18	647,811	315,178	58,494	200,297	8,397	17,907	19,153	1,267,236
Additions	21,773	3,085	10,294	12,351	128	34,237	395	82,265
Accumulated Depreciation and Impairment written out to gross cost/valuation	(47,653)	(23,926)	(6)	0	0	0	(358)	(71,943)
Revaluation increases/decreases to Revaluation Reserve	24,249	14,305	0	0	0	0	(2,220)	36,333
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,036)	5,635	(9)	0	0	0	(680)	(90)
Derecognition - Disposals	(5,308)	(21,645)	(1,807)	0	0	0	(547)	(29,308)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	(10)	0	0	0	0	0	49	39
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other Movements in cost valuation	2,847	(1,161)	801	2,570	18	(5,529)	203	(251)
At 31 Mar 19	638,672	291,473	67,768	215,219	8,543	46,614	15,994	1,284,282
Depreciation and Impairment								
At 1 Apr 18	(29,733)	(38,447)	(39,713)	(47,488)	(7,465)	(6)	(1,829)	(164,682)
Accumulated Depreciation and Impairment written out to gross cost/valuation	47,653	23,926	6	0	0	0	358	71,943
Depreciation Charge	(17,962)	(8,572)	(3,747)	(4,694)	(3)	0	(1)	(34,978)
Impairment losses/reversals to Revaluation Reserve	0	(3,861)	0	0	0	0	0	(3,861)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(1,361)	(75)	(38)	(5)	(53)	(6)	(1,538)
Derecognition - Disposals	86	3,295	1,284	0	0	0	0	4,665
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	(49)	(7)	57	0	0	0	(1)	(0)
At 31 Mar 19	(2)	(25,027)	(42,189)	(52,220)	(7,472)	(59)	(1,480)	(128,452)
Net Book Value								
At 31 Mar 19	638,670	266,446	25,579	162,999	1,071	46,555	14,513	1,155,830
At 31 Mar 18	618,078	276,731	18,781	152,809	932	17,900	17,324	1,102,552

(a) Carrying Value of PFI Assets

Included within Property, Plant and Equipment are PFI assets with the following carrying value:

2017/18 £000		2018/19 £000
	Cost or Valuation:	
71,324	At 1 April	57,594
(649)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(2,969)
284	Additions	573
9,676	Revaluation Increases / (Decreases) taken to Revaluation Reserve	995
546	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	4,979
(23,587)	Derecognition - Disposals	0
57,594	Cost or Valuation at 31 March	61,172
	Depreciation & Impairment:	
5,471	At 1 April	5,235
(650)	Adjustments between cost / value & depreciation/impairment	(2,970)
1,826	Depreciation Charge	1,885
0	Depreciation written out on Revaluation Reserve	0
0	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	0
87	Impairment Losses Recognised in the Revaluation Reserve	209
184	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	350
(1,683)	Derecognitions - Disposals	0
5,235	Depreciation and impairment at 31 March	4,709
52,359	Net Book Value At 31 March	56,463

2017/18 £000		2018/19 £000
49,834	Land and buildings	54,142
2,525	Vehicles, Plant, Furniture and Equipment	2,321
0	Assets under Construction	0
52,359	Total	56,463

b) Effects of change in estimates

There were no material changes in accounting estimates during the financial year.

c) Valuations

Capital assets are revalued on the basis of a five year rolling programme in accordance with RICS Guidance, and in the case of council dwellings in accordance with revised guidance on housing stock valuations. In 2018/19 the HRA assets were revalued by Jonathan R Marriott BSc(Hons), MRICS (registered valuer), Principal Estates Surveyor, and General Fund assets by Damien Johnson BSc (Hons) Pg. Dip, MRICS (registered valuer), acting as Internal Valuers within the Council's Regeneration and Environment Services. The Statement of Accounting Policies provides further information on revaluation and depreciation policies. The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at fair value together with, in the case of the latter, when assets were revalued.

This year the Council's internal valuer was instructed to provide an assessment of those assets not revalued as part of the five year rolling programme, based upon those assets that were revalued.

Where applicable valuation adjustments have then be processed against those assets not revalued in year to ensure the accounts are not materially misstated. In addition a detailed assessment of the movement of asset value in year has taken place, ie from the 1<sup>st</sup> April 2018 to the 31<sup>st</sup> March 2019, again where applicable, adjustments have been processed.

d) Revaluations and Impairment

In 2018/19 a net valuation increase of £17.045m has been recognised in the CIES. Contained within the net figure is a £36.333m revaluation increase and £82.265m of additions. This was offset in part by (£29.308m) of disposals (predominantly Academy Conversions) and the write out of accumulated depreciation and impairment balances following revaluations posted as at the 31<sup>st</sup> March 2019.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	3,255	32,588	67,765	215,221	7,132	1,470	46,615	374,046
<u>Valued at fair value as at:</u>								
31 Mar 19	635,419	192,125	0	0	18	14,524	0	842,086
31 Mar 18	0	8,833	0	0	0	0	0	8,833
31 Mar 17	0	32,242	0	0	2	0	0	32,244
31 Mar 16	0	13,178	0	0	1390	0	0	14,568
31 Mar 15	0	12,503	0	0	0	0	0	12,503
<b>Total Cost or Valuation</b>	<b>638,674</b>	<b>291,470</b>	<b>67,765</b>	<b>215,221</b>	<b>8,542</b>	<b>15,994</b>	<b>46,615</b>	<b>1,284,280</b>

e) Capital commitments

At 31 March 2019 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2018/19. The Council had significant commitments of £1 million or more budgeted to cost £47.314m (£40.505m at 31 March 2018).

	Cost £000
<u>Neighbourhood and Adult Services:</u>	
Refurbishment of Dwellings	15,630
New Build	26,684
<u>Regeneration &amp; Environment</u>	
Highways	5,000
<b>Total</b>	<b>47,314</b>

The projects above are included in the Council's Medium Term Capital Programme and appropriate funding has been committed.

f) Fair Value Hierarchy – Surplus Assets

Following the implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets are revalued at fair value, annually. The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant known data ('observable inputs') and minimising the use of estimates or unknowns ('unobservable inputs').

Details of the Council's Surplus Assets and their fair value hierarchy, taking into account the three levels of categories for inputs to valuations, are as follows:

## 2018/19 Position

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2019
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	14,516	0	14,516
Total	0	14,516	0	14,516

## 2017/18 Comparative figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2018
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	17,236	0	17,236
Total	0	17,236	0	17,236

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

Valuation Techniques used to determine Fair Values for Surplus Assets

The fair value for the surplus assets of £14.516m (£17.326m as at 31 March 2018) has been based on the market approach using current market evidence including recent sale prices and rentals achieved and other relevant information for similar assets within the local authority area. Market conditions are such that similar properties have actively sold or let and the level of observable inputs are significant leading to properties being categorized at level 2 in the fair value hierarchy.

**Note 20**      Investment Property

Income and expenditure from investment property included within Financing and Investment Income and Expenditure (Note 5) was as follows:

2017/18 £000		2018/19 £000
(1,528)	Rental income from investment property	(1,662)
488	Direct operating expenses arising from investment property	503
(1,040)	Net income	(1,159)
2,224	Net gains / (loss) from fair value adjustments	387
(15)	Gain/(loss) on disposal	16
1,169	Total included in Finance & Investment Income	(756)

The following table summarised the movement in fair value of investment properties over the year:

2017/18 £000		2018/19 £000
29,970	Balance at 1 April	27,827
107	Subsequent expenditure	2
(25)	Disposals	(448)
(2,224)	Net gains / (loss) from fair value adjustments	192
0	Net gain / (loss) through Revaluation Reserve	0
0	Transfers from Property, Plant & Equipment	0
27,827	Balance 31 March	27,573

There are no restrictions on the Council's ability to realise the value inherent in its investment property or the Council's right to the remittance of income and the proceeds of disposal.

The Council has no major contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

#### Fair Value Hierarchy

To conform with the requirements of IFRS 13, Fair Value measurement, the Council's investment properties have been revalued to fair value. The Council uses appropriate valuation techniques maximising the use of 'observable inputs' and minimising the use of 'unobservable inputs'. The fair value hierarchy for investment properties takes into account the three levels of categories for inputs to valuations for fair value assets, as follows:

#### 2018/19 Position

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2019
	Level 1 £000	Level 2 £000	Level 3 £000	
Land and Buildings	0	27,575	0	27,575
Total	0	27,575	0	27,575

#### 2017/18 Comparative figures

Recurring fair value measurements using:	Quoted prices in active markets for identical assets	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2018
	Level 1 £000	Level 2 £000	Level 3 £000	
Land and Buildings	0	27,827	0	27,827
Total	0	27,827	0	27,827

#### Transfers between levels of the Fair Value Hierarchy

There were no transfers between levels during the year.

#### Valuation techniques used to determine Fair Values for Investment Properties

The fair value of investment property of £27.575m (£27.827m as at 31 March 2018) has been measured using a market approach, which takes into account quoted prices for similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's investment property portfolio. The underlying market conditions are such

that similar properties are actively purchased and sold with a significant level of observable inputs. This has resulted in the Council's investment properties being categorised as level 2 on the fair value hierarchy.

#### Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties, the highest and best use of the properties is deemed to be their current use.

#### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

#### Valuation Process for Investment Properties

The investment property portfolio has been valued at 31 March 2019 in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution for Chartered Surveyors. The valuations are completed by Damien Johnson BSc (Hons) Pg. Dip, MRICS (registered valuer), acting as Internal Valuer within the Council's Regeneration and Environment Services.

### **Note 21**      **Intangible Assets**

The Council has purchased software licences that it accounts for as intangible assets, the licences are valued at cost. The Council has no internally generated intangible assets. Most of the software licences have a finite useful life of 3 years during which period they are being amortised using the straight line method.

2017/18 £000		2018/19 £000
	Balance at 1 April:	
6,011	- Gross carrying amount	7,073
(3,947)	- Accumulated amortisation	(4,496)
2,064	Net carrying amount at 1 April	2,577
	Additions:	
244	- Purchases	1,009
818	- Reclassified from PP&E under Construction	212
(549)	Amortisation	(764)
2,577	Net carrying amount at 31 March	3,034
	Comprising:	
7,073	Gross carrying amounts	8,295
(4,496)	Accumulated amortisation	(5,260)
2,577	Balance at 31 March	3,034

**Note 22**      **Assets Held for Sale**

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Balance at 1 April	1,015	649	0	0
<u>Assets newly classified as held for sale:</u>				
- Property, Plant and Equipment	10	0	0	0
- Revaluation losses	(402)	(134)	0	0
- Revaluation gain	134	382	0	0
<u>Assets declassified as held for sale:</u>				
- Reclassified to Property, Plant and Equipment	(49)	0	0	0
- Assets sold	(60)	(716)	0	0
Balance at 31 March	649	180	0	0

**Note 23**      **Heritage Assets**

Nature and scale of heritage assets held by the Council:

Museum Exhibit

The Museum Exhibit collections hold over 90,000 items. Approximately 10% of these are on display at Clifton Park Museum in Rotherham. The remainder are held in off-site locations within the Borough. Access to the collections can be obtained during the main museum opening times. The collections can be divided into the following main categories:

- a) Social & Industrial History (around 11,000 items) - Contains objects and ephemera illustrating themes of domestic, personal and community life within the Borough from 1660 to the present day.
- b) Archaeology (around 36,000 items) - Includes large collections excavated from the Roman Fort at Templeborough, Roche Abbey and Jesus College (Rotherham).
- c) World Cultures (around 300 items) - Consists of objects originating from Africa, Asia, the Americas and Oceania. In 1981 the collection was transferred on loan to Leeds Museum.
- d) Numismatics & Philately (over 3,000 items) - Includes items dating from the 4th century BC to the 20th century AD.
- e) Fine Art (around 3,000 items) - Consists of oil paintings, water-colours, prints and a good collection of sculpture items.
- f) Decorative Art (around 5,500 items) - Predominated by ceramic items including a large collection from Yorkshire potteries, the most significant being items from the Swinton Pottery/Rockingham Works.
- g) Natural Sciences (over 30,000 items) – Including botanical and geological specimens from Yorkshire and Great Britain.

The majority of these assets have been revalued during 2018/19, by an external valuer (Tennants). Due to the volume of items, not all assets in the category could be valued and therefore have been held at their insurance valuation. The last valuation for insurance purposes was carried out in 2012/13.

Civic Regalia & Plate

The Council's collection of Civic Regalia includes the Mayor and Mayoress' Chain of Office, the Diamond Pendant, the Mace and the Empire Cup. The chains and pendants are held in a safe in the Town Hall until required for civic ceremonies whilst all other items are kept in display cases and can be seen as part of a tour of the building.

The majority of these assets have been revalued during 2018/19, by an external valuer (Tennants), due to the volume of items, not all assets in the category could be valued and therefore have been held at their insurance valuation. The last valuation for insurance purposes was carried out in 2012/13.

### Archives

The Council holds over 900 archive collections in secure, environmentally controlled, strong rooms and a secure, environmentally monitored store at Bailey House. These documents cover the history of the whole of Rotherham Borough from 1328 to the present day. The collection includes local Council materials, maps, plans, title deeds and family records. Access to the documents can be obtained by contacting the Archives and Local Studies Service.

The majority of these assets have been revalued during 2018/19, by an external valuer (Tennants). Due to the volume of items, not all assets in the category could be valued and therefore have been held at their insurance valuation. The last valuation for insurance purposes was carried out in 2012/13.

### Historic Buildings

Two historic buildings are in the ownership of the Council: Keppel's Column, a 35.5 metre high free standing Tuscan order column listed grade II, and Catcliffe Glassworks Cone a listed grade I conical structure dating from 1740, the earliest surviving example of its type in Western Europe. These buildings are closed to the public on safety grounds.

These assets are carried at valuation rather than cost, both of them being valued on the 1 April 2012 by Damien Johnson BSc(Hons) pg.Dip, MRICS (Registered Valuer), acting as Internal Valuer. Both were regarded as having nil value as they are listed building with restrictions on their disposal, which gives them no commercial value.

### Council policies for the acquisition, preservation, management and disposal of heritage assets

The Council's policies are contained in the "Collections Management policy" and the "Acquisition and Disposals policy", both of which are available on request from Heritage Services.

### Heritage Assets Values

As per the CIPFA Code of Practice 2018, heritage assets are carried at valuation rather than current or fair value, reflecting the fact that sales and exchanges of heritage assets are uncommon. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried at fair value.

It is not practicable to present additions for years prior to 2010/11 as detailed information is not available.

	Museum Exhibits held at valuation £000	Civic Regalia & Plate held at valuation £000	Archives held at valuation £000	Total £000
<u>Cost or Valuation</u>				
1 Apr 18	4,966	1,746	258	6,970
Additions	48	0	0	48
Revaluation increases/decreases to Revaluation Reserve	1,703	0	0	1,703
31 Mar 19	6,717	1,746	258	8,721
31 Mar 18	4,966	1,746	258	6,970



Disposal of Heritage Assets in 2018/19

There have been no Heritage Asset disposals in 2018/19.

Additions of Heritage Assets in 2018/19

The Council purchased two new assets during 2018/19, a new painting (Walker Children), and a Don Qixote Dinner Service.

**Note 24** Financial Instruments – Balances

The financial liabilities and assets disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Borrowings	419,702	407,389	145,306	179,313
Plus Accrued Interest	0	0	3,632	3,766
Plus Creditors	28	240	61,520	70,543
Plus bank overdraft	0	0	1,349	11,920
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	419,730	407,629	211,807	265,541
Financial liabilities at fair value through profit and loss	0	0	0	0
<b>Total Financial Liabilities</b>	<b>419,730</b>	<b>407,629</b>	<b>211,807</b>	<b>265,541</b>
Non Financial Liabilities	5,144	5,000	5,000	4,790
<b>Total</b>	<b>424,874</b>	<b>412,629</b>	<b>216,806</b>	<b>270,331</b>
Investments	3,824	3,780	972	383
Plus Accrued Interest	0	0	75	71
Plus Debtors	85	0	40,209	35,474
Plus Cash & Cash Equivalents	0	0	28,724	34,536
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial Assets				
at Amortised Cost	3,909	3,780	69,980	70,463
at fair value through profit or loss	0	0	0	0
fair value through other comprehensive income - designated equity instruments	190	190	0	0
Non-Financial Assets	0	0	0	0
<b>Total Financial Assets</b>	<b>4,099</b>	<b>3,970</b>	<b>69,980</b>	<b>70,463</b>
Non-Financial Assets			12,771	15,676
<b>Total</b>	<b>4,099</b>	<b>3,970</b>	<b>82,750</b>	<b>86,139</b>

The classification of financial instruments has been updated to reflect the new IFRS 9 disclosure requirements, the main change to the table has been the inclusion of the debtor, creditor and cash and cash equivalent balances, all at amortised cost. The debtor balances indicated in the table differ from that shown on the balance sheet as these balances do not include any statutory debtors, such as Council Tax or non-domestic rates.

Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required. All financial assets held as loans and receivables in 2017/18 have been reclassified to amortised cost in 2018/19 under IFRS 9. There has been no adjustment to the carrying values.

£000s	New Classifications at 1 April 2018			
	Carrying amount brought forward at 1 April	Amortised cost	Fair value through other comprehensive income	Fair value through profit and loss
Previous classifications				
Loans and receivables	73,889	73,889	0	0
Available for Sale	190	0	190	0
Fair value through profit and loss	0	0	0	0
Reclassified amounts at 1 April 2018	74,079	73,889	190	0
Re-measurements at 1 April 2018	0	0	0	0
Re-measured carrying amounts at 1 April 2018	74,079	73,889	190	0
Impact on General Fund Balance				0
Impact on Financial Instruments Revaluation Reserve				0

Effect of Asset Reclassification and Re-measurement on the Balance Sheet

This note shows how the new balances at 1 April 2018 for financial assets are incorporated into the Balance Sheet.

## New Classifications at 1 April 2018

£000s	Amortised Cost	Fair Value through Other Comprehensive Income	Fair value through profit and Loss	Non-financial instrument balances	Total Balance Sheet carrying amount
Remeasured carrying amounts at 1 April 2018					
Non-current investments	3,824	190			4,014
Long-term debtors	85				85
Current investments	29,771				29,771
Current debtors	40,209				40,209

The Council also did not transfer any financial assets which have not been derecognised or retained a continuing involvement in a transferred asset.

## Note 25      Financial Instruments – Risk

The Council's activities necessarily expose it to a variety of financial risks. The key risks are:

- 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;
- Re-financing risk – the possibility that the Council might have to renew a financial instrument on maturity at less advantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the uncertainties of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures in the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at the Council's annual Council Tax and Budget setting meeting. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

These policies are implemented by a central treasury team. The Council maintains written procedures for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum credit criteria. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Details of the Investment Strategy can be found on the Council's website.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels, adjusted to reflect current market conditions.

	Amount at	Historical experience of default	Adjustment for market conditions at	Estimated maximum exposure to defaults
	31 Mar 19 £000 (a)	% (b)	31 Mar 19 % (c)	£000 (a*c)
<u>Deposits with banks and financial institutions – excluding Heritable Bank</u>				
AAA rated counterparties	27,530	0.000%	0.000%	0
AA rated counterparties	0	0.030%	0.030%	0
A rated counterparties	0	0.080%	0.080%	0
Bonds	0	0.000%	0.000%	0
Banks and Financial Institutions	27,530			0
<u>Debtors</u>				
Long Term Debtors	85	38.482%	38.482%	33
Loans to Third Parties	4,233	13.913%	13.913%	589
Sundry Debtors	10,354	5.756%	5.756%	596
Housing Tenants	8,587	53.939%	53.939%	4,632
Other Short-Term Debtors	16,520	7.172%	7.172%	1,185
Debtors	39,780			7,034

The debtor balances indicated in the table above differ from that shown on the balance sheet as these balances do not include any statutory debtors, such as Council Tax or non-domestic rates.

Except as disclosed later at Note 29 the Council has no exposure to losses from non-performance by any of its counterparties in relation to deposits and bonds.

Whilst the current economic uncertainty within international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties. As a result of these high credit criteria, we have maintained historical default rates as a good indicator under these current conditions.

The Council also uses non credit-rated institutions (for instance smaller building societies or bank subsidiaries where the parent has a satisfactory rating). In these circumstances these investments would be classified as other counterparties.

The estimated maximum exposure to defaults of £7.034m represents the Council's provision for bad debts for the Financial Instruments in the table above and forms part of the provision for bad debts as disclosed within the Balance Sheet. In calculating these provisions reference is made to historical collection rates and these rates are applied to the debt raised rather than the percentages shown above.

The Council does not generally allow credit for its sundry debtors, such that all of the balance is past its due date for repayment. The past due amount can be analysed as follows:

31 Mar 18 £000		31 Mar 19 £000
9,185	Less than three months	7,928
381	Three to six months	405
546	Six months to one year	267
1,970	More than one year	1,755
12,082		10,354

Reclassification and remeasurement of impairment losses at 1 April 2018

This note shows the adjustments made to impairment loss allowances as a result of the reclassification of financial assets and the change from an incurred losses model to an expected losses model for calculations.

£000s	Loss allowances for new classifications at 1 April 2018		
	Impairment allowance brought forward at 1 April	Amortised cost	Fair value through other comprehensive income
Previous classifications			
Loans and receivables	6,275	40,316	190
Available for sale			
Reclassified amounts at 1 April 2018	6,275	40,316	190
Re-measurement from incurred losses to expected losses basis at 1 April 2018	-	-	
Impairment loss allowance at 1 April 2018	6,275	40,316	190

Collateral

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2019 was £0.729m (£0.827m as at 31 March 2018).

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB, which provides access to longer term funds, also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced Budget by the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

Limits on the maturity structure of debt and the limits on investments placed for longer than one year are the key controls used to address this risk. The Treasury Team address the operational risks within the Council approved parameters by:

- Monitoring the maturity profile of financial liabilities and amending the profile by either new borrowing or rescheduling existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

31 Mar 18 £000		31 Mar 19 £000
148,938	Less than one year	183,079
12,313	Between one and two years	12,320
72,156	Between two and seven years	60,069
17,146	Between seven and fifteen years	22,234
318,086	More than fifteen years	312,766
568,639		590,468

The maturity analysis of financial assets is as follows:

31 Mar 18 £000		31 Mar 19 £000
17,684	Less than one year	27,564
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
17,684		27,564

All Sundry Debtors and other payables are due to be paid in less than one year. These Sundry Debtors of £10.354m are not shown in the above table, however, an analysis is provided in the 'Credit Risk' section above. Interest accruals are disclosed as less than one year although associated with both short and long-term financial liabilities and assets.

### Market Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations. It includes a statement about expectations regarding interest rate movements. From this strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Council's Treasury Team monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure long term returns. Alternatively, significantly lower temporary borrowing rates may be utilised to generate in year savings on interest payments, whilst rates fall and remain low, rather than entering into long term borrowing straight away.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

2017/18 £000		2018/19 £000
0	Impact on Surplus or Deficit on the Provision of Services	0
0	Share of overall impact debited to the HRA	0
(147,632)	Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	(147,490)

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 27 Fair Value of Assets and Liabilities carried at amortised cost.

**Price Risk** – The Council does not generally invest in equity shares but does have a number of small shareholdings in its related companies. The Council is therefore not exposed to any significant risks arising from movements in the price of these shares and the shares are not classified fair value through profit and loss.

**Foreign Exchange Risk** – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to risk arising from movements in exchange rates.

## **Note 26**      **Financial Instruments – Gains/Losses**

Gains/Losses charged to the Comprehensive Income and Expenditure Statement and the Movement in Reserve Statement for the year to 31 March 2019 are as follows:

2017/18		Financial Liabilities	Financial Assets			2018/19
Total		Liabilities measured at amortised cost	amortised cost	fair value through profit or loss	fair value through other comprehensive income	Total
£000		£000	£000	£000	£000	£000
19,149	Interest expense	18,998	0	0	0	18,998
0	Impairment (gain)	0	0	0	0	0
0	Premium/discounts	0	0	0	0	0
13,093	Finance Lease Interest	13,280	0	0	0	13,280
32,242	Interest payable and similar Charges	32,278	0	0	0	32,278
(254)	Interest income	0	(315)	0	0	(315)
31,988	Net gain (-) / loss (+) for the year	32,278	(315)	0	0	31,963

**Note 27**      **Financial Instruments – Fair Values****Fair Value of Financial Assets**

The Authority's equity shareholdings in companies disclosed at Note 17 – Related Party Transactions are not traded in an active market and are valued at historical cost (see below).

As 31 March 2019 some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value				
Recurring fair value measurements	Input level in fair value hierarchy	Valuation technique used to measure fair value	As at 31/3/18 £000	As at 31/3/19 £000
Fair Value through Other Comprehensive Income				
Equity shareholding in BDR Property Ltd	Level 3	Discounted cash flow	190	190
Total			190	190

**Equity shareholding in BDR Property Ltd**

The authority holds shares in BDR Property Ltd a company set up under the Environment Protection Act 1990 by Rotherham, Barnsley and Doncaster Metropolitan Borough Councils and the Waste Recycling Group Ltd. As the asset is not held for trading or income generation, rather as a longer term policy initiative, the equity has been designated as fair value through comprehensive income.

**Transfers between Levels of the Fair Value Hierarchy**

There were no transfers between input levels 1, 2 and 3 during the year.

**The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value**

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment/borrowing rates (the alternative to the above), highlighting the impact of the alternative valuation;
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.



The fair values calculated are as follows:

31 Mar 18			31 Mar 19	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		<u>Long and Short-term</u>		
205,341	307,455	PWLB debt	198,010	302,493
245,162	472,974	Non-PWLB debt	225,133	457,964
118,000	118,000	Temporary Borrowing	167,000	167,000
568,503	898,429	Total Debt	590,143	927,456
(41,619)	(41,619)	Trade Creditors	(52,127)	(52,127)
526,884	856,810	Total Financial Liabilities	538,016	875,329

The fair value for financial liabilities is greater than the carrying value because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £302.493m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value (£104.483m) measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £198.010m would be valued at £262.851m. But, if the Council was to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption by charging a premium equivalent to the additional interest, based on the redemption interest rates (£104.483m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £302.493m.

31 Mar 18			31 Mar 19	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
17,684	17,684	Money Market loans less than one year	27,564	27,564
4,837	4,837	Third Party Loans	4,233	4,233
3,909	3,909	Long-term Debtors	85	85
12,082	12,082	Sundry Debtors	10,354	10,354
8,166	8,166	Housing Rents	8,587	8,587
16,349	16,349	Other Short-Term :	16,703	16,703
(6,275)	(6,275)	Bad Debts Provision	(7,334)	(7,334)
56,752	56,752	Total Loans and Receivables	60,192	60,192

The fair value for financial assets is the same as the carrying value because all are carried at cost as a fair approximation of their value. The 2017/18 carrying value and fair value has been restated due to the inclusion of Money Market Fund loans within this table, in line with IFRS 9.

**Note 28**      **Financial Instruments – Soft Loans and Financial Guarantees**

Soft Loans – Loans granted by the Council at below market rates are accounted for on a fair value basis. This is the present value of all future cash receipts discounted using the prevailing market interest rate for a similar instrument for an organisation with a similar credit rating.

Government Regulations permit the removal of this charge through the Movement in Reserves Statement to the Financial Instruments Adjustment Account. The balance is then amortised from this account over the remaining life of the loans. At 31 March 2019 the Council has one soft loan to disclose, a loan of £1.5m was received on 30/01/2017 from the Sheffield City Region to allow the Council to purchase the key strategic Forge Island site, the loan was issued a 0% rate. The fair value of this loan is £1.194m. Should the Sheffield City Region have unallocated grant, it is possible for them to agree to convert the loan to a grant, at which point the soft loan will be treated as a capital grant within the Council's accounts.

Financial Guarantees – Under the revised Regulations the Council is required to record in its balance sheet any financial guarantees that it has provided based on the likelihood of the guarantee being called.

The initial recognition of the guarantee is measured at fair value based on the probability of the guarantee being called together with the likely amount payable under the guarantee.

At 31 March 2019 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

**Note 29**      **Impairment adjustment – Heritable Bank**

Early in October 2008, the Icelandic bank Landsbanki collapsed and the UK subsidiary of the bank, Heritable, went into administration. The Council had £1.800m deposited in this institution, with a maturity date and interest rate as follows:

Bank	Date invested	Maturity Date	Amount Invested £m	Interest Rate	Carrying Amount £m	Impairment £m
Heritable	24/09/2008	24/10/2008	1.800	5.95%	0.034	(0.002)

The Council has recouped almost all of the original investment (£1.767m / 98.21%) with an outstanding balance as at 31<sup>st</sup> March 2019 of £32,262. All monies within the institution have been subject to an administration process. The amounts and timing of payments to depositors such as the Council have been determined by the administrators.

The Council's claim under Heritable Bank's cross-guarantee with its former parent Landsbanki Bank was finalised in 2015/16 at a maximum amount of £9k. This is currently held in an interest bearing Escrow account in Iceland, and will be paid on a pro-rata basis to the Council depending on the extent to which the administration of Heritable Bank falls below the 100% recovery level. The Council did not receive anything in 2018/19.

**Recognition in the CIES**

There has been no impairment gain recognised in the Comprehensive Income and Expenditure Statement in 2018/19 as the remaining anticipated loss of interest to the Council until monies are recovered is now minimal (in 2015/16 it was less than £2,000).

**Note 30**      **Long-Term Investments**

2017/18 £000		2018/19 £000
	<u>Investments in Associates and Joint Ventures:</u>	
190	Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
190	Balance at 31 March	190

The Council's shareholdings in BDR Property Limited (formerly known as Arpley Gas Limited) were estimated at £0.190m, this investment will be monitoring closely over the next 12 months following a reduction in the company's net worth as at 31st December 2017 (from £4.686m to £1.736m –taken from latest available accounts).

### Note 31      Inventories

2017/18 £000		2018/19 £000
702	Balance at 1 April	692
2,328	Purchases	5,037
(2,315)	Recognised in year as an expense	(5,024)
(23)	Written on / (off) in year	(46)
692	Balance at 31 March	659

### Note 32      Construction contracts

The Council has not recognised any significant contract revenue in respect of construction contracts with third parties during the year, and there are no significant construction contracts in progress at 31 March 2019 (Nil 2017/18).

### Note 33      Debtors

	Short Term		Long Term	
	2017/18 £000	2018/19 £000	2017/18 £000	2018/19 £000
Central Government Bodies	10,326	9,964	0	0
Other Local Authorities	4,383	2,353	0	0
NHS Bodies	5,994	4,570	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	33,325	34,706	3,909	3,791
Total	54,028	51,592	3,909	3,791

### Note 34      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.

Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

31 Mar 18 £000		31 Mar 19 £000
28,838	Cash and Bank balances	34,698
(1,463)	Bank Overdraft	(11,920)
27,375	Total Cash and Cash Equivalents	22,778

**Note 35**      **Creditors**

	Short Term		Long Term	
	2017/18	2018/19	2017/18	2018/19
	£000	£000	£000	£000
Central Government Bodies	(7,164)	(7,688)	0	0
Other Local Authorities	(1,387)	(1,566)	0	0
NHS Bodies	(1,135)	(1,109)	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	(51,834)	(60,179)	(28)	(240)
<b>Total</b>	<b>(61,520)</b>	<b>(70,542)</b>	<b>(28)</b>	<b>(240)</b>

**Note 36**      **Provisions**

<b>Current Year</b>	Balance as at 1 Apr 18 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 19 £000
Insurance Claims	(5,018)	(1,284)	1,423	0	(4,879)
Compensation Payments	(898)	0	219	0	(679)
Business Rates Appeals	(4,317)	(448)	439	0	(4,326)
Other	(114)	0	58	0	(56)
<b>Total</b>	<b>(10,347)</b>	<b>(1,732)</b>	<b>2,139</b>	<b>0</b>	<b>(9,940)</b>
Current Provisions	(5,204)	(448)	712	0	(4,940)
Long Term Provisions	(5,144)	(1,284)	1,428	0	(5,000)
<b>Total</b>	<b>(10,348)</b>	<b>(1,732)</b>	<b>2,140</b>	<b>0</b>	<b>(9,940)</b>

<b>Comparative Year</b>	Balance as at 1 Apr 17 £000	provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 18 £000
Insurance Claims	(5,265)	(1,256)	1,502	0	(5,019)
Compensation Payments	(1,073)	0	47	128	(898)
Business Rates Appeals	(3,226)	(1,091)	0	0	(4,317)
Other	(391)	0	197	80	(114)
<b>Total</b>	<b>(9,955)</b>	<b>(2,347)</b>	<b>1,746</b>	<b>208</b>	<b>(10,348)</b>
Current Provisions	(4,390)	(1,091)	197	80	(5,204)
Long Term Provisions	(5,565)	(1,256)	1,549	128	(5,144)
<b>Total</b>	<b>(9,955)</b>	<b>(2,347)</b>	<b>1,746</b>	<b>208</b>	<b>(10,348)</b>

**Insurance claims**

The Council carried out a complete re-tender of its insurance arrangements in 2018/19, with new policies commencing 28 February 2019. The liability risk is insured by QBE Insurance Group (via Risk Management Partners - RMP) whilst the property risk is insured by Travelers.

In balancing the cost of insurance against the risk of a liability arising, the Council has elected to meet the policy excess in respect of certain types of claim (Employers' Liability and Public Liability)

and to co-insure or self-insure itself against other types of claim by operating an Insurance Fund. Details of the different types of claim covered by this arrangement are set out below.

The Council keeps under review the best estimate of the likely liability falling on the Insurance Fund by reference to recent claims history, repudiation rates and other relevant factors and the expert advice of the Council's legal representatives on larger more complex claims.

The provision in this year's accounts covers the estimated residual liability relating to claims settled by Municipal Mutual Insurance (MMI) which, under the terms of MMI's Scheme of Arrangement, can no longer be met in full and therefore require a proportion to be repaid by the local authorities who were members of MMI when it went into solvent liquidation in 1992. This includes the Council.

(a) Employers Liability and Public Liability

Since the demise of Municipal Mutual Insurance (MMI) in 1992, many authorities have been retaining and funding their liability losses, third party, highways third party and employers' liability, up to an agreed threshold per claim. For several years, this remained static at £100,000, however, with effect from 28 February 2015, the Council now meets the first £250,000 of every settlement. In effect the Insurance Fund meets the majority of settlements determined by the insurers.

(b) Fire

The Fund acts as a co-insurer, up to a stop-loss limit of £350,000 in any one period of insurance. The Fund bears the first £50,000 of all claims involving education, municipal and housing property.

(c) Motor

All accidental damage to our own vehicles is self-funded. The Fund recoups the cost from user departments/services via an annual charge per vehicle. There is an excess of £500 on all claims (£1,000 for thefts) which is met initially by the Fund and recharged to owning departments. Third party risks remain with the external insurer.

(d) Council Flats – Added Perils

The Fund insures blocks of flats for added perils where one or more flats have been sold under the right to buy arrangements.

(e) Schools ICT Equipment

Where requested, schools ICT equipment is insured on the Fund on an 'All-Risks' basis. This arrangement does not extend to Academy schools.

(f) Other Equipment

Where requested, schools' musical instruments, televisual and video equipment, Youth & Community equipment and office equipment are insured on the Fund on an 'All-Risks' basis. In addition schools can insure many other items if desired. This arrangement does not extend to Academy schools.

In addition to the above there are many smaller risks which are self-insured including:

- Schools PABX Equipment (switchboard equipment)
- 'Time on Risk' Cover
- The York and Lancaster Exhibition

### Business Rates Appeals

Under the business rates retention regulations which came into effect on 1 April 2013, an allowance is made for the amount of business rate income it is estimated will have to be refunded to business ratepayers as a result of appeal. The provision represents the Council's share of the overall estimated liability for refunding business rate payers income recognised up to and including the end of the financial year. We anticipate the majority of refunds provided for at 31 March 2019 will be made during 2019/20 and the provision has therefore been classified as a current provision.

Other

Other provisions comprise commercially sensitive items disclosure of which would prejudice the Council's position.

**Note 37 Usable Reserves**

The Council's usable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve. Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement on Page 7 and Notes 2 and 3.

31 Mar 18 £000		31 Mar 19 £000
	<b>CAPITAL RESERVES</b>	
(28,816)	Capital Receipts Reserve	(25,347)
(9,669)	Major Repairs Reserve	(10,596)
(14,346)	Capital Grants Unapplied Account	(18,939)
(52,831)	Sub-Total Capital Reserves	(54,882)
	<b>REVENUE RESERVES</b>	
(11,269)	General Fund Minimum Balance – Council	(16,812)
(35,239)	Earmarked Reserves excluding DSG	(21,312)
(46,509)	Sub-Total of General Fund Council and Earmarked Reserves excluding DSG	(38,124)
(1,401)	General Fund - Schools	(3,369)
9,687	Earmarked Reserve DSG	15,114
(37,671)	HRA	(26,575)
(29,385)	Sub-Total Other Reserves	(14,830)
(128,725)	<b>TOTAL USABLE RESERVES</b>	(107,836)

**(a) Capital Receipts Reserve**

Income from the disposal of non-current assets is credited to the Capital Receipts Reserve. The amount credited in respect of housing capital receipts is reduced by the amount the Council is required to pay over to central government under the national pooling arrangements. The Capital Receipts Reserve can only be applied to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. However under the Statutory Guidance on the Flexible Use of Capital Receipts, General Fund receipts received since 1 April 2016 can be used to fund revenue transformational costs.

**(b) Major Repairs Reserve**

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all HRA assets. This can only be used to finance new capital expenditure, repay debt or meet liabilities under credit arrangements. The arrangements ensure that subsequent funding of capital expenditure does not affect the Housing Revenue Account.

**(c) Capital Grants Unapplied Account**

Where a capital grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account within usable reserves reflecting its status as a capital resource available to finance future capital expenditure.

**(d) General Fund Minimum Balance**

The General Fund balance represents uncommitted revenue balances held to safeguard the Council against potential financial risks, unforeseen costs and contingencies. The balance to be held is risk assessed annually as part of the budget setting process to ensure a prudent level of resources is retained.

(e) Earmarked Reserves

Details of the earmarked reserves the Council has set aside to meet specific needs or which are ring-fenced to particular services are contained in Note 3.

(f) Earmarked Reserve DSG

The Dedicated School Grant (DSG) is a ring fenced specific grant and it must be used in support of the schools budget as defined in the School and Early Years Finance (England) (No 2) Regulations 2018. Local authorities are responsible for determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. There is currently a deficit balance on the Dedicated Schools Grant, which in accordance with Government policy, can be carried forward for the deficit to be addressed in future years. Childrens' and Young Peoples Service have implemented a plan to recover the deficit in later years

(g) HRA

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to a Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

**Note 38**      **Unusable Reserves**

The Council's unusable reserves are summarised in the table below into capital and revenue followed by a brief description of the nature and purpose of each reserve and movements thereon during the year.

31 Mar 18 £000		31 Mar 19 £000
	<b>CAPITAL RESERVES</b>	
(189,331)	Capital Adjustment Account	(203,094)
(144,724)	Revaluation Reserve	(166,745)
(98)	Deferred Capital Receipts	(98)
	<b>REVENUE RESERVES</b>	
386,085	Pensions Reserve	466,819
3,838	Short term accumulating absences account	3,869
195	Financial instruments adjustment account	426
(6,099)	Collection Fund adjustment account	(6,018)
49,865	<b>TOTAL UNUSABLE RESERVES</b>	95,159

(a) Capital Adjustment Account

The Capital Adjustment Account absorbs timing differences arising from the different arrangements for accounting for the consumption of non-current assets under normal accounting practices and statutory requirements for financing capital expenditure applicable to local authorities. Hence, it is debited with capital charges (depreciation, impairment, revaluation losses and amortisation) that have been made in the Comprehensive Income and Expenditure statement but which are reversed out as they are not proper charge to revenue for council tax purposes and credited with the amount which is set aside from capital resources or from revenue to finance capital expenditure under the statutory provisions (the accounting policies set out the Council's approach for determining a prudent charge to revenue for debt repayment and PFI liabilities). The Capital Adjustment Account also contains accumulated gains and losses on investment properties and on Property Plant and Equipment before 1 April 2007, the date on which the Revaluation Reserve was created.

2017/18 £000		2018/19 £000
(224,896)	Balance 1 April	(189,331)
192	Debt Repayment	645
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
549	Amortisation of Intangible Assets	764
25,726	Charges for depreciation and impairment of non-current assets	17,498
6,423	Revenue expenditure funded from capital under statute	8,420
51,287	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	25,806
17,463	Depreciation - Major Repairs Reserve	18,615
(1,566)	Write down of Met Debt deferred Liability	(1,723)
	Adjusting amounts written out to Revaluation Reserve:	
(16,059)	Disposal	(7,626)
(4,210)	Excess of current cost depreciation over historic cost depreciation	(4,575)
	Capital Financing Applied in the year:	
(6,049)	Use of Capital Receipts Reserve to finance capital expenditure	(10,162)
(192)	Use of Capital Receipts Reserve to repay debt	(645)
(15,632)	Use of Major Repairs Reserve to finance capital expenditure	(19,665)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(15,325)	Application of grants to capital financing from the Capital Grants Unapplied Account	(23,293)
(5,920)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(5,873)
5,920	MRP holiday	5,873
(7,042)	Capital expenditure charged against the General Fund and HRA balances	(17,822)
(189,331)	TOTAL	(203,095)

(b) Revaluation Reserve

The Revaluation Reserve represents the cumulative unrealised revaluation gains and losses on the Council's Property, Plant and Equipment since the reserve was created on 1 April 2007.

2017/18 £000		2018/19 £000
(131,489)	Balance 1 April	(144,724)
(38,069)	Net revaluation gains/losses not charged to the Surplus /( Deficit) on Provision of Services	(38,083)
4,565	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	3,861
(33,504)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(34,222)
16,059	Accumulated Gains on assets sold or scrapped	7,626
4,210	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	4,575
(144,724)	Balance at 31 March	(166,745)



(c) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve represents amounts due from the sale of non-current assets that have still to be realised. Under statutory arrangements, this only becomes available for financing on receipt of cash at which point a transfer is made to the Capital Receipts Reserve. The balance is mainly represented by mortgages on council houses sold to (former) tenants.

2017/18 £000		2018/19 £000
(98)	Balance 1 April	(98)
0	Transfer to the Capital Receipts Reserve of cash received	0
(98)	Balance at 31 March	(98)

(d) Movements in Fair Value through Profit & Loss (FVPL) Financial Instruments Reserve

The Fair Value through Profit & Loss (FVPL) Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. 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.

At 31 March 2019 the Council held no financial assets classified as Fair Value through Profit & Loss (FVPL)

(e) Pensions Reserve

The Pensions Reserve absorbs timing differences arising from the different arrangements for accounting for post-employment benefits under normal accounting practices and statutory requirements for funding benefits applicable to local authorities. The amount recognised as post-employment benefits under normal accounting practice reflects the benefits accrued by employees from their reckonable service, and changes to the assumptions about the liabilities that will fall on the scheme when benefits are paid out and the value of scheme assets to cover those liabilities. The amount charged under statutory provision is the amount due to be paid over by the Council as employer contributions under local government pension scheme rules.

The Pensions Reserve represents the Council's share of the underlying assets and liabilities for post-employment benefits attributable to the Council at the balance sheet date. The deficit represents the amount by which benefits earned by past and current employees currently exceeds the resources set aside by the Council to meet them.

Further details of the Council's participation in the Local Government Pension Scheme (administered by South Yorkshire Pensions Authority) are detailed in Note 18.

2017/18 £000		2018/19 £000
466,714	Balance 1 April	386,085
(93,612)	Remeasurements of the net defined benefit liability/(asset)	52,055
38,771	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	54,086
(25,788)	Employer's pensions contributions and direct payments to pensioners payable in the year	(25,406)
386,085	Balance 31 March	466,820

(f) Short-term Accumulated Absences Account

The Accumulating Absences Accounts absorbs the timing differences arising from the different arrangements for accounting for short term compensated absences under normal accounting practices and statutory requirements for charging such absences applicable to local authorities. Under normal accounting practice, an accrual is made to charge compensated absences, for example, annual leave entitlement not yet paid, in the year in which they are earned. However, under statutory provision, these are charged to revenue in the year in which they are payable. The balance on the Accumulating Absences Account therefore represents the amount of compensated absences earned which will fall as a charge on the General Fund in the future.

2017/18			2018/19	
£000	£000		£000	£000
	4,485	Balance 1 April		3,838
(4,485)		Settlement or cancellation of accrual made at the end of the preceding year	(3,838)	
3,838		Amounts accrued at the end of the current year	3,869	
	(647)	Net amount charged to Comprehensive Income and Expenditure Statement in the year reversed out under regulation chargeable to revenue in the future when payments fall due		31
	3,838	Balance at 31 March		3,869

(g) Financial Instruments Adjustment Account

This reserve has been created to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.

General Transactions

The Code requires that unless directly attributable to a loan held at 31 March 2007 then all premium and discounts carried on the Balance Sheet at that date were required to be written off to the General Fund Balance as at 1 April 2007. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The balance of premium and discounts will be amortised to revenue in line with the provisions set down in the Council's accounting policies.

The Code also requires that where the Council has provided loans at less than market rates then these should be accounted for on a fair value basis. The difference between the fair value and loan amount is accounted for as an immediate charge to the Income and Expenditure Account. Government Regulations allow for the impact to be neutralised through a transfer to the Financial Instruments Adjustment Account. The fair value increases over the period of the loan and the annual impact will be neutralised in the Income and Expenditure Account by the writing down of the balance on the Financial Instruments Adjustment Account.

2017/18 £000		2018/19 £000
184	Balance at 1 April	194
	Movement in year:	
10	Premium and discounts	10
0	Soft Loans	221
194	Balance carried forward at 31 March	425

(h) Collection Fund Adjustment Account

The Collection Fund Adjustment Account absorbs differences between the amount of council tax income recognised under normal accounting practice as it falls due from council tax payers and the amount due to the General Fund and preceptors under statutory provisions. The balance on the Collection Fund Adjustment Account therefore represents the amount still to be distributed to the General Fund and precepting authorities.

2017/18 CTAX £000	2017/18 NNDR £000	2017/18 Total £000		2018/19 CTAX £000	2018/19 NNDR £000	2018/19 Total £000
(5,898)	(1,522)	(7,420)	Balance 1 April	(5,508)	(591)	(6,099)
390	931	1,321	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	585	(504)	81
(5,508)	(591)	(6,099)	Balance at 31 March	(4,923)	(1,095)	(6,018)

**Note 39** Cash Flow – Analysis of adjustments to (Surplus) / Deficit on the Provisions of Service

2017/18 £000		2018/19 £000
18,188	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
0	Capital Grants credited to surplus or deficit on the provision of services	27,887
9,363	Net adjustment from sale of long term investments	0
	Proceeds from the sale of property plant and equipment, investment property and intangible assets & other capital receipts	9,241
27,551		37,128
(325)	Interest received (cash basis)	(171)
32,449	Interest paid (cash basis)	35,512

**Note 40** Cash Flow – from Investing Activities

2017/18 £000		2018/19 £000
49,664	Purchase of property, plant and equipment, investment property, heritage and intangible assets	76,674
0	Long term loans granted	0
0	Purchase of short term investments	0
0	Purchase of Long term investments	0
45	Capital Grants and Contributions Repaid	0
(9,174)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets & other capital receipts	(9,241)
(15,956)	Capital Grants and Contributions Received	(27,689)
(384)	Other receipts from investing activities	(665)
24,195	Net cash outflow from Investing Activities	39,079

**Note 41**      **Cash Flow – from Financing Activities**

2017/18 £000		2018/19 £000
(211,000)	Cash receipts of short- and long-term borrowing	(253,360)
249	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	220
145,299	Repayments of short- and long-term borrowing	228,306
5,072	Other payments for financing activities	1,836
(60,380)	Net cash outflow from Financing Activities	(22,998)

**Note 41b**      **Reconciliation of Liabilities Arising from Financing Activities**

	2018/19 01 Apr 18 £000	Cash Flow £000	Non Cash Change £000	2018/19 31 Mar 19 £000
Long Term Borrowing	(419,702)		12,313	(407,389)
Short Term Borrowing	(148,938)	(25,054)	(9,087)	(183,079)
PFI & Lease Liabilities Short Term	(3,290)	3,114	(2,584)	(2,760)
PFI & Lease Liabilities Long Term	(129,628)		2,711	(126,917)
NNDR & CTAX		(1,058)		
	(701,558)	(22,998)	3,353	(720,145)

	2017/18 1 Apr 17 £000	Cash Flow £000	Non Cash Change £000	2017/18 31 Mar 18 £000
Long Term Borrowing	(447,008)		27,306	(419,702)
Short Term Borrowing	(56,077)	(65,701)	(27,160)	(148,938)
PFI & Lease Liabilities Short Term	(2,887)	2,760	(3,036)	(3,163)
PFI & Lease Liabilities Long Term	(132,791)		3,163	(129,628)
NNDR & CTAX		2,561		
	(638,763)	(60,380)	273	(701,431)

**Note 42**      **Capital Expenditure and Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), 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 (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

2017/18 £000		2018/19 £000
792,538	Opening Capital Financing Requirement Capital Investment	798,012
45,937	Property, Plant and Equipment	82,212
107	Investment Properties	2
244	Intangible Assets	1,009
0	Heritage Asset	0
6,417	Revenue Expenditure funded from Capital under Statute	8,419
845,243		889,654
	Sources of finance:	
(6,049)	Capital receipts to finance new capital expenditure	(10,162)
(15,325)	Government grants and other contributions	(23,293)
(15,632)	Major Repairs Allowance	(19,665)
	Sums set aside from revenue	
	Direct revenue contributions:	
(14)	General Fund	0
(7,028)	Housing Revenue Account	(17,822)
(6,343)	Minimum Revenue Provision	(6,551)
5,920	MRP holiday	5,873
(2,760)	Write down of finance lease liability	(3,117)
(47,231)		(74,737)
798,012	Closing Capital Financing Requirement	814,916

2017/18 £000	Explanation of movements in year	2018/19 £000
5,473	Increase in underlying need to borrowing (unsupported by government financial assistance)	16,899
0	Assets acquired under finance leases	0
5,473	Increase in Capital Financing Requirement	16,899

The MRP value disclosed in this note has two key differences from that disclosed in note 38A, firstly the MRP on this note includes Met Debt MRP, and secondly the W/D of finance lease MRP is shown separately within the 'write down of finance lease liability' line.

**Note 43**      **Leases**

The classification of all types of lease including land is assessed on who has the risks and rewards of ownership as for all other types of lease.

Contingent rents are expensed in the year in which they are incurred.

**(a) Finance leases – Council as Lessee**

The movements in Finance Lease liabilities during the year are as follows:

	31 Mar 18 £000	31 Mar 19 £000
Finance Lease Liability outstanding at start of year	(28,501)	(28,252)
Principal repaid in year	249	220
Less: Schools converting to academies Finance Lease Liability written off	0	0
New Liabilities arising in year	0	0
Balance outstanding at year end	(28,252)	(28,032)
Short Term Creditors	(269)	(148)
Long Term Liabilities	(27,983)	(27,884)

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 18 £000	31 Mar 19 £000	31 Mar 18 £000	31 Mar 19 £000
Not later than one year	(3,234)	(2,741)	(269)	(148)
Later than one year and not later than five years	(13,319)	(11,565)	(1,026)	(627)
Later than five years	(110,373)	(131,660)	(26,957)	(27,257)

The assets acquired under the leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2017/18 £000		2018/19 £000
27,099	Land and buildings	26,597
206	Vehicles, Plant, Furniture and Equipment	84
27,305	Total	26,681

**(b) Operating leases – Council as Lessee**

The Council has the right of use over a range of assets by virtue of operating leases that it has entered into. The future minimum lease payments due under these non-cancellable leases in future years are:

2017/18 £000		2018/19 £000
1,153	Within one year	997
2,382	Between one year and five years	1,462
4,936	After more than five years	5,692

The expenditure charged to service in 2018/19 in the Comprehensive Income and Expenditure statement in relation to these leases was £1.164m (£1.407m 2017/18).

(c) Finance leases – Council as Lessor

The Council has leased out property to Thurcroft Junior School, land on which the Council's former Civic buildings were situated and land on which the former Doncaster Gate building was situated. The former is being leased out on a peppercorn rent. The minimum leased payments in respect of the latter two were received in full as a premia. As a consequence, there is no net investment in finance lease receivable to bring onto the balance sheet.

(d) Operating leases – Council as Lessor

Most of the property and equipment leased out by the Council meets the definition of investment property. The rental income earned from leasing out these investment properties is disclosed in Note 20.

**Note 44** **Private Finance Initiative and Similar Contracts**

As at 31 March 2019, the Council has in place three long-term contracts under Private Finance Initiative (PFI) arrangements, one of which, the Waste PFI, is a joint contract with Barnsley and Doncaster Councils. In addition, it has in place one partnership agreement.

As a result of a change to the way in which PFI Schemes and Similar Contracts were accounted for in 2009/10 on transition to IFRS, assets within the PFI Schemes or Similar Contracts were brought on Balance Sheet. The movement in the carrying value of these assets is disclosed in the Property Plant and Equipment note (Note 19a).

The note below provides a brief description of each scheme and outstanding obligations.

(a) Private Finance Initiatives - Schools PFI

The contract for the provision of 8 primary and 6 secondary schools commenced on 1 April 2004 with an end date of 31 March 2034, and a capital value of £96m. All the schools were completed in line with the original programme. At the expiry of the contract the schools transfer back to the Council for nil consideration, with the exception of 8 PFI schools, 3 primary and 5 secondary schools which have converted to academy trusts and therefore transfer to the individual trusts under 125 lease arrangements with the Council (an additional PFI secondary school converted 1 April 2019 which will increase the total to 9 schools). The agreed government funding is being received and will support the Authority to manage income and expenditure over the rest of the 30 years of these arrangements. Payments during the year totalled £16.023m and are subject to availability and performance-related deductions and contractually agreed inflation adjustments. In the same period the Council received £6.223m of PFI grant in support of this project.

(b) Private Finance Initiatives – Sports and Leisure PFI

The Sport and Leisure Facilities Regeneration Programme and Maltby Joint Service Centre PFI involves the construction of 3 new combined swimming pools and dry leisure centres, one stand-alone swimming pool and a joint service centre. The contract with DC Projects (Rotherham) Ltd became operational in August 2008 and has a capital value of £38m. The contract expires on 31 October 2041, when all the assets transfer back to the Council for nil consideration. £24.954m of PFI Credits have been awarded to support the scheme. All 5 facilities are operational. Payments during the year totalled £4.835m. In the same period the Council received £1.811m of PFI grant in support of this project.

(c) Bereavement Services Partnership - Dignity

The Council signed a partnership agreement with Dignity Funerals Limited in July 2008, who now manage the Borough's Bereavement Services on the Council's behalf. The contract commenced in August 2008 and operates for a period of 35 years at which point all the assets revert back to the Council for nil consideration. This is a partnership that will improve the provision of bereavement services to the Rotherham public, with significant investment having taken place on the crematorium facility and the wider East Herringthorpe site.

**(d) Waste Management PFI**

The Council's joint Waste PFI Contract, along with Barnsley and Doncaster Councils, with 3SE (Shanks, Scottish and Southern Energy) became operational in July 2015. The contract is providing residual waste and recycling facilities for the 3 boroughs. The Councils have been jointly awarded £77.4m PFI credits for this project. The Council received £1.789m of PFI grant in support of this project in 2018/19. Payments during the year totalled £6.745m.

**(e) Movements in Finance Liabilities**

The Table below shows the movements in the Finance Liabilities during 2018/19:

	31 Mar 18 £000	31 Mar 19 £000
Balance outstanding at start of year	(107,050)	(104,539)
Principal repaid in year	2,511	2,894
Balance outstanding at year end	(104,539)	(101,645)
Short Term Creditors	(2,894)	(2,612)
Long Term Liabilities	(101,645)	(99,033)

The minimum lease payments will be payable over the following periods:

	Payment for Services £000	Finance Lease Liability £000	Interest £000	Total £000
Not later than one year	15,842	2,612	10,284	28,737
Two to five years	67,930	13,483	38,811	120,225
Six to ten years	96,808	23,592	43,204	163,605
Eleven to Fifteen years	105,827	39,439	36,295	181,561
Sixteen to twenty years	78,537	13,343	15,049	106,929
Twenty one to twenty five years	40,526	9,173	7,349	57,048

**Note 45      Capitalised borrowing costs**

The Council had £146,943 of capitalised borrowing costs during 2018/19 (£39,577 in 2017/18) the capitalisation rate used in 2018/19 was 3.85% (4.19% in 2017/18).

**Note 46      Contingent Liabilities****Lord Hardy Court Nursing Home**

The litigation case against the Council is continuing to be dealt with by Kennedys Law, the Council's appointed legal partners. There have been no significant developments in 2018/19.



**Note 47**    **Contingent Assets****Claims for recovery of tax and damages**

Protective VAT claims have been submitted to HMRC to recover VAT on Landfill Tax, and Cultural Exemption. There is also a claim for damages filed at the High Court against Royal Mail as well as a submission for Local Authority circumstances to be heard alongside the NCP case for excess payments on off street car parking. The quantity and strength of the claims have yet to be determined by litigation.

**Note 48**    **Trust Funds**

The Council acts as sole trustee for various legacies relating to the provision of educational supplies to specific local schools. Each fund holds investments and may use the interest derived from those investments to fund the purchase of supplies.

Accumulated interest balances and the respective balance sheets are as follows:

	Balance as at 1 Apr 2018 £	Income £	Expenditure £	Balance as at 31 Mar 19 £
Treeton Council School War Memorial	771	30	0	801
EJ Butland, Treeton Infants	677	30	0	707
Whiston Two Wars Memorial	823	118	0	941
<b>Total</b>	<b>2,271</b>	<b>178</b>	<b>0</b>	<b>2,449</b>

**Trust Funds – Balance Sheet**

2017/18 £		2018/19 £
	<b><u>Assets</u></b>	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	<b>Total Investments</b>	<b>350</b>
40	- Debtors	42
2,231	- Cash	2,407
2,621	<b>Total Assets</b>	<b>2,799</b>
	<b><u>Financed by:</u></b>	
350	- Fund Balance	350
2,271	- Accumulated Investment Interest	2,449
2,621	<b>Total Equity</b>	<b>2,799</b>

**Note 49**      **Material items of income and expenditure**

This note is used to draw attention to material items of income and expenditure not disclosed separately on the face of the CIES which need to be taken into consideration to gain a full understanding of the Council's financial performance in the year.

Schools

As shown in Note 18 of the accounts, £6.144m has been credited to the CIES in respect of settlements. This all relates to the transfer of pension liabilities from the Council when schools convert to academies and, as a consequence, has been credited in full to the "Schools" heading within the CIES.

Minimum Revenue Provision (MRP)

A change in MRP policy in 2014/15 to produce a fairer charge to revenue for present and future council tax payers in respect of pre 2007/08 debt identified that £34.783m of MRP had been overcharged in the period 2007/08 to 2014/15. The overcharge is being recovered by taking an MRP holiday as set out in Accounting Policy 15.

As at 1 April 2018, £8.760m of the overcharge had still to be recovered. As shown in Note 42 of the accounts, a further £5.873m has been recovered in 2018/19.

Loss on disposal of non-current assets

The loss on disposal of non-current assets reported in Note 4 of £17.450m includes £16.713m of school property, plant and equipment transferred from the Council's balance sheet as a result of schools converting to an academy.

Pensions Prepayments

In 2017/18 the Council made two payments to the South Yorkshire Pensions Authority in return for discounts on employers' ongoing service contributions and the past service deficit. The first of these was a prepayment of £21.8m made in April 2017 in respect of the Past Service Deficit for the three financial years 2017/18 to 2019/20, in order to realise a discount of £1.372m on the actuary's estimate of the deficit contribution for this period. The prepayment has been charged to the accounting periods for which it relates in accordance with the Council's Accounting Policies.

A further prepayment of £12.612m was also made in April 2018, this being 80% of the estimated employers ongoing service contributions for the financial year 2018/19.

**Note 50**      **Other Long-term Liabilities**

31 Mar 18 £000		31 Mar 19 £000	Notes
(101,645)	PFI Liability	(99,032)	44
(27,983)	Finance Lease Liability	(27,884)	43
(371,554)	Pension Liability	(459,620)	18
(3,981)	Deferred Liabilities	(2,085)	50
(505,163)	Total	(588,621)	

Deferred Liabilities

The Council has a proportionate share in the interests of the Metropolitan (former South Yorkshire County Council) Debt (Met Debt Statement refers). As at 31 March 2019 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £3,981,282 comprising £1,895,837 maturing within one year (short term) and £2,085,445 after that date (long term).

**Note 51**      **Events after the Balance Sheet date**

The draft Statement of Accounts was authorised for issue by the Judith Badger, Strategic Director of Finance and Customer Services on 31 May 2019. Events taking place after this date are not reflected in the Financial Statements or Notes.

Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

The decision of the Court of Appeal on June 26<sup>th</sup> 2019 in the Sargant/McCloud cases (generally referred to for the Local Government Pensions Scheme - LGPS - as "McCloud") ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended in the past constituted unlawful age discrimination.

Although the Court of Appeal's decision was made after the Council had published its Draft 2018/19 Annual Accounts and it is at present uncertain what the full implications of the ruling will be for the LGPS, either as a whole or for individual authorities, it is nevertheless considered that the judgement will be an issue for the LGPS and that the remedy found will be to provide "final salary underpins" for younger members in the same way as they have been provided for members within 10 years of retirement.

On this basis, the Government Actuaries' Department (GAD) has undertaken some costings of the potential effect of McCloud on the LGPS as a whole, which were set out in a paper released in June 2019.

In order to reflect the implications of the judgment and to promote a consistency of approach across the sector, the Council's Actuary - Mercers - has re-run the IAS 19 report used in the draft accounts revising the pensions liabilities incorporated within the 2018/19 Accounts on the basis of the GAD report. As with the other South Yorkshire Authorities, the Council's draft accounts for 2018/19 have therefore been revised to reflect the actuary's estimate of the costs of correcting the discrimination that has been ruled unlawful that will fall on the Council.

**Other Financial Statements and Notes to the Other Financial Statements**

Housing Revenue Account (HRA)

The Collection Fund Income and Expenditure Account

Metropolitan Debt Administration

**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

The Housing Revenue Account (HRA) shows the economic cost in the year of providing housing services in accordance with generally accepted accounting principles, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2017/18 £000		2018/19 £000	Notes
	<u>Expenditure</u>		
19,743	Repairs and maintenance	19,981	
21,118	Supervision and management	21,609	
169	Rents, rates, taxes and other charges	215	
27,767	Depreciation and impairment of Non Current Assets	23,727	
124	Debt management costs	176	
830	Provision for bad or doubtful debts	894	8
69,751	Total Expenditure	66,602	
	<u>Income</u>		
77,873	Dwelling rents	76,628	
765	Non-dwelling rents	789	
5,707	Charges for services and facilities	5,613	
84,345	Total Income	83,030	
(14,594)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(16,428)	
274	HRA services share of Corporate and Democratic Core	370	
(1,222)	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	1,447	
(15,542)	Net Cost of HRA Services	(14,611)	
	<u>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</u>		
(1,195)	Gain on sale of HRA Non Current Assets	(1,147)	
13,419	Interest Payable and similar charges	13,350	9
(97)	Interest receivable	(240)	
537	Pensions interest cost and expected return on pension assets	493	10
(4,119)	Capital grants and contributions receivable	(1,327)	
	HRA Cap grant	130	
(134)	Revaluation of Assets held for sale	135	
(7,131)	Surplus for the year on HRA services	(3,217)	

### Movement on the Housing Revenue Account Statement

This statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit of the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2017/18			2018/19	
£000	£000		£000	£000
	(35,155)	Balance on the HRA at the end of the previous year		(37,508)
(7,131)		Surplus for the year on HRA Income and Expenditure Account	(3,217)	
4,615		Adjustments between accounting basis and funding basis under statute	14,313	
(2,516)		Net increase before transfers to or from reserves	11,096	
163		Transfers to(from) reserves	(128)	
	(2,353)	Increase in year on the HRA		10,968
	(37,508)	Balance on the HRA at the end of the current year		(26,540)

**Notes to the Housing Revenue Account****Note 1 Adjustments between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure 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.

2017/18	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>			
Charges for impairment of non current assets (Council dwellings only)	9,001	0	9,001
Capital grants and contributions applied	(4,119)	0	(4,119)
Revenue Expenditure Funded from capital under statute	223	0	223
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,195)	0	(1,195)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Capital expenditure charged against the General Fund and HRA balances	(7,028)	0	(7,028)
<u>Adjustments primarily involving the Major Repairs Reserve:</u>			
Reversal of Major Repairs Allowance credited to the HRA	(2,619)	2,619	0
HRA Depreciation to the Capital Adjustment Account	0	17,463	17,463
Use of the Major Repairs Reserve to finance new capital expenditure	0	(15,632)	(15,632)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	36	0	36
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,340	0	2,340
Employer's pension contributions and direct payments to pensioners payable in the year	(1,259)	0	(1,259)
Short-term Accumulated Absences Account	4	0	4
<b>Total Adjustments</b>	<b>(4,616)</b>	<b>4,450</b>	<b>(166)</b>

Note 1 continued

2018/19	Usable Reserves		
	Housing Revenue Account £000	Major Repairs Reserve £000	Movement in Usable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>			
Charges for impairment of non current assets	5,818	0	5,818
Amortisation of Intangible Assets	162		162
Capital grants and contributions applied	(1,327)	0	(1,327)
Revenue Expenditure Funded from capital under statute	184		184
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,147)	0	(1,147)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>			
Capital expenditure charged against the General Fund and HRA balances	(17,822)	0	(17,822)
<u>Adjustments primarily involving the Major Repairs Reserve:</u>			
Transfer from HRA to Major Repairs Reserve re notional MRA	(1,977)	1,977	0
HRA Depreciation to the Capital Adjustment Account	0	18,615	18,615
Use of the Major Repairs Reserve to finance new capital expenditure	0	(19,665)	(19,665)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	36	0	36
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,031	0	3,031
Employer's pension contributions and direct payments to pensioners payable in the year	(1,279)	0	(1,279)
Short-term Accumulated Absences Account	8	0	8
Total Adjustments	(14,313)	927	(13,386)

**Note 2** Housing Stock at 31 March 2018

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,208	2,787	4,999
2 Bedroom	1,940	2,799	1,927	6,666
3 Bedroom	8,017	297	49	8,363
4+ Bedroom	260	8	0	268
Total	10,221	5,312	4,763	20,296



**Note 3**      **Housing Stock Valuations**(a)      Property, Plant and Equipment

2017/18	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 17	659,952	14,528	491	1,263	10,787	687,022
Additions	18,880	221	0	5,112	4	24,217
Accumulated Depreciation and Impairment written out to gross cost/valuation	(33,566)	(857)	0	0	(1,236)	(35,659)
Revaluation increases/decreases to Revaluation Reserve	7,074	423	0	0	834	8,331
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	1,060	(122)	0	0	1,171	2,108
Derecognition	(6,751)	0	0	0	(25)	(6,776)
Assets reclassified (to) / from Investment Property	0	0	0	0	0	0
Other Movements in cost valuation	1,164	(465)	0	(728)	2,166	2,138
At 31 Mar 18	647,813	13,728	491	5,647	13,699	681,380
Depreciation and Impairment						
At 1 Apr 17	(32,290)	(1,108)	(277)	0	(2)	(33,676)
Accumulated Depreciation written out to gross cost/valuation	16,882	563	0	0	1,236	18,681
Accumulated Impairment written out to gross cost/valuation	16,684	294	0	0	0	16,978
Depreciation Charge	(16,803)	(587)	(71)	0	(2)	(17,463)
Impairment losses/reversals to Revaluation Reserve	(3,170)	(205)	0	0	0	(3,374)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	(11,154)	0	0	0	(4)	(11,158)
Derecognition - Disposals	124	0	0	0	0	124
Other movements in depreciation and impairment	(9)	9	0	0	(1,234)	(1,234)
At 31 Mar 18	(29,736)	(1,033)	(348)	0	(6)	(31,124)
Net Book Value						
At 31 Mar 18	618,077	12,695	143	5,647	13,694	650,257
At 31 Mar 17	627,661	13,420	214	1,264	10,785	653,346

2018/19	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 18	647,813	13,728	491	5,647	13,699	681,378
Additions	21,773	310	0	20,491	372	42,947
Accumulated Depreciation and Impairment written out to gross cost/valuation	(47,653)	(759)	0	0	(6)	(48,418)
Revaluation increases/decreases to Revaluation Reserve	24,249	500	0	0	(2,583)	22,166
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(5,036)	86	0	0	(733)	(5,683)
Derecognition - Disposals	(5,308)	(52)	0	0	(417)	(5,778)
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	0	0
Other Movements in cost valuation	2,837	(1,159)	0	(1,470)	(69)	140
At 31 Mar 19	638,675	12,653	491	24,667	10,263	686,752
Depreciation and Impairment						
At 31 Mar 18	(29,736)	(1,033)	(348)	0	(6)	(31,123)
Accumulated Depreciation written out to gross cost/valuation	33,389	530	0	0	6	33,925
Accumulated Impairment written out to gross cost/valuation	14,264	230	0	0	0	14,493
Depreciation Charge	(17,962)	(582)	(71)	0	(0)	(18,615)
Impairment losses/reversals to Revaluation Reserve	0	(301)	0	0	0	(301)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - Disposals	86	0	0	0	0	87
Other movements in depreciation and impairment	(49)	44	0	0	0	(4)
At 31 Mar 19	(7)	(1,112)	(419)	0	(0)	(1,539)
Net Book Value						
At 31 Mar 19	638,668	11,541	72	24,667	10,264	685,213
At 31 Mar 18	618,077	12,695	143	5,647	13,694	650,257

Other assets including district boiler houses have been classified as intrinsic to the day to day operation of the housing estates in which they are located and as such have no asset value in their own right. Garage structures are valued based upon capitalised income streams.

Other operational property plant and equipment such as estate shops and area housing offices are held within the General Fund Asset Register.

(b) Vacant possession

	£m
Value as at 1 Apr 18	1,554

The difference between the Balance Sheet valuation of dwellings shown at (a) above and the vacant Possession value reflects the economic cost to Government of providing Council Houses at less than open market rents.

**Note 4 Major Repairs Reserve**

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital expenditure is then funded from the reserve without being charged to the Housing Revenue Account.

2017/18 £000		2018/19 £000
5,219	Balance as at 1 April	9,669
17,463	Depreciation in the year	18,615
2,619	Transfer to MRR	1,977
(15,632)	Financing of Capital Expenditure	(19,665)
9,669	Balance as at 31 March	10,596

**Note 5 Financing of Capital Expenditure**

Capital expenditure on Land, Houses and Other Property within the HRA was financed as follows:

	2018/19 £000
Borrowing Need	0
Capital Receipts	2,902
Revenue Contributions	17,805
Government Grants / Other Capital Income	2886
Major Repairs Reserve	19,665
Total	43,258

During the year total capital receipts of £6.922m were received by the HRA, of which £5.015m was available to support capital expenditure within the Council

**Note 6 Depreciation**

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2018 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2018 and has been calculated using the 'straight line' method over 15 years.

**Note 7 Impairment**

A net impairment charge of (£4.950m) has been included in the HRA Income and Expenditure Account (£10.221m in 2017/18). This charge is reflected in the HRA Income and Expenditure Account in arriving at the surplus on the provision of HRA Services. In accordance with proper accounting practice the Council reversed out the impairment charge in determining the movement on the HRA balance.

**Note 8 Rent Arrears & Other Provisions for Bad and Doubtful Debts**

2017/18 £000	Rent Arrears	2018/19 £000
4,505	Current Tenants	4,109
3,389	Former Tenants	4,246
7,894	As at 31 March	8,355

As at 31 March 2019, the level of rent arrears for current tenants as a proportion of gross rent income was 4.89% (2017/18 5.29%).

2017/18 £000	Bad Debt Provision in respect of rent income	2018/19 £000
3,813	As at 1 April	3,855
779	Increase in Provision	851
(737)	Utilised in year	(74)
3,855	As at 31 March	4,632

Provision has also been made in the accounts for write-offs in respect of tenants' and former tenants' rechargeable repairs are as follows:

2017/18 £000	Bad Debt Provision in respect of the rechargeable repairs	2018/19 £000
556	As at 1 April	531
51	Increase in Provision	42
(76)	Utilised in year	(118)
531	As at 31 March	455

#### **Note 9 Interest Payable and Other Charges**

This is the cost of external interest payable together with the cost of debt redemption premium.

#### **Note 10 Contributions to and from the Pensions Reserve**

Local authorities are required to account for their pension costs on an IAS 19 basis, but to reverse the impact of IAS 19 based accounting to the Pensions Reserve to ensure that it does not impact on housing rents.

**THE COLLECTION FUND**

By statute, Billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates (NNDR), and Council Tax received by the Council during the accounting period and the distribution of these funds.

**REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2019**

2017/18				2018/19			Note
Council Tax	Non Domestic Rates	Total		Council Tax	Non Domestic Rates	Total	
£000	£000	£000		£000	£000	£000	
117,044		117,044	Council Tax Receivable	125,950		125,950	2
	77,102	77,102	National Non-Domestic Rates (excluding write-offs)		76,422	76,422	
	(4,640)	(4,640)	NNDR Transitional Payments		(2,773)	(2,773)	
<b>117,044</b>	<b>72,462</b>	<b>189,506</b>	<b>Total Income</b>	<b>125,950</b>	<b>73,649</b>	<b>199,599</b>	
<b>Precepts:</b>							
97,717	33,227	130,944	Rotherham Metropolitan Borough Council	105,086	34,411	139,497	
	33,495	33,495	Central Government		34,890	34,890	
10,792		10,792	- South Yorkshire Police and Crime Commissioner	11,782		11,782	
4,705	674	5,379	South Yorkshire Fire & Civil Defence	4,917	700	5,617	
113,214	67,396	180,610		121,785	70,001	191,786	
<b>Distribution of previous years surplus(deficit):</b>							
3,000	1,831	4,831	Rotherham Metropolitan Borough Council	3,000	323	3,323	
	1,868	1,868	Central Government		329	329	
338		338	- South Yorkshire Police and Crime Commissioner	298		298	
150	37	187	South Yorkshire Fire & Civil Defence Authority	130	7	137	
3,488	3,736	7,224		3,428	659	4,087	
<b>Charges to Collection Fund:</b>							
249	295	544	Write off of uncollectable amounts	383	362	745	
556	378	934	Increase/(Decrease) in bad debt provision	983	359	1,342	
	2,226	2,226	Increase in provision for appeals		19	19	
	303	303	Cost of Collection		300	300	
	443	443	Disregarded amounts		540	540	
805	3,645	4,450		1,366	1,580	2,946	
<b>117,507</b>	<b>74,777</b>	<b>192,284</b>	<b>Total amounts charged to the Collection Fund</b>	<b>126,579</b>	<b>72,240</b>	<b>198,819</b>	
(463)	(2,315)	(2,778)	Surplus/(Deficit) arising during the year	(629)	1,409	780	
<b>Collection Fund Balance</b>							
(463)	(2,315)	(2,778)	Surplus/(Deficit) arising during the year	(629)	1,409	780	
6,404	2,999	9,403	Surplus brought forward	5,941	684	6,625	
5,941	684	6,625	Surplus carried forward	5,312	2,093	7,405	4

**Notes to the Collection Fund Statement****Note 1 Council Tax**

The Council Tax system involves the categorisation of properties into bands (A-H) dependent upon their value. It is a requirement of the Local Government Finance Act 1992 that the basis on which the Council Tax is calculated should be expressed as a ratio of the Band D equivalent. Totals of properties falling into bands other than Band D therefore have to be adjusted to reflect their relationship to this band. The effect of this for 2018/19 is shown below.

Adjustments to the Council Tax base to reflect the estimated collection rate of Council Tax are also set out below:

Band	Number of Band D Equivalents properties	Ratio to Band D	Collection Rate @ 97%
A	27,385	6:9	26,563
B	14,889	7:9	14,442
C	11,965	8:9	11,606
D	8,329	9:9	8,079
E	5,261	11:9	5,103
F	2,349	13:9	2,279
G	1,139	15:9	1,105
H	65	18:9	63
	71,382		69,240

**Note 2 National Non-Domestic Rates (NNDR) – Business Rates**

Business Rates are levied on non-domestic premises at a rate in the pound determined by central government which is applied nationally (the national multiplier). The national multiplier in 2018/19 was 49.3 pence in the pound and a small business rating multiplier of 48.0 pence in the pound (47.9 pence and 46.6 pence respectively in 2017/18).

The NNDR income in 2018/19 after allowing for mandatory and discretionary reliefs of £76.422m (77.102m 2017/18) was based on a total rateable value of £189.3m as at 31 March 2019 (£189.2m as at 31 March 2018).

**Note 3 Discounts**

The Council does not operate a discount scheme for the early payment of council tax.

**Note 4 Collection Fund Balance**

The balance on the Collection Fund at 31 March 2019 is a surplus of £7.405m (£6.625m surplus 2017/18) and consists of a £2.093m surplus (£0.684m surplus 2017/18) relating to business rates to be distributed to the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a £5.312m surplus (£5.941m surplus 2017/18) in relation to council tax to be distributed to the billing Authority (Rotherham MBC), South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Civil Defence Authority as follows:

2017/18 Council Tax £000	2017/18 NNDR £000	2017/18 Total £000		2018/19 Council Tax £000	2018/19 NNDR £000	2018/19 Total £000
5,509	335	5,844	Billing Authority – Rotherham MBC	4,924	1,026	5,950
0	343	343	Central Government	0	1,047	1,047
301	0	301	Major Precepting Authorities:			
			- South Yorkshire Police and Crime Commissioner	274	0	274
131	6	137	- South Yorkshire Fire and Civil Defence Authority	114	20	134
5,941	684	6,625	Total	5,312	2,093	7,405

**Note 5**    **Parish Precepts**

Precept demands are issued by the parishes on the Council as Billing Authority. In turn the Council issues a precept on the Collection Fund for the year inclusive of the parish precepts payable. The payment of the parish precepts appears as a charge in the Comprehensive Income and Expenditure Account (see Note 4 Other Operating Expenditure).

**METROPOLITAN DEBT ADMINISTRATION**

The Council became responsible for the administration of the former South Yorkshire County Council (SYCC) Debt from 1 April 1986. The following statements account for the administration of the Metropolitan Debt.

2017/18 £000	Capital Account	2018/19 £000
(33,840)	Cash at bank 1 April	(3,012)
(35)	Transfer (from) Financial Instruments Adjustments Account	0
0	Adjustment to loans outstanding for interest accruals	0
39,709	Add: Expenditure in the year – Loans repaid	811
5,834		(2,201)
	Less Income:	
0	Loans raised	0
8,846	Repayments by Relevant Authorities	10,499
(3,012)	Cash at bank 31 March	(12,700)

2018/19 £000	Revenue Account	2018/19 £000
3,220	Interest Paid on Outstanding Loans	1,859
49	Management and other expenses	13
3,269		1,872
	Less Income:	
62	Notional Interest	47
3,207		1,825
3,207	Recharge to Relevant Authorities	1,825
0		0

2018/19 £000	Balance Sheet as at 31 March	2018/19 £000
	Capital Liabilities	
37,828	Loans Outstanding	36,998
(3,012)	Cash at bank	(12,700)
34,816		24,298
	Capital Assets	
34,816	Advances Outstanding	24,298
	Reserves	
0	Financial Instruments Adjustments Account (FIAA)	0
34,816		24,298



**Note 1**      **Financial Instruments – Balances**

The borrowings disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Short Term	
	31 Mar 18 £000	31 Mar 19 £000	31 Mar 18 £000	31 Mar 19 £000
Financial liabilities (principal amount) - PWLB	36,189	19,689	811	16,500
Financial liabilities at amortised cost - PWLB	36,189	19,689	1,639	17,309
Loans and receivables (principal amount)	0	0	0	0
Loans and receivables at amortised cost	0	0	0	0

**Note 2**      **Financial Instruments – Maturity Analysis**

The maturity analysis of financial liabilities is as follows:

31 Mar 18 £000		31 Mar 19 £000
1,639	Less than one year	17,309
16,500	Between one and two years	19,689
19,689	Between two and five years	0
37,828		36,998

**Note 3**      **Financial Instruments – Fair Values****Fair Value of Financial Assets**

At 31 March 2019 the Metropolitan Administration Account had no Available for Sale financial assets measured in the Balance Sheet at fair value on a recurring basis (Nil at 31 March 2018). There were no transfers between input levels 1 and 2 during the year and there has been no change in the valuation technique used during the year for Available for Sale financial instruments.

**Fair Value of Financial Assets and Financial Liabilities not measured at Fair Value**

All other financial liabilities and financial assets represented by loans and receivables which are not measured at fair value but for which a disclosure is required are carried in the balance sheet at amortised cost. Their fair value has been assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early payment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount, either the principal outstanding or the billed amount.

The fair value of Public Works Loan Board (PWLB) loans of £37.996m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value (£0.997m) measures the additional interest that the Account will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Account has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay

as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £36.998m would be valued at £37.786m. But, if the Account was to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption by charging a premium equivalent to the additional interest, based on the redemption interest rates (£0.997m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £37.996m.

The fair values of the financial instruments are as follows:

31 Mar 18			31 Mar 19	
Carrying amount £000	Fair Value at Redemption rate £000		Carrying amount £000	Fair Value at Redemption rate £000
37,828	40,430	Financial Liabilities – Debt	36,998	37,996
0	0	Loans and Receivables	0	0

The fair value for financial liabilities is greater than the carrying value because the Account's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

#### **Note 4** Financial Instruments Adjustment Account

This reserve has been opened to hold the accumulated difference between the financing costs included in the Revenue Account and the accumulated financing costs required in accordance with regulations to be charged to the Metropolitan Debt Administration Account.

Unless directly attributable to a loan held at 31 March 2007 then all premiums and discounts carried on the Balance Sheet at that date were written off at 1 April 2007. Regulations allowed for this impact to be neutralised through transfer to this account. The balance is amortised to the Revenue Account in line with the provisions set down in the Council's accounting policies.

31 Mar 18 £000		31 Mar 19 £000
35	Balance at 1 April	0
0	Movement in year	0
(35)	Premium and discounts	0
0	Balance carried forward at 31 March	0

#### **Note 5** Authorised Limit and Operational Boundary

For the former SYCC, the Council's operational boundary for external debt for the year was £37m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £37m.

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## **GLOSSARY**

This listing will help Members and other readers to understand the terminology used within the Statement of Accounts.

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ADDED YEARS**

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers' must exercise this discretion in accordance with the national regulations.

### **ASSET**

An asset is a resource controlled by the Council as a result of past events from which future economic benefits or service potential is expected to flow to the Council.

- A current asset is an amount which is expected to be realised within 12 months.
- A non-current asset is an amount which is expected to be realised after more than 12 months.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **BORROWING**

Funding of capital investment by the use of loans from the Public Works Loans Board, other Local Authorities, banks or other lenders. Borrowing for which no financial support is provided by Central Government. The financing costs of which are met from the current revenue budgets.

### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

### **CAPITAL ADJUSTMENT ACCOUNT**

An account maintained to provide a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.

### **CAPITAL CHARGE**

A charge made to service revenue accounts to reflect the cost of Non-Current Assets used in the provision of services.

## **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **CAPITAL FINANCING**

Funds generated to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL PROGRAMME**

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

## **CAPITAL RECEIPT**

The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing. However under the Statutory Guidance on the Flexible Use of Capital Receipts, General Fund receipts received since 1 April 2016 can be used to fund revenue transformational costs.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy

## **COLLECTION FUND**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

## **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset 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.

## **CONTINGENT LIABILITY**

A contingent liability 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 of the obligation cannot be measured with sufficient reliability.

## **COUNCIL TAX**

A banded property tax that is levied on domestic properties. The banding is based on assessed

property values at 1 April 1991.

#### **CREDITOR**

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

#### **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

#### **DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

#### **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

#### **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's Non-Current Assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

#### **DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

#### **DEDICATED SCHOOLS GRANT (DSG)**

The Dedicated School Grant (DSG) is a ring fenced grant for the support of the Schools Budget, paid by the Department for Education and Skills (DfES) to the Local Council; it replaces the Schools Formula Spending Share (FSS).

#### **EARMARKED RESERVE**

A sum set aside in a reserve for a specific purpose.

#### **EQUITY**

The Council's value of total assets less total liabilities.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the audited Statement of Accounts is authorised for issue.

#### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

## **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FEES AND CHARGES**

Income arising from the provision of services e.g. the use of leisure facilities.

## **FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

This reserve was created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.

## **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **GENERAL FUND SERVICES**

Comprises all services provided by the Council with the exception of services relating to the provision of local Council housing – which are accounted for in the Housing Revenue Account. The net cost of General Fund services is met by council tax, Government Grants and Business Rates.

## **GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

## **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

## **HERITAGE ASSETS**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

## **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

## **HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

## **IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.



**INFRASTRUCTURE ASSETS**

Non-Current Assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are; highways, footpaths and bridges.

**INVENTORIES**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are; consumable stores, raw materials and products and services in intermediate stages of completion.

**INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

**NET INTEREST EXPENSE (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement less interest income earned on plan assets.

**INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investments for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

**INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that Fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

**LIABILITY**

A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources.

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which is expected to be settled within 12 months.
- A non-current liability is an amount which is expected to be settled after more than 12 months.

**LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

**LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

**MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**MAJOR REPAIRS RESERVE**

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital expenditure is then funded from the reserve without being charged to the Housing Revenue Account.

**MINIMUM REVENUE PROVISION (MRP)**

Prudent provision (MRP) is made annually for the repayment of debt relating to capital expenditure financed by borrowing or credit arrangements. The amount charged is determined having regard to the relevant statutory requirements and related guidance on MRP issued by MHCLG.

**NET BOOK VALUE**

The amount at which property, plant and equipment are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**NET DEBT**

The Council's borrowings less cash and liquid resources.

**NET EXPENDITURE**

Gross expenditure less specific grants and income for charging for services.

**NET REALISABLE VALUE**

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

**NON-DISTRIBUTED COSTS**

These are overheads for which no user directly benefits and as such are not apportioned to services

**NATIONAL NON-DOMESTIC RATES (NNDR)**

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of the Council, Central Government, and South Yorkshire Fire and Rescue with surplus and deficits in the Collection Fund being shared in the ratio specified by Business Rates Retention Regulations.

**OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

**PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect valuation date.

**PRECEPT**

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

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PRIVATE FINANCE INITIATIVE (PFI)**

A contract in which the private sector is responsible for supplying services that traditionally have been provided by the Council. The Council will pay for the provision of this service, which is often linked to availability, performance and levels of usage.

**PROPERTY, PLANT AND EQUIPMENT**

Tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**PRUDENCE**

Requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

**PRUDENTIAL CODE**

Under the prudential framework, local authorities make their own decisions how much and what capital investment to undertake, based on their judgement on affordability, prudence and strategic objectives. In making their decisions, local authorities are required to take account of the CIPFA Prudential Code.

**PWLB**

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury

**RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

**RELATED PARTIES**

There is a detailed definition of related parties in IAS24. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

**RELATED PARTY TRANSACTIONS**

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

**RE-MEASUREMENTS**

For a defined benefit pension scheme, the re-measurements comprise:

- (a) Changes in actuarial surpluses or deficits that arise because:
  - Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
  - The actuarial assumptions have changed
- (b) Return on plan assets excluding interest income which forms part of the pensions net interest expense

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

**RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

**RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVALUATION RESERVE**

Records unrealised revaluation gains arising (since 1 April 2007) from holding Non-Current Assets.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on Provision of Services.

**REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

**TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

**TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

**USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

**WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the end of the financial year.

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Email: [central.finance@rotherham.gov.uk](mailto:central.finance@rotherham.gov.uk)

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**Slovak**

**Ak vy alebo niekto koho poznáte potrebuje pomoc pri pochopení alebo čítaní tohto dokumentu, prosím kontaktujte nás na vyššie uvedenom čísle alebo nám pošlite e-mail.**

**Kurdish Sorani****کوردی سۆرانی**

نهگهر تو یان کهسینک که تو دهیناسی پیویستی بهیارمەتی هەبیت بو نهوهی لهم بهلگهنامه یه تیبگات یان بیخوینیتهوه، تکایه پهیوهندیمان پیوه بکه لهسهه نهو ژمارهیهی سههوهدا یان بهو نیمهیه.

**Arabic****عربي**

إذا كنت انت أو اي شخص تعرفه بحاجة إلى مساعدة لفهم أو قراءة هذه الوثيقة، الرجاء الاتصال على الرقم اعلاه، أو مراسلتنا عبر البريد الإلكتروني

**Urdu****اُردو**

اگر آپ یا آپ کے جاننے والے کسی شخص کو اس دستاویز کو سمجھنے یا پڑھنے کیلئے مدد کی ضرورت ہے تو برائے مہربانی مندرجہ بالا نمبر پر ہم سے رابطہ کریں یا ہمیں ای میل کریں۔

**Farsi****فارسی**

اگر جناب عالی یا شخص دیگری که شما اورا می شناسید برای خواندن یا فهمیدن این مدارک نیاز به کمک دارد لطفاً با ما بوسیله شماره بالا یا ایمیل تماس حاصل فرمایید.

# ROTHERHAM MBC

## NARRATIVE REPORT 2018/19



**110<sup>2</sup>m**

Rotherham is a borough covering 110 square miles



Rotherham's population of 263,400 mostly live in urban areas



Rotherham has 60,900 children aged 0-15 and 26,100 young people aged 16-24



The population is ageing, with 66,400 people aged over 60



22,600 are aged over 75 and 6,000 over 85 with an additional 650 over 85s expected by 2021

Rotherham has a diverse community which included over 20,000 people from minority ethnic groups (8.1%) in 2011. The largest communities are Pakistani/Kashmiri and Slovak/Czech Roma. It is also made up of many towns, villages and suburbs which form a wide range of geographic communities.

The borough benefits from a vibrant voluntary and community sector (VCS), comprising almost 1,400 organisations with 3,600 staff and around 49,000 volunteer roles.

It is estimated that the paid VCS workforce contributes £99m to the economy per annum and that volunteers provide approximately 85,000 hours of time per week.

Rotherham lost 14,000 jobs between 2007 and 2012, but job numbers have now reached 99,000 - above pre-recession levels. There are 7,115 enterprises in Rotherham, with the figure increasing by 29% over the last five years.



Average Attainment 8 score and the Progress 8 score for key stage 4 pupils (aged 16) are both slightly below the national average and the attainment of children from poorer families is considerably lower



Performance for children achieving a good level of development at the early years foundation stage (up to age 5) is above the national average and third highest in the region



Rotherham has a wealth of green space across the borough, in the form of country and urban parks, nature reserves, woodlands and playing fields. Although used well in some areas, others offer an often untapped resource within communities



In the town centre, award winning transformation work continues with new developments including Forge Island, university campus, market and interchange redevelopments, and new riverside housing

## **Narrative Report 2018/19**

### **Background**

The Accounts and Audit (England) Regulations 2015 introduced requirements for local authorities to produce and publish a narrative report in respect of each financial year and comment on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year. The narrative report, which replaces the explanatory foreword in the Statement of Accounts, needs to be published along with the financial statements/Statement of Accounts and the Annual Governance Statement, and has to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. This requires that there should be a narrative report to accompany the financial statements and that this should be based on the information contained in the annual Statement of Accounts.

### **Introduction**

This Narrative Report summarises what Rotherham Metropolitan Borough Council (RMBC) spent in 2018/19, how it was spent and what has been achieved in line with the Council's priorities and specific improvement agenda. It provides a narrative context to the accounts by presenting a clear and simple summary of the Council's financial position and performance for the year and its prospects for future years.

The Narrative Report has been produced by the Council to better inform residents about how and where money is spent by the Council in the current specific context of its work towards strengthening its governance arrangements, improving the value for money of the services it provides and how it demonstrates leadership for local communities.

The Narrative Report sets out the Council's behaviours, values and standards for how it will conduct itself and sets out some of the key governance, operational and financial challenges it continues to face and seek to address in order to ensure it can operate in an open, accessible and transparent way.

### **Governance**

The Council is in a far better place than when it started its improvement journey following the publication in February 2015 of a Corporate Governance Inspection (CGI) report which led to central Government issuing legislative directions to appoint a team of Commissioners to take overall executive decision-making at the Council.

In response to the report, the Council implemented an improvement strategy and as a result continues to make improvements to its services:

- The Children's and Young People's services were rated as 'good' by Ofsted,
- Rotherham continues to be the fastest growing economy in Yorkshire, and
- The final Independent Health Check stated that the pace of improvement across the Council had increased beyond the Government's expectations.

As a result of the improvements made, Government intervention ceased on 31<sup>st</sup> March 2019 and Council services have returned to democratic control.

## About Rotherham

Rotherham Metropolitan Borough covers 110 square miles, featuring a wide range of urban, suburban and rural environments with 70% being open countryside. One of four South Yorkshire districts, Rotherham is centrally placed within the Sheffield City Region. The Borough has a growing population of 260,800 which is also ageing, with almost one in four aged over 60 years. The population has become increasingly diverse, with one person in 12 (8.1% in the 2011 Census) belonging to a minority ethnic group (though this remains lower than the national average of around 13%).

Rotherham has a proud industrial heritage based on coal and steel but these have declined over recent decades and the Borough has undergone a transition to a more modern economy.

Large scale job losses affected Rotherham during the last economic downturn but the employment rate is rising again. A little over 100,000 jobs are now based in Rotherham and 44,000 people travel to workplaces outside the Borough.

Rotherham has excellent transport links to the rest of the country with easy access to the M1 & M18 motorways, a rail network (including four stations within the Borough) and bus services. There are five airports within 50 miles, including Robin Hood airport which is less than 20 miles away. Rotherham offers a good quality of life combined with a relatively low cost of living.

Despite a range of positive developments and opportunities the legacy of previous industrial decline continues to cause issues across Rotherham, which the Council continues to prioritise. Rotherham is ranked the 52<sup>nd</sup> most deprived district in England, mainly as a result of: poor health, worklessness and low levels of adult qualifications (this is despite very positive performance in terms of attainment in Rotherham's schools).

## Vision and Priorities

The Council Plan published in 2017 sets out the Council's vision which is:

Rotherham is our home, where we come together as a community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper, and where no one is left behind.

To achieve this, the Council will work in a modern, efficient way, to deliver sustainable services in partnership with our local neighbourhoods, looking outwards yet focused relentlessly on the needs of our residents.

To this end the Council has set out four priorities or vision themes:

- *Every child making the best start in life*
- *Every adult secure, responsible and empowered*
- *A strong community in a clean, safe environment*
- *Extending opportunity, prosperity and planning for the future*



This is underpinned by a corporate commitment to provide value for money, customer-focused services, make the best use of the resources available to us, be outward looking and work effectively with partners; as part of demonstrating that RMBC is '*a modern, efficient council*' in line with the above vision.

### **Delivering the vision and priorities**

During the period 2011/12 to 2018/19 the Council has made ongoing savings of £177m in response to the Government's austerity measures which have resulted in substantial reductions to local authority funding. The Council's Medium Term Financial Strategy identified a funding gap of £30m over the period 2019/20 and 2020/21. In setting its budget for 2019/20, the Council set out proposals for a balanced two-year budget. In doing so, £24m of budget savings have been identified, which, together with further efficiencies and recently announced additional funding, have all contributed to bridge the funding gap. In responding to the cross cutting theme of being a 'modern and efficient Council', the Council will continue to examine service change and improvement work across the Council. One of the key drivers to this will be the Customer Services and Digital Programme, which consists of a number of business cases and projects including the implementation of underlying technology required by the programme, service redesign and projects to deliver digital solutions and efficiencies across the Council.

Whilst the Council is becoming smaller in size, it is focused on being bigger in influence. This means a changing role for the Council involving stronger civic leadership, greater collaboration with and integrating and sharing services with other public sector organisations.

The Council recognises that it needs to build on individual and community assets to enable people to live more independently, for longer, with the support of their family, social networks and local neighbourhood resources. This also means the Council needs a clearer focus and prioritisation of resources – in some cases stopping doing some of what it has traditionally done before.

Each Directorate has developed its own service plans to support delivery of the refreshed Council Plan for 2019/20 as well as the Medium Term Financial Strategy. A focus on continuous improvement, early intervention, cross-directorate working, implementing good practice and raising standards runs through all these service business plans.

Partnership working is also recognised across all services as being essential to the future of the Borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and strengthen local communities.

### **Working in partnership**

The Council is one of a number of organisations - including major public bodies (such as: the Police, Health Agencies, education and the Fire and Rescue service), local businesses and the voluntary and community sector - working together as "The Rotherham Together

Partnership” to deliver improvements for local people and communities by combining their knowhow and resources.

The Partnership has launched the Rotherham Plan 2025: a new perspective, which sets out a framework for its collective efforts to create a Borough that is better for everyone who wants to live, work, invest or visit here. It sets out some of the big projects, or “game changers”, that partners will be focusing on until 2025:

- **Building strong communities** where everyone feels connected and able to actively participate, benefitting them and their communities:
- **Raising skills levels and increasing employment** opportunities, removing the barriers to good quality, sustainable employment for local people:
- **Integrating health and social care** to deliver joined up services for our residents that are easy to access:
- Building on the assets that make Rotherham **a place to be proud of: and**
- Creating a vibrant **town centre** where people want to visit, shop and socialise.

Rotherham’s Plan 2025 forms part of a bigger picture which includes a number of partnership boards and less formal bodies that are developing plans and delivering activity in the Borough.

### **The Council’s Performance Management Framework and Service Plans**

The Council’s Performance Management Framework outlines the authority’s performance management principles which are:

- *Honesty and Transparency;*
- *Timeliness;*
- *Working together; and*
- *Council-wide responsibility.*

In addition to these principles, the Council’s Performance Framework is a critical means by which the Council can make use of performance information to challenge its effectiveness and work to improve services and make them more customer focussed. The Framework is structured around a continuous improvement and performance management cycle and aims to provide an overview of the Council’s performance management arrangements at every level of the organisation.

The Framework is a key tool in ensuring that all staff and councillors understand how their individual contributions are critical in enabling the entire organisation to deliver effective services, continuous improvement and value for money for the people of Rotherham.

Service Plans are a vital part of the Performance Management Framework, in addition to the over-arching Council Plan, they set out what the Council needs to deliver, focus on and improve; as well as how this will be achieved. The Framework provides the critical ‘golden thread’ to ensure that the Council is working effectively together, across all services, to achieve its strategic priorities.

The Council Plan 2017-2020 sets out the Council's overall vision and includes indicators and measures that will demonstrate its delivery. Quarterly reports on Council performance were presented to the Cabinet during 2018/19. At the end of the fourth and final quarter (January to March 2019) 34 measures had either met or had exceeded the target set in the Council Plan. This represents 58% of the total number of measures where data is available or where targets have been set. The direction of travel is positive for 33 (52.4%) of the indicators measured in the final quarter.

Some of the Council's key achievements in 2018/19 were:

- Period of government intervention formally came to an end in March 2019, as confirmed by the Secretaries of State for Housing, Communities and Local Government; Department for Education
- Adopted new neighbourhood working arrangements, including co-located Council staff and local policing teams, to tackle anti-social behaviour and community protection under one roof in Rawmarsh, Maltby and Central
- An Ofsted Focussed Visit took place in March 2019, reviewing the permanence planning arrangements for looked after children concluded that LAC in Rotherham are receiving a "Strong service" that has "Significantly improved"
- Implemented new waste and recycling services across Rotherham to time and budget, with the new waste and recycling services now being delivered to over 110,000 households
- Building Stronger Communities - 25 projects delivered through the Controlling Migration Fund programme to tackle cohesion and around 400 pupils and students attended a special event to learn about the 'harms of hate'
- Town Centre Masterplan developments – Muse appointed as the Council's development partner for the leisure development on Forge Island, new University Centre Rotherham (UCR) opened and Rotherham Interchange reopened following £12m refurbishment
- Rotherham's £4.4 billion economy announced as still among the fastest growing in the north
- Successful management with partners of 'Winter Pressures' supporting people's independence skills and timely discharge from hospital – 90 fewer people supported in residential/nursing care as more living at home.

### **Financial performance for the year**

Included alongside this report is the Council's annual Statement of Accounts. The Statement of Accounts summarises the Council's financial performance during the year ended 31<sup>st</sup> March 2019 and shows its overall financial position at the end of that period. By law, all local authorities must produce a Statement of Accounts every year. They contain all the financial statements and disclosure notes required by statute and have been prepared in accordance with the Code of Practice on Local Authority Accounting for

2018/19 together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy ('CIPFA').

The key sections included in the Statement of Accounts are:

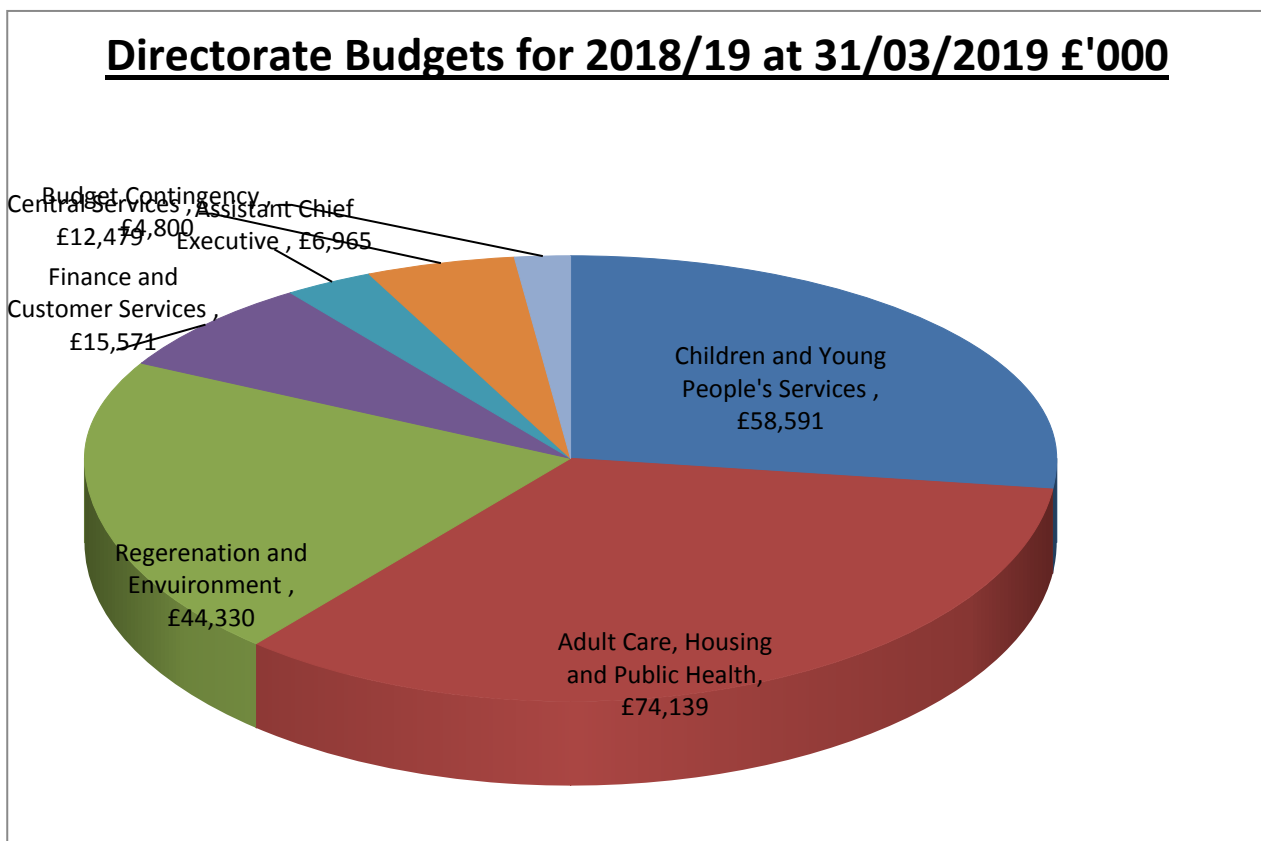
- *Statement of Responsibilities*  
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*  
This account summarises the revenue costs of providing all Council services and the income and resources received in financing the expenditure.
- *Movement in Reserves Statement*  
This statement shows the movement during the year of the different reserves held by the Council.
- *Balance Sheet*  
The Balance Sheet includes information on the Council's non-current and current assets, short term and long term liabilities and the balances at its disposal at the reporting date.
- *Cash Flow Statement*  
This statement provides a summary of the flow of cash into and out of the Council for revenue and capital purposes.
- *Notes to the Core Financial Statements*  
These notes expand on important points shown in the Core Statements and provide further explanation of movements and balances.
- *Housing Revenue Account (HRA)*  
This account reflects the statutory obligation under the Local Government and Housing Act 1989 to show separately the financial transactions relating to the provision of local Council housing.
- *Collection Fund Statement*  
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue and the Police and Crime Commissioner ).

**Revenue & Capital Expenditure Outturns**

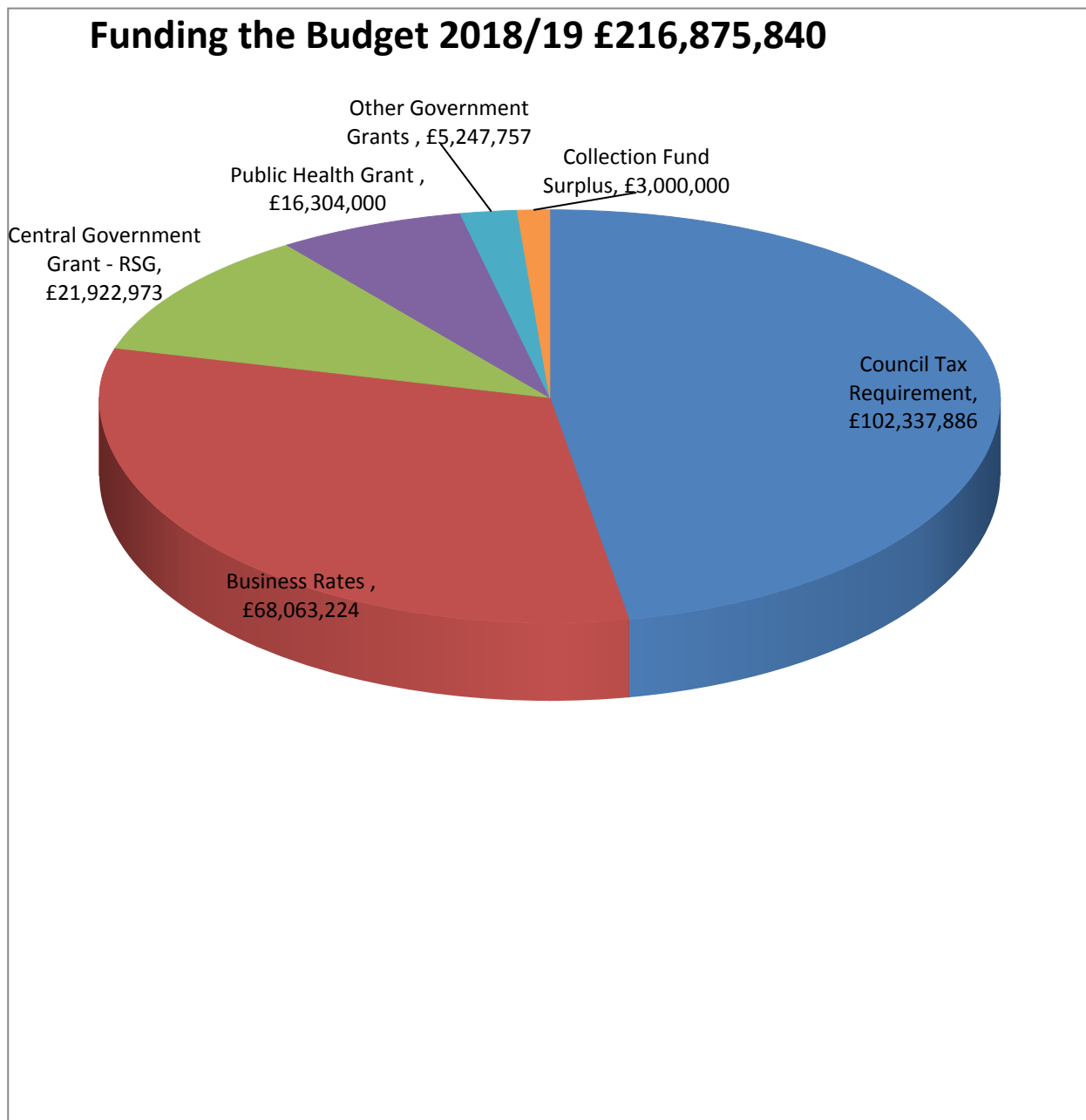
A summary of the Council's revenue and capital outturns for 2018/19 is included in the following paragraphs. Further details were reported to Cabinet on the 8<sup>th</sup> July 2019. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

**Revenue expenditure overview**

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2018/19 was £216.876m (after taking account of income from specific grants and fees and charges) and was split by Directorate as follows;



The net expenditure was budgeted to be funded by:



## Revenue Outturn

### General Fund Services

The Council set an original revenue budget for General Fund services (excluding schools) of £216.875m as outlined above, together with planned use of £5.2m corporate reserves as part of a £10m budget risk contingency. Total expenditure on services was £226.477m which is an overspend of £9.602m against service budgets. However, actions taken during the year to mitigate these additional service costs, including use of earmarked reserves, utilisation of capital receipts flexibility and additional grant funding received in-year, resulted in these additional costs being covered and there was also a reduced call on the planned use of corporate reserves, using £2.017m of the £5.2m set aside. The balance of £3.183m is available to support the budget in later years.

The principal reasons for the net £9.602m overspend on services are:

- A £4.661m overspend within the Adult Care, Housing and Public Health Directorate predominantly due to: increased demand for services particularly in respect of residential and nursing care budgets across all client groups, the rising cost of care packages and delays in the delivery of savings plans;
- An overspend of £15.646m on Children and Young People's Services, which is largely due to demand for services outstripping budget capacity. The increase in the number of Looked After Children has also placed significant pressure on Legal Services within the Finance and Customer Services Directorate;
- A £0.102m underspend on Regeneration and Environment Services. There were significant pressures as a result of delays in the delivery of savings, continuing additional demand for Home to School Transport, loss of contracts in the catering service and void units within the market. Management action was taken to mitigate these, which included restricting services to only essential spend and vacancy control;
- A £0.971m underspend within the Council's Finance & Customer Services and Assistant Chief Executive's Directorates, predominantly due to the additional income from the recovery of Housing Benefit overpayments and vacancy control;
- A £4.848m underspend in Council-wide Services, mostly arising from: savings from Treasury Management activity, reviews of PFI funding and payment profiles, business rates relief grant income and the finalisation of inflation funding requirements.
- Use of the budgeted risk contingency of £4.784m

### Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £3.369m relating to School Delegated Budgets. As can be seen below, this represents an increase of £1.968m on the previous year.

2017/18 £m		2018/19 £m
1.401	Unspent Schools' Budgets	3.369m

### Housing Revenue Account Income and Expenditure Account

For 2018/19, the Income and Expenditure Account shows a surplus on the provision of HRA services of £3.996m. This is adjusted for items which are charged to the HRA under normal accounting practice but which are disregarded in determining the amount to be met by rent payers. These adjustments amounted to £15.092m and led to an overall deficit of £10.968m for 2018/19 which is principally due to an increase in the revenue funding of capital costs resulting from an increased capital programme offset by a decrease in the provision for bad debts and an increase in income.

The balance on the HRA at the end of 2018/19 was £26.539m. Under self-financing, all the risks of managing housing rest with the Council. This means that the Council needs to maintain a higher level of HRA reserves in order to fund all expenditure relating to the management and maintenance of housing stock and mitigate any potential risks the Council now faces. These risks include the costs of impairment/revaluation of non-dwellings which is a real charge to the HRA and welfare reform which brings additional risk of lower income collection and increased costs of collection.

### **Reserves**

The Council manages its funds between two categories of reserves: usable reserves and unusable reserves.

*Usable reserves* are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support revenue spending directly).

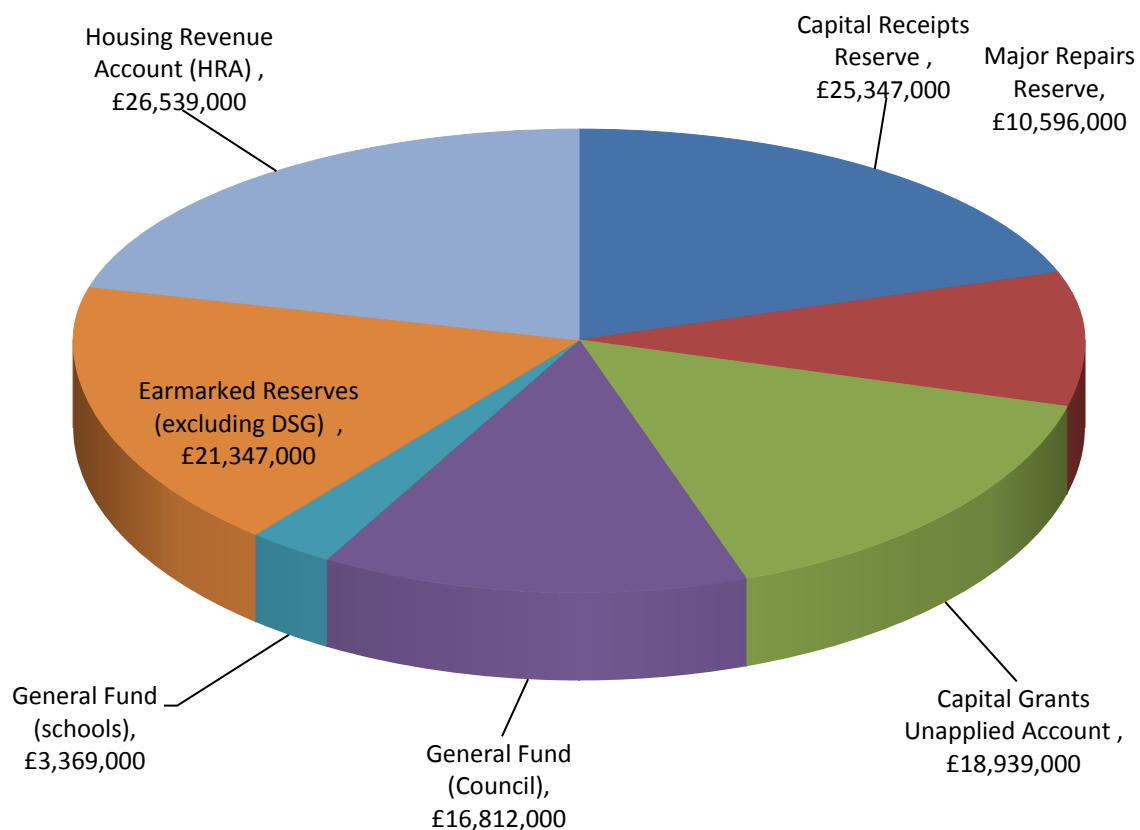
*Unusable reserves* are funds that cannot be used to provide services or used for day to day running costs. The unusable reserves hold funds that have 'unrealised gains or losses'. For example, the Council has assets such as land and buildings whose value changes over time, so these funds can only be 'unlocked' and turned into usable funds if the assets are sold.

As at 31<sup>st</sup> March 2019, the Council held £122.949m of usable reserves (excluding Dedicated Schools Grant) . Included within this balance are capital reserves of £54.882m, which can only be used to finance capital expenditure or repay debt. They cannot be used to support revenue spending directly. There is currently a deficit balance on the Dedicated Schools Grant, which in accordance with Government policy, can be carried forward, with the deficit to be addressed in future years. The Children and Young People's Service has developed a recovery plan to clear the deficit over the next few years. The plan is subject to Government approval.

This leaves £68.067m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes.



## Useable Reserves As at 31 March 2019 £122.949m -(Excluding Dedicated Schools' Grant - DSG)



The uncommitted General Fund balance of £16.812m is considered to be a reasonable level of reserves to protect the Council against unforeseen events and the realisation of contingent liabilities.

A breakdown of the in-year movement on each of the usable reserves can be found in the Movement in Reserves Statement.

### Capital Expenditure Overview

Capital spending is generally defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred.

Total capital expenditure in 2018/19 amounted to £91.643m and is analysed by Directorate as follows:

<b>Directorate/Service</b>	<b>2018/19 £m</b>
Children & Young People Services	7.427
Adult Care & Housing:	
- Housing Revenue Account	43.258
- Housing General Fund	3.329
Adult Social Services	0.992
Regeneration & Environment	32.074
Finance & Customer Services	4.562
<b>Total</b>	<b>91.643</b>

The capital expenditure was financed as follows:

	<b>2018/19 £m</b>
Borrowing	20.701
Major Repairs Allowance (MRA)	19.665
Grants & Other Contributions	23.293
Capital Receipts	10.162
Internal Funds (e.g. Reserves, etc.)	17.822
<b>Total</b>	<b>91.643</b>

Major items of capital expenditure incurred are as follows:

	<b>2018/19 £m</b>
<i><u>Non Housing:</u></i>	
Carriageway Resurfacing	4.937
Unclassified Roads	2.472
Pavement Improvements	1.005
Crinoline Bridge Repairs	1.090
Waste Management Bins and Waste Management Vehicles	5.383
Wath Primary School	1.250
Rother Valley Country Park – Caravan Park	4.530
Grounds Maintenance Equipment	1.022
<i><u>Housing Investment Programme:</u></i>	
Housing Conversions / Improvements	2.473
Replacement of Central Heating Systems	2.251
Voids Programme	2.797
Refurbishment of Council Housing Stock	8.758
Adaptations	1.997
Housing Site Clusters for the development of mixed tenure properties	16.922
Bellows Rawmarsh	3.906
Furnished Homes	1.324

## Treasury Management & Prudential Indicators

A summary of the Council's borrowing activities for 2018/19 is shown below. Further details of the Council's Treasury Management activities and prudential indicators will be reported to the Cabinet Meeting on the 8<sup>th</sup> July 2019. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

The Council's borrowing activities are summarised as follows:

<b>2017/18 £m</b>	<b>Long Term Borrowing</b>	<b>2018/19 £m</b>
447.007	Balance as at 1 April	419.701
	<u>Plus:</u>	
0.000	New long-term borrowing	0.000
(27.306)	Re-classified as temporary borrowing (repayable in the following financial year)	(12.313)
<b>419.701</b>	<b>Balance as at 31 March</b>	<b>407.388</b>

<b>2017/18 £m</b>	<b>Short Term Borrowing</b>	<b>2018/19 £m</b>
52.299	Balance as at 1 April	145.306
	<u>Plus:</u>	
118.000	New temporary borrowing	167.000
27.306	Re-classified from long-term borrowing	12.313
197.605		324.619
(30.000)	Repayments in the year	(118.000)
(22.299)	Repayment of prior year's reclassified long-term borrowing	(27.306)
	Plus accrued interest	3.766
<b>145.306</b>	<b>Balance as at 31 March</b>	<b>183.079</b>

## Balance Sheet

The *Balance Sheet* presents the Council's financial position, i.e. its net resources at the financial year end. The balance sheet is composed of two main balancing parts i.e. its net assets and its total reserves. The net assets part shows the assets of the Council would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the Council.

## Key Changes in Accounting Policy

The Council's Financial Statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the CIPFA Code of Practice on Local Authority Accounting for 2018/19. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

The key change for 2018/19 has been in respect of International Financial Reporting Standard 9 which is considered to be primarily a re-classification exercise of financial instruments. Given the Council's low risk investment strategy, the impact is minimal.

There have been no Accounting Policy changes for 2018/19, however it should be noted that under the Accounts and Audit Regulations 2015, since 2017/18 local authorities are required to publish their unaudited accounts by 31<sup>st</sup> May, a month earlier than the previous regulations, whilst the Audited Financial Statements require publication by 31<sup>st</sup> July, this being two months earlier than previous requirements.

### **Risks and Opportunities**

Delivery of the agreed budget over the next two years presents a significant financial challenge for the Council, having regard to the current spending levels in social care services, which are not sustainable beyond 2018/19. It is essential that the cost reductions and budget savings now agreed are delivered and delivered within the timescales set within the budget. The Council's MTFs to 2021/22 will be kept under review and updated as necessary following the release of future local authority funding information from the Government which is expected in Autumn 2019 through the Spending Review, Fair Funding Review and Review of the Business Rates Retention Scheme.

A proportion of the budget options proposed for 2019/20 and 2020/21 require a significant shift in the way some services are currently delivered. Plans are in place to ensure that delivery of savings is managed and monitored, with regular reports to elected Members on progress against the agreed saving targets.

The cross-cutting theme, "to be a modern and efficient Council", also remains valid and applies to all service change and improvement work across the Council. The Customer Services and Digital Programme is one of the key drivers of this theme alongside the specific work being carried out in the Social Care Services.

### **Financial Outlook**

The ongoing financial challenges faced by the Council are similar to those of other local authorities, these being: reductions in Government funding, increased demand for social care services as a result of a growing population and the impact of inflation. This budget challenge means that the Council must be responsible in its budget setting approach: giving precedence to investment and savings proposals that best contribute to the Council's priorities and the needs of Rotherham's residents, and that ensure that best value is demonstrated across the breadth of Council services. This means a changing role for the Council. Stronger civic leadership, greater collaboration, integration and shared services with other public organisations are all progressing and will continue to do so. The financial challenge also means a new approach that builds on individual and community assets to enable people to live more independently, for longer, with the support of their family, social networks and local neighbourhood resources. It also means a clear focus and prioritisation of resource – and in some cases stopping doing things that the Council has traditionally done before

By the end of the decade, the Council will have made over £200m of savings since 2011, reduced its headcount by approximately 1,800 staff (over 1,000 full time equivalent posts),

whilst minimising the Council Tax burden on households as much as possible when real term incomes for Rotherham residents have not been increasing.

In the last two years, the Council has changed the way in which it works with other agencies in order to implement these changes. Despite the unprecedented financial pressures, the Council will have to focus on delivering better services, focussed on the priorities set by the public.

The Council continues however to face significant financial pressures going forward, particularly in respect of social care for both adults and children. The Council has updated its Medium Term Financial strategy and made budget proposals for both the 2019/20 and 2020/21 financial years, including proposals to bridge the £30m funding gap which was identified over this period, which were approved by Council in February 2019.

It is also important to underline the spending level of the Council despite funding cuts. With a current proposed revenue budget of £221m in 2019/20 together with proposed capital expenditure of £103m, the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region. The recently agreed Sheffield City Region Devolution deal which will initially run until 2022 will also provide opportunities to support housing, transport and skills training across the region and within the Borough.

The challenge is to ensure the sustainability of the Council to deliver services and deliver against the Council's stated priorities. This means making carefully considered investment and savings decisions through to 2022 and in some cases making real cuts and reductions in service provision. This budget strategy is set against the particular demand pressures and cost challenges facing Rotherham. Residents are living longer, but with more long term health conditions and the numbers of Looked After Children is continuing to increase, which are stretching already squeezed health and social care budgets

Signed

**Judith Badger CPFA**

Strategic Director - Finance and Customer Services

Finance and Customer Services Directorate

Riverside House

Main Street

Rotherham

S60 1AE

Date

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
LEEDS  
LS1 4BN

30 July 2019

Dear Sirs

**Rotherham Metropolitan Borough Council**  
**Financial Statements for the year ended 31 March 2019**

This representation letter is provided in connection with the audit of the financial statements of Rotherham Metropolitan Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis 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.

**Information Provided**

- xiv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 30 July 2019.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Audit Committee**



# The Audit Findings (ISA260) Report for Rotherham Metropolitan Borough Council

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Year ended 31 March 2019

25 July 2019



# Contents



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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Appendices

- A. Action Plan
- B. Audit adjustments
- C. Fees
- D. Audit Opinion (proposed)

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rotherham Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council's income and expenditure for the year</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work commenced as planned at the beginning of June and, at the time of this report, remains ongoing. Our key audit findings are summarised in this report.</p> <p>Based on our audit work to date, we have not identified any adjustments that impact on the useable reserves of the Council, however, we have identified one adjustment affecting the Council's primary statements relating to pension liabilities resulting from the post year-end national McCloud judgement and the associated Guaranteed Minimum Pension indexation, the total adjustment is expected to amount to an increase in the pension liability of c£15m.</p> <p>We have identified some presentation amendments to the accounts which have been processed by management and these are listed at Appendix B. We have also raised a small number of recommendations for management as a result of our audit work in the Action Plan at Appendix A.</p> <p>Our work is currently progressing and, at this stage, there are no matters of which we are aware that would require modification of our proposed audit opinion (as set out at Appendix D), subject to the following outstanding matters:</p> <ul style="list-style-type: none"> <li>• finalisation of a testing and review of the work done by the engagement lead and manager in the following sections;</li> <li>• elements of testing on property, plant and equipment, finishing substantive testing of income streams and operating expenditure, work on the Housing Revenue Account and Collection Fund, completion of audit testing on debtors, creditors and reserves</li> <li>• final review of the updated pension fund liability and related disclosures in light of the changes required following the McCloud judgement and Guaranteed Minimum Pension (GMP) requirements</li> <li>• completion of work on disclosures in respect of related party transactions and PFI schemes</li> <li>• completion of our audit work on some notes to the accounts not included above in line with our audit approach</li> <li>• receipt of management's letter of representation (included as a separate item on the Audit Committee's agenda for 30 July)</li> <li>• review of the final set of financial statements.</li> </ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited, subject to satisfactory completion of our review of the Narrative Report and AGS.</p> <p>Subject to satisfactory completion of our audit work, we expect to issue an unqualified (clean) audit opinion by 31 July 2019.</p>
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# Headlines - continued

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## Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources .

We therefore anticipate issuing an unqualified 'clean' value for money conclusion, as detailed at Appendix D.

As part of our VFM work, we have noted the material deficit (of £15.1m) on the Council's Dedicated Schools Grant (DSG) reserve. We have raised a recommendation in relation to monitoring of the Council's recovery plan following the significant increase of c£10m noted in the deficit over the past two years. Should the deficit continue to increase in 2019-20 this may have implications for our 2019-20 VFM conclusion.

Our findings in relation to our VFM review are summarised in section 3 of this report.

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## Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- To certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code. We expect to be able to certify the conclusion of the audit once we have completed our review of the Council's Whole of Government Accounts (WGA) return. We anticipate issuing our audit certificate by the NAO's WGA deadline of 31 August 2019.

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## Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

## 2. Summary

### Overview of the scope of our audit

- This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management prior to reporting to the Audit Committee.
- As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our Audit Plan, as communicated to you on 29 January 2019

### Conclusion

Our audit work on your financial statements is currently ongoing. Subject to outstanding work and queries being satisfactorily completed and resolved (previously listed on page 3 of this report), we anticipate issuing an unqualified audit opinion following the Audit Committee on 30 July 2019, as detailed at Appendix D.

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our Audit Plan in January 2019. Our determination of materiality is detailed below.

Materiality category	Planned and Final	Qualitative factors considered
Materiality for the financial statements	£10,500,000	We have determined materiality at 1.8% of gross expenditure from the 2018-19 draft accounts. This is in line with the industry standard and reflects the risks associated with the Council's operational environment.
Performance materiality	£7,400,000	This is 70% of materiality and reflects any significant findings from the work of the previous external auditor and 2018-19 is the first year of audit for us as external auditors.
Trivial matters	£525,000	A standard level of five per cent of materiality has been used. This is our reporting threshold for any errors identified.
Materiality for specific transactions, balances or disclosures	£5,000	The senior officer remuneration disclosure has been identified as an area requiring specific materiality of £5,000 based on the disclosure bandings, due to its sensitive nature.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>1 <b>The revenue cycle includes fraudulent transactions</b></p>	<p><b>Auditor commentary</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>We did not consider this to be a significant risk for the Council in our Audit Plan.</p> <p>Therefore we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p> <p>Our audit work has not identified any issues in respect of fraudulent revenue recognition.</p>
<p>2 <b>Management override of controls</b></p>	<p><b>Auditor commentary</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council continues to face financial pressures and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>As part of our audit, we:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls. We are currently working through the journals selected for testing, we will provide a verbal update the Audit Committee on 30 July with our final findings on our review of journals.</p>

# Significant findings – audit risks

Risks identified in our Audit Plan (January 2019)	Commentary
<p><b>3 Valuation of the pension fund net liability</b></p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (c£372m in the Council's prior year balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>Auditor commentary</b></p> <p>As a response to this risk, our audit work included but was not restricted to:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls</li> <li>• evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>• assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation</li> <li>• assessing the accuracy and completeness of the information provided to the actuary to estimate the liabilities</li> <li>• testing the consistency of the pension fund assets and liabilities and disclosures in the notes to the core financial statements with the actuarial reports from the actuary</li> <li>• undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>• obtaining assurances from the auditor of South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements <b>[note: currently awaiting confirmation of from the SYPF auditor, expected by 26 July 2019].</b></li> </ul> <p><b>Key observations</b></p> <p>Subject to satisfactory receipt of assurances from the auditor of the Pension Fund, we have reviewed this estimate and are satisfied that it is reasonable. Key assumptions have also been reviewed and agreed as reasonable. In the 'significant findings – other issues' on page 9 we set out the potential impact of the post year-end national McCloud judgement on the pension fund net liability.</p> <p>At the time of producing this report, we have been in discussions with management. The Council has requested and now received the updated reports from its actuary to take into account the impact on the Council's pension numbers of the McCloud judgement and GMP. We understand the expected impact of these issues would result in a suggested increase of the Authority's c£444.3m pension fund liability by c£15m, which is above the materiality figure.</p> <p>We will review the updated actuary reports and resulting changes to the pension figures in the accounts once received. We will verbally update the Committee on 30 July with our findings on this issue.</p>

# Significant findings – audit risks


Risks identified in our Audit Plan	Commentary
<p><b>4 Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £894m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, the Council needs to ensure the carrying value of land and buildings in the Council’s financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p><b>Auditor commentary</b></p> <p>As a response to this risk, our audit work included but was not restricted to</p> <ul style="list-style-type: none"> <li>• evaluating management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluating the competence, capabilities and objectivity of the valuation expert</li> <li>• discussing with the valuer the basis on which the valuation was carried out</li> <li>• challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• testing revaluations made during the year to see if they had been accounted correctly in line with applicable accounting guidance and input correctly into the Council’s asset register</li> <li>• assessing how management have confirmed assets valued at 1 April 2018 have not significantly changed in value by the year end, 31 March 2019</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> <li>• reviewing the Council’s PFI schemes to consider the appropriateness of the accounting entries.</li> </ul> <p>Our work did not identify any significant issues. We did identify some presentational changes that have been updated by the management and they are reported at Appendix B.</p>



## Significant findings - other issues

Issue	Commentary	Auditor view
<p><b>Potential impact of the post year-end national McCloud judgement :</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful on 27 June 2019. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling and GMP. The actuary's estimate suggested a potential impact of these issues would result in an increase of the Council's c£444.3m pension fund liability by c£15.4m.</p> <p>The Council then requested that it's actuary carry out a detailed review of the impact of this issue. The detailed analysis has confirmed the impact is an increase in the pension liability by c£15.4m.</p> <p>We will perform a final review of the updated actuary reports and resulting changes to the pension figures in the accounts. We will verbally update the Committee on 30 July with our findings on this issue. Management's view is that the impact of this change is material and therefore updating the accounts for this issue is appropriate.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Given the change in liability resulting from the McCloud judgement, management has agreed to process the adjustment of c15.4m. We consider this an appropriate adjustment to the Council's financial statements as it is above the materiality threshold.</p> <p>We have included this as an adjusted item at Appendix B.</p>


# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings – Council Housing - £638.7m</b>	<p>The Council owns 20,296 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance.</p> <p>The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its internally RICS qualified valuers from its' Estate Department to complete the valuation of these properties. The year end valuation of all Council Housing was £638.7m, a net increase of £20.6m from 2017-18 (£618.1m).</p>	<p>As part of our audit , we performed the following procedures to ensure the estimates used and key judgements applied when valuing the Council Housing stock and other land and buildings are prudent and reasonable, including:</p> <ul style="list-style-type: none"> <li>• Assessment of management's expert (the Council's RICS qualified valuers)</li> <li>• Completeness and accuracy of the underlying information used to determine the estimate</li> <li>• Impact of any changes to valuation method as relevant. There were no significant changes to the valuation method.</li> <li>• Consistency of estimate used</li> <li>• Reasonableness of the movement in the estimate.</li> <li>• Adequacy of disclosure of estimate in the financial statements.</li> </ul>	 <b>Green</b>
<b>Land and Buildings – Other - £266.4m</b>	<p>Other land and buildings comprises specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its internally RICS qualified valuers from its' Estate Department to complete the valuation of these properties on a five yearly cyclical basis.</p> <p>Management has considered the year-end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2018 comparing the potential changes at the date of valuation and the year end of 31 March 2019 to determine whether there has been a material change in the total value of these properties.</p> <p>Management's assessment of assets not revalued in year and asset revalued during the year has identified no material change to the properties current value compared to its carrying value as at 31 March 2019.</p>		

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic (amber)
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious (green)

# Significant findings – key judgements and estimates

	Summary of management’s policy	Audit Comments	Assessment																								
<p><b>Net pension liability:</b> <b>£444.3m</b></p> <p>[Before McCloud judgement impact adjustment]</p>	<p>The Council’s total net pension liability at 31 March 2019 is £444.3m (PY £371.6m) comprising the South Yorkshire Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Mercer, an actuarial firm, to provide actuarial valuations of the Council and group’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016-17.</p> <p>A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £72.7m net increase in the Council’s pension fund liability in 2018-19.</p>	<p>As part of our audit , we performed the following procedures to ensure the estimates used and key judgements applied when valuing the Council’s pension liability were prudent and reasonable:</p> <ul style="list-style-type: none"> <li>• Assessment of management’s expert (for the Council this is Mercer)</li> <li>• Assessment of actuary’s roll forward approach taken, detail work undertaken to confirm reasonableness of approach</li> <li>• Use of PwC as auditor’s expert to assess the actuary’s assumptions – see table below for comparison with Actuary assumptions</li> </ul>	 <p><b>Green</b></p>																								
		<table border="1"> <thead> <tr> <th data-bbox="756 492 1149 535">Assumption</th> <th data-bbox="1170 492 1357 535">Actuary Value</th> <th data-bbox="1377 492 1854 535">PwC range</th> <th data-bbox="1875 492 2040 535">Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="756 535 1149 628">Discount rate</td> <td data-bbox="1170 535 1357 628">2.4% -2.5% for most employers</td> <td data-bbox="1377 535 1854 628">We are comfortable that the methodologies used to establish discount rate will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="1875 535 2040 628" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="756 628 1149 749">Pension increase rate</td> <td data-bbox="1170 628 1357 749">Dependent on duration (2.3%-2.20%for most employers</td> <td data-bbox="1377 628 1854 749">We are comfortable that the methodologies used to establish pension increase rate will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="1875 628 2040 749" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="756 749 1149 842">Salary growth</td> <td data-bbox="1170 749 1357 842">Scheme and employer Specific</td> <td data-bbox="1377 749 1854 842">We are comfortable that the methodologies used to establish salary growth will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="1875 749 2040 842" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="756 842 1149 963">Life expectancy – Males currently aged 45 in 20 years time</td> <td data-bbox="1170 842 1357 963">25.3</td> <td data-bbox="1377 842 1854 963">We are comfortable that the methodologies used to establish life expectancy will produce a reasonable assumption at 31 March 2019.</td> <td data-bbox="1875 842 2040 963" style="text-align: center;">● Green</td> </tr> <tr> <td data-bbox="756 963 1149 1078">Life expectancy – Females currently aged 45 in 20 years time</td> <td data-bbox="1170 963 1357 1078">28.3</td> <td data-bbox="1377 963 1854 1078">We are comfortable that the methodologies used to establish life will produce reasonable a assumption at 31 March 2019.</td> <td data-bbox="1875 963 2040 1078" style="text-align: center;">● Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4% -2.5% for most employers	We are comfortable that the methodologies used to establish discount rate will produce a reasonable assumption at 31 March 2019.	● Green	Pension increase rate	Dependent on duration (2.3%-2.20%for most employers	We are comfortable that the methodologies used to establish pension increase rate will produce a reasonable assumption at 31 March 2019.	● Green	Salary growth	Scheme and employer Specific	We are comfortable that the methodologies used to establish salary growth will produce a reasonable assumption at 31 March 2019.	● Green	Life expectancy – Males currently aged 45 in 20 years time	25.3	We are comfortable that the methodologies used to establish life expectancy will produce a reasonable assumption at 31 March 2019.	● Green	Life expectancy – Females currently aged 45 in 20 years time	28.3	We are comfortable that the methodologies used to establish life will produce reasonable a assumption at 31 March 2019.	● Green	<p>Page 177</p>
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		<ul style="list-style-type: none"> <li>• Impact of any changes to valuation method</li> <li>• Reasonableness of the Council’s share of LGPS pension assets</li> <li>• Reasonableness of the movement in the estimate</li> <li>• Quantifying the impact of the McCloud judgement and GMP on the Council’s pension fund balance (note work still in progress on this matter at the date of this report)</li> <li>• Adequacy of disclosure of estimate in the financial statements.</li> <li>• Completeness and accuracy of the underlying information used to determine the estimate</li> </ul>																									

# Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

## Going concern commentary

### Management's assessment process

- Final outturn for year ending 31 March 2019
- Approved Budget 2019-20
- Medium Term Financial Strategy (MTFS) 2019-20 to 2021-22 and assumptions
- Efficiency savings target 2019-20
- Efficiency savings proposals 2019-20 and 2020-21
- The robustness of the Budget and recommended level of reserves
- Reserves Strategy 2019-20 onwards
- Assessment of going concern basis paper provided by management for 2018-19

### Auditor commentary

Management produced a going concern assessment report as part of their 2018-19 accounts preparation procedures. It is recognised good practice for local authorities to perform an appropriate going concern review. The review covered the guidance from the CIPFA Code 2018-19 on the going concern concept.

In the vast majority of cases, local authorities shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. The Council's going concern report included the Council's thought process in relation to going concern principles and how that specifically applies to the circumstances in place at the Council.

The paper included the following key points:

- the MTFS approved in February 2019 and the 2019-20 balanced budget whilst highlighting the strategy to deal with savings requirement to balance the budgets in 2019-20 and 2020-21
- the revised reserves policy which highlights reserves no longer required of £5.543m to the Council's minimum balance and retains a number of smaller reserves which can be used more flexibly if and required
- identification and approval of savings plans for 2019-20 (of £7.7m) and 2020-21 (of £15.8m) which has been validated by independent specialists. The detail savings were approved in February 2019 by the full Council.

### Work performed

We performed work on the MTFS, held meetings with senior management to discuss the MTFS, budget setting and savings plans.

### Auditor commentary

- Our work indicates that there are no material uncertainties in terms of the going concern assessment by the management and no further disclosures are considered necessary in the Financial Statements.
- We have also carried out further work as part of our Value for Money Conclusion in relation to sustainable resource deployment – see page 17.

### Concluding comments

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 Strategic Director - Finance and Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director - Finance and Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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.

We are satisfied with management's assessment that the going concern basis is appropriate for the 2018-19 financial statements.

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Head of Internal Audit and noted his updates to the Audit Committee. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>Based on our review of related party transactions to date, we are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
3	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council and will be included as a separate agenda item at the Audit Committee on 30 July 2019.</li> </ul>
5	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the Council's bank, loans and investments counterparties.</li> <li>The majority of these requests were returned with positive confirmations, however, when requests were not received, we carried out appropriate alternative procedures by observing and obtaining copies of online banks statements to confirm the balances as at 31 March 2019.</li> </ul>
6	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>We have identified some disclosure amendments to assist in the understanding of the financial statements. These are included at Appendix B.</li> </ul>
7	<b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>We did not identify any significant difficulties with management or working papers during the course of our audit.</li> </ul>

# Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
<p>1 <b>Other information</b></p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the AGS identified a small number of areas for enhanced disclosure. The Council has accepted our findings on the AGS and a revised version is due to be presented to the Audit Committee on 30 July.</p> <p>Our review of the Narrative Report also identified some areas for enhanced disclosure. The Council has agreed to update its Narrative Report to take into account our comments.</p> <p>Subject to satisfactory receipt and review of the revised AGS and Narrative Report taking into account our comments, we plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix D.</p>
<p>2 <b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<p>3 <b>Specified procedures for Whole of Government Accounts</b></p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>The deadline for the WGA consolidation audit is 31 August 2019 and we plan to complete our audit work and report by the deadline.</p>
<p>4 <b>Certification of the closure of the audit</b></p>	<p>As a result of the ongoing WGA work, we do not expect to be able to certify the completion of the 2018-19 audit of the Council in our auditor's report, as detailed in Appendix D. This is in common with a number of local authorities (and what occurred at the Council in 2017-18), where certification on closure of the audit takes place following completion of the WGA review in August.</p>

# 3. Value for Money

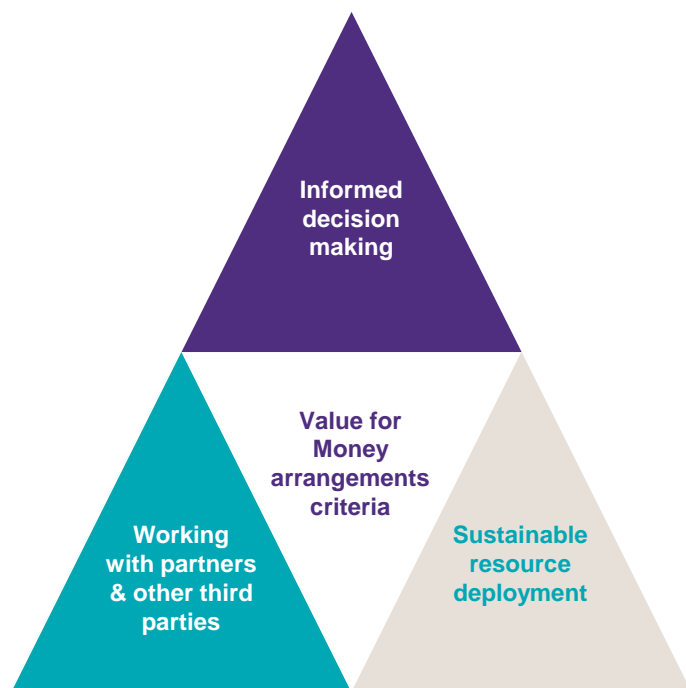
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2019 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these two risks to you in our Audit Plan in January 2019

We have continued our risk assessment procedures up to the date of giving our audit report and have identified one additional significant risk where we have performed further work.

### Additional Significant Risk – DSG Deficit position and recovery plan

We received Council's draft accounts for audit on 31 May 2019. Our review of the accounts highlighted that Dedicated School Grant (DSG) reserve was in material deficit of £15.1m as at 31 March 2019. The overall increase was £5.4m during the 2018-19 period. During 2017-18 the reserve increased by £4.5m to £9.6m. Therefore, in a two year period, the DSG deficit has increased by c10m.

This is a significant increase in the DSG deficit position at a time when the Council is in a challenging financial environment. The DSG deficit position adds additional pressure on Council's financial position and general fund reserves going forward.

As a result, we considered this as an additional significant risk for our Value for Money Conclusion work in 2018-19.

### Work performed

We carried out work only in respect of the three significant risks we identified from our initial and ongoing risk assessment.

Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the three significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial standing – delivery of 2018-19 budget, savings plan and achievement of Medium Term Financial Strategy (MTFS)
- Regulatory oversight of Children's Services
- DSG reserve deficit position and recovery plan.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 to 19.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

## Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations as set out in the Action Plan at Appendix A along with management's responses.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.



### Significant risk reported in the Audit Plan

### Findings

### Conclusion

#### 1 Financial standing – delivery of 2018-19 budget and savings plan and achievement of Medium Term Financial Strategy (MTFS)

The Council, in line with other local authorities, continues to operate under significant financial pressures. The Council's latest revenue position published at end of month 6 highlights further actions are required to reduce forecast expenditure by £3.1m in order to deliver a balanced budget at month 12. Our latest discussions with management indicate this has now reduced by £2m by December 2018, leaving an amount of c£1m to be managed to result in a balanced budget outturn position by the year-end.

The MTFS notes the requirement for additional savings in the next two years of £15.8m (2019-20) and £13.9m (2020-21) which need to be delivered in order to achieve a balanced budget. We are aware that a two year balanced budget is currently being compiled by the Council and will be published shortly.

We will continue to monitor the Council's financial position through regular meetings with senior management and consider how the Council manages its budget. We will continue to consider progress in the identification and delivery of the future savings required as identified in the current MTFS.

- The Council's final outturn position for 2018-19 was a balanced position. The 2018-19 budget proposed a planned use of corporate reserves of £5.2m as part of a budget contingency of £10m. However, the balanced position was achieved by requiring the use of £2m reserves despite the significant financial and operational pressures the Council was under.
- There was an overall overspend against the approved 2018-19 budget (£216.9m) which was £9.6m. The key services that encountered overspend were adult social care (£15.6m) and children's services (£4.6m). This was mitigated by underspends on central services (£4.8m), budget contingency (£4.8m) and other (£1m). The actions taken to mitigate the £9.6m overspend included the use of Directorate balances (£3.9m), in year use of flexible capital receipts (£1.1m), approved education PFI reserves (£1.4m), use of budget contingency reserves (£2m) and other budgetary decisions (£1.2m). The Council also achieved its savings targets of £21.7m for 2018-19.
- The Council agreed a balanced budget for 2019-20 in February 2019. There is a £15.8m budget gap before savings (£7.7m) and other adjustments (£8.1m). The Council has a financial management and monitoring system in place to oversee saving plan delivery and reporting. The Council, in line with most in the local authority sector, will continue with increasing financial pressures in adult social care, children's services and reduced government funding, highlighting the challenge of maintaining financial resilience.
- The Council's MTFS was updated and approved in February 2019 covering the 3 years from 2019-20 to 2021-22. For 2020-21, there are proposals to bridge a £13.9m funding gap including savings plans. For 2021-22, the Council currently does not envisage any budget gap or new savings requirement.
- This further highlights the challenging financial environment the Council operates. It has to be noted that the Comprehensive Spending Review, Fair Funding Review and outcome of Business Rates Retention have been delayed. This delay has not been conducive to the Council's (or other public sector bodies) ability to financial plan for the medium term.
- As reported to the full council in February 2019, the Council has undertaken a review of all its General Fund Reserves and the commitments and liabilities against them. This review has established that some of the reserves are no longer needed for the purpose that they were originally established. Taking into account the achievement of proposed balanced budget for 2019-20, 2020-21 and savings plans, the reserves strategy estimates the Council will have £30.9m and £33.1m general fund reserves at the end of 2019-20 and 2020-21 respectively, excluding the DSG deficit reserve discussed further on page 19 (this position has improved by £3.2m as a result of 2018-19 outturn). The Council acknowledges that delivering these targets under the current and future financial and operational climate is a significant challenge.
- We have considered the Council's arrangements to ensure it is financially resilient to deal with budgetary pressures and, overall, we are satisfied proper arrangements were in place for the delivery of 2018-19 budget and savings plans.

We concluded that the Council has proper arrangements in place for ensuring sustainable resource deployment.

Significant risk reported in the Audit Plan	Findings	Conclusion
<p><b>2 Regulatory oversight of Children's Services</b></p> <p>The Council has invested significantly in its Children's Services since the Jay report publication in August 2014 from a workforce and financial perspective. The Council's commitment to improving its Children's Services received a positive endorsement when the regulator, Ofsted, awarded the Council a rating of 'good' for its Children's Services in January 2018.</p> <p>In addition the government-appointed commissioners, in place at the Council since 2015, formally handed back control of Council decision making to Members in September 2018.</p> <p>We are aware that the Council has requested the commissioners to perform a review of Children's Services which is expected to report by 31 March 2019. This review is expected to give an indication as to whether the quality of services has been maintained since the commissioners handed back control.</p> <p>We will monitor and consider external inspections and related reports on Children's Services at the Council as part of our VFM work.</p>	<p>Our findings were as follows:</p> <ul style="list-style-type: none"> <li>As part of establishing the overall progress made by the Council in Children's Services, an independent Health Check was carried out in February and March 2018. The results of the Health Check was published in June 2018. The Health Check reported that, the speed and extent of the improvements delivered since 2015 were impressive and the Council had demonstrated that it is now fit to continue its' Children's Services improvements without the Commissioner oversight.</li> <li>On top of the Ofsted report giving a 'good' rating in January 2018 and the independent Health Check outcomes in June 2018, the Commissioner Team finally recommended to the Secretary of State for Housing and Communities and Local Government (SoS), the intervention at the Council could be concluded.</li> <li>In September 2018, the SoS revoked the directions imposed on the Council and stood down the Commissioners. In doing so, the SoS set a requirement for the Council to submit an independent review of Council's performance by 18th February 2019. The Council commissioned the previously appointed commissioners with support from the Local Government Association (LGA) to undertake this review.</li> <li>The purpose of this review was to establish Council's performance in relation to; political and managerial leadership including effective working between members and officers, organisational culture and governance, quality of partnership working, delivery against strategic priorities, delivery of the MTFS, progress against the Ofsted recommendations.</li> <li>This review was carried out in February 2019 and the report was sent to the Council on 14 February 2019. The report noted that the pace of improvement across the Council had increased beyond the Commissioner's expectations and that give assurance that the Council was compliant with the best value duty. The report concluded that, <i>"Rotherham Council has made significant progress over the last 12 months and is on the right trajectory for sustained improvement. Like other councils it faces some significant challenges particularly in finance and managing demand, which will test its capacity and resolve. Members and officers show grip, confidence and competence, all of which bode well for the future"</i>.</li> <li>As a result of these findings, on 27 March 2019, the SoS formally wrote to the Council indicating the Directions relating to the governance of the Council lapse on 31 March 2019 as SoS saw no evidence that suggested the Government should seek to extend the Directions. The SoS also acknowledged with the Independent Reviewers that Rotherham is now an authority fit for purpose, able to operate fully without the need for any oversight from Government.</li> </ul> <p>There is clear evidence from independent sources, as described above, to demonstrate the significant progress and achievements the Council has made since the Jay report publication in August 2014. We are satisfied proper arrangements were in place for sound governance and informed decision making around Children's Services at the Council during 2018-19.</p>	<p>We concluded that the Council has proper arrangements in place for sound governance and informed decision making around Children's Services at the Council.</p>

Additional significant risk identified	Findings	Conclusion
<p><b>3 Dedicated School Grant £15.1m deficit position and recovery plan</b></p> <p>Our review of Council's draft 2018-19 accounts presented for audit highlighted that Dedicated School Grant (DSG) reserve was in material deficit by £15.1m as at 31 March 2019. This is an increase of £5.4m during 2018-19 period.</p> <p>During 2017-18 the reserve increased by £4.5m to £9.6m. Therefore, in two year period, the DSG deficit has increased by c10m.</p> <p>This is a significant increase during a time where the Council is undergoing increasing pressures for its services resulting other financial challenges.</p> <p>As a result, we considered this as an additional significant risk for our Value for Money Conclusion work in 2018-19.</p>	<p>Our findings were as follows:</p> <ul style="list-style-type: none"> <li>From 2018-19, all local authorities with a cumulative Dedicated Schools Grant (DSG) deficit of 1% or more at the end of the financial year must submit a recovery plan to the Education and Skills Funding Agency (ESFA), showing how they will bring the deficit into balance in a three year time frame</li> <li>A joint Department for Education and CIPFA statement released in June 2019 confirms that both parties are committed to working with other stakeholders to clarify the legal basis for, and accounting treatment of, DSG deficits in time for the 2020-21 budget round and 2019-20 accounts closure. The Joint Statement also confirms that the CIPFA Local Authority Accounting Panel (LAAP) considered the issue for 2018-19 and noted concerns regarding the presentation of an earmarked deficit DSG reserve, particularly given that there is not a clearly identified legislative basis for the ring-fencing of DSG deficits.</li> <li>If a Council feels that a three-year time frame is not realistic, it will be able to submit with its plan evidence that states how this may not be achievable.</li> <li>ESFA will review each recovery plan on a case by case basis and will decide if they can accept a recovery plan that leaves some or all of the deficit accumulated to date outstanding. This would result in the Council carrying forward the agreed deficit and it would not require this to be recovered within the three-year period.</li> <li>Our discussions with the senior management indicated that the Council has submitted a 3 year DSG recovery plan in line with guidance to ESFA. We noted the recovery plan submitted does not recover the deficit over 3 year period but tries to reduce the rate of increase over the next 3 years to a minimum (to £16.5m in 2019-20, £17.2m in 2020-21 and £17.6m in 2021-22) with a planned increase of £2.5m from 2018-19 year end.</li> <li>We understand the Council is still awaiting a response from ESFA in relation to the submitted plan and it intends to discuss this with ESFA in due course. The Council has also produced a report (as required by the guidance) to Schools Forum setting out the reasons why the DSG deficit has increased in recent years and its plan to reduce the rate of increase in the deficit over the coming 3 years.</li> <li>The Monitoring report for the first 2 months of 2019-20 performance presented to the Cabinet on 8 July highlighted the continuing significant financial pressures around DSG expenditure. The report noted challenges around rising numbers of children supported in specialist provision and the rising costs of Education Health Care (EHC) plans.</li> <li>We acknowledge there are significant financial pressures in DSG expenditure. This will continue to be an area of focus in Local Government sector and in our planning work for 2019-20.</li> <li>We discussed the Council's current accounting treatment for the DSG deficit. Whilst the use of a negative earmarked reserve is not good practice, the net Usable Reserves position is appropriately stated. We concluded on that basis that the Council's Usable Reserves are properly stated and that as such a user of the financial statements will be able to take an informed view of the Council's overall level of balances and reserves based on the information within the statements.</li> <li>However, should the Council's level of DSG deficit continue to increase significantly (above the planned position) the effective call on the Council's general reserves will result in a reduced 'net' useable reserves position. General Fund (£16.8m), earmarked reserves (£21.3m) and school reserves (£3.4m) totalled £41.5m as at 31 March 2019 (which in itself was a reduction of £6.6m from 2017-18) but given the DSG position of £15.1m deficit, the net position of the Council's non-HRA revenue reserves is effectively £26.4m. Any continued reductions on reserves coupled within increases in the DSG deficit would place the Council's revenue reserves under real pressure.</li> </ul>	<p>We concluded that the Council has proper arrangements in place for informed decision making in relation to DSG expenditure.</p> <p>As part of our VFM work, we have noted the material deficit (of £15.1m) on the Council's Dedicated Schools Grant (DSG) reserve.</p> <p>We have raised a recommendation in relation to monitoring of the Council's recovery plan following the significant increase of c£10m noted in the deficit over the past two years.</p> <p>Should the deficit continue to increase in 2019-20 this may have implications for our 2019-20 VFM conclusion.</p>

## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed at Appendix C.

### Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified:

Service	£	Threats	Safeguards
<b>Audit related:</b>			
Housing Benefit Certification	15,826	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,826 in comparison to the total fee for the audit of £108,438 and in particular relative to Grant Thornton UK LLP's turnover overall.
Pooling of Housing Capital Receipts Return Certification	2,700	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,700 in comparison to the total fee for the audit of £108,438 and in particular relative to Grant Thornton UK LLP's turnover overall.
DfT grant on Local Transport Major Projects (LTPMP)	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £108,438 and in particular relative to Grant Thornton UK LLP's turnover overall.
<b>Non-Audit related:</b>			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings (ISA260) report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

We have not provided any other services to the Council in 2017-18 prior to our appointment as external auditors to the Council on 1 April 2018.

# Appendix A: Action Plan

We have identified the recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019-20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Rec	Issue and risk	Recommendations
1	<p><b>Delivery of 2019-20 budget, savings plan and achievement of Medium Term Financial Strategy (MTFS)</b></p> <p>Our work on Value For Money conclusion on page 17 highlighted the significant financial pressures in which the Council operates. This reflected an increasing pattern across the local authority sector. Continuing reduction in central government funding, uncertainty around the timing and detail of future funding mechanisms coupled with increasing service demands (e.g. adult social care and children's services), achievement of savings plans and MTFS is becoming increasingly challenging.</p> <p>During our VFM work, we identified that the Council has a good financial management and reporting system to the Council and the Cabinet.</p> <p>However, any non-achievement of the savings plans and MTFS would result in difficulties around sustainable resource deployment and could impact on the essential services provide by the Council to its' local population.</p>	<p>Management should continue to assess its financial performance and monitoring procedures regularly to ensure the savings plans for 2019-20 and resulting achievement of the budget and MTFS are on track.</p> <p>This should include continuing assessment of the demand for key services and address the funding gaps to ensure the Council continues to be financially resilient and sustainably delivering services against its key priorities.</p> <p><b>Management response:</b> In February 2019, the Council set a two-year budget for 2019/20 and 2020/21 alongside agreeing an MTFS to 2021/22. This followed extensive work throughout 2018 to develop robust budget savings options, to undertake a complete review of MTFS assumptions and to refresh the reserves strategy.</p> <p>The MTFS remains under regular review and a further update is scheduled to go to Cabinet in November 2019. Currently it is not envisaged that this will require any new budget savings to be identified for either 2020/21 or 2021/22.</p> <p>However, as the ISA 260 notes, information from the Government on funding to local authorities beyond 2019/20 has been delayed which is not conducive to the Council's (or other public sector bodies) ability to firm up medium term financial plans. Finalisation of the update to the Council's MTFS can only be done when future funding allocations are received from the Government.</p>
2	<p><b>Dedicated Schools Grant reserve deficit and Recovery Plan</b></p> <p>Our work on Value For Money conclusion on page 19 highlighted there was a material deficit of DSG reserve of £15.1m as at 31 March 2019. We identified that in two year period, the DSG deficit had increased by c10m.</p> <p>This is a significant increase during a time where the Council is undergoing increasing pressures for its services resulting in other financial challenges.</p> <p>Our work indicated the Council has complied with the latest guidance available in this area and has submitted a deficit recovery plan to Education &amp; Skills Funding Agency (ESFA). Further national guidance on dealing with DSG reserve deficits is expected to be issued in 2019-20. Should the deficit continue to increase in 2019-20 this may have implications for our 2019-20 VFM conclusion.</p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>• Discuss the recovery plan with ESFA and agree a clear action plan on how the deficit can be recovered</li> <li>• Monitor the recovery plan to ensure correct actions are taken as necessary with the involvement of senior management</li> <li>• Continue to report the DSG deficit issues to the Cabinet to keep the members informed of actions undertaken</li> <li>• Continue to discuss relevant matters with the School Forum so key stakeholders are involved and kept up to date of Council's actions.</li> </ul> <p><b>Management response:</b> The Council will continue to maintain dialogue with the Education and Skills Funding Agency on the Recovery Plan.</p> <p>The DSG reserve deficit and progress on the Recovery Plan is reported regularly to Cabinet and to Overview and Scrutiny Management Board and this will continue throughout 2019/20.</p> <p>Dialogue with the Schools Forum on these issues will also be maintained.</p>

# Appendix B: Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted items

All adjusted items are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on the Council's useable reserves
<p><b>1 Post year-end national McCloud issue (Pensions balance)</b></p> <p>As a result of Supreme Court's decision on 27 June 2019 denying the Government to appeal against the 'McCloud case' gave rise to reassess the Council's IAS19 liabilities and associated disclosures. The Council is responsible for making the estimates included in the financial statements and for ensuring that the financial statements are not materially misstated which also includes IAS19 entries.</p> <p>Due to significant amounts involved under pension liabilities, Council made a decision and instructed its actuary to run a revised IAS19 report incorporating the impact of McCloud and GMP Judgement.</p> <p>The assessment is expected to result in a material change to the previously reported pension liabilities in the draft accounts (of c£15m).</p> <p>We anticipate the Council will incorporate the revised figures into the financial statements once received from the actuary.</p>	<p>15,474</p> <p>Increase in Surplus / Deficit on Provision of Services</p> <p>197</p> <p>Decrease in Actuarial Gains / Losses</p> <p>Pension Interest Cost 1</p>	<p>15,474</p> <p>Increase in pension liability</p> <p>15,278</p> <p>Increase in pension reserve deficit</p>	<p>There is no impact on the Council's useable reserves arising from this adjustment.</p>
<b>Overall impact</b>			<b>No impact on useable reserves</b>

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	<ul style="list-style-type: none"> <li>Assets under construction are not depreciated – updated to correct this disclosure</li> <li>Depreciation – text was updated to correct that all revalued items are depreciated in line with accounting policy</li> <li>Accounting Standards issued but not yet updated – this was updated using the LG code guidance notes issued for 2018-19</li> </ul>	Accounting Policies (pages 14,18, 20, 32)	✓
2.	Disclosure	The text was updated to capture the correct accounting standard which is IFRS15.	Note 1c - page 39	✓
3.	Disclosure	A narrative note was made to further clarify why some reserves reported at 31 March 2018 were not included in the 31 March 2018 column of the table. The reason was to streamline the reserves process, some were merged in to one and this was reported to the Cabinet on that basis.	Note 3 - pages 44/45 :	✓
4.	Disclosure	A narrative note was added to further explain the actions taken on Dedicated School Grant deficit as at 31 March 2019.	Note 16 - pages 59-60	✓
5.	Disclosure	A narrative note was added to explain this was a reclassification rather than restatement and the reason for the reclassification	Note 6 - page 47	✓
6.	Disclosure	Additional note was added to further clarify why some senior officers who appeared in the 2017-18 column were not included in 2018-19.	Note 14 , Staff Remuneration	✓
7.	Disclosure	<ul style="list-style-type: none"> <li>An additional note was added to explain why some organisations that appeared in 2017-18 disclosures did not appear in 2018-19.</li> <li>Two companies were added back (Gallery Town and Meadowhall Education Centre Ltd as they are related companies with transactions).</li> </ul>	Note 17, Related Party Transactions	✓
8.	Disclosure	<ul style="list-style-type: none"> <li>A note was added to further clarify the code guidance to state there is no prescribed minimum period between valuations requirements for Heritage Assets.</li> </ul>	Note 23, Heritage Assets	✓
9.	Disclosure	<ul style="list-style-type: none"> <li>A note was added to explain that the 2017-18 position has changed in this table.</li> </ul>	Note 26, Financial Instruments Fair Values	✓
10.	Disclosure	<ul style="list-style-type: none"> <li>Enhanced disclosure note around the cash flow statement. that reconciles I&amp;E outturn to cash from operating activities was added</li> </ul>	Notes to the Cash Flow Statement	✓

# Audit Adjustments

## Misclassification and disclosure changes continued

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
11	Disclosure	<ul style="list-style-type: none"> <li>Amendment of notes 39 and 40 to illustrate that the cash receipts for PPE were net of loan repayments .</li> </ul>	Notes 39 and 40	✓
12	Disclosure	<ul style="list-style-type: none"> <li>Addition of a note to disclose that the variation between the MRP charge in note 42 and note 38 part (a) is due to the inclusion of MRP for Metropolitan Debt within the amount disclosed in note 42.</li> </ul>	Note 38 (a), page 94 Note 42, page 99	✓
13	Disclosure	<ul style="list-style-type: none"> <li>Amendment leading to a reduction of other non specific revenue grants disclosed in note 8. This included the education services grant (ESG) which had already been included within the total figure for the dedicated schools grant disclosed in notes 8 &amp; 16.</li> </ul>	Note 8, page 48	✓
14	Disclosure	<ul style="list-style-type: none"> <li>Audit Fees note was updated to further clarify amounts payable to Grant Thornton (UK) LLP for year ended 31 March 2019</li> </ul>	Note 15, Audit Fees	✓



# Appendix C: Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

## Audit Fees

	Proposed fee	Final fee	2017-18 fee (to predecessor auditor)
Authority Audit	£108,438	£TBC*	£140,828
<b>Total audit fees (excluding VAT)</b>	<b>£108,438</b>	<b>£TBC*</b>	<b>£140,828</b>

\* We wish to note that in light of the additional audit work to be performed on the Pension balances and entries in the Authority's accounts (as a result of the McCloud judgement and GMP), and the additional auditing testing performed on the Council's land and buildings following increased requirements for audit work in these areas, we will be proposing an additional fee in 2018-19. The additional fee is expected to be in the region of c£5,000. We will provide an update on this in our Annual Audit Letter, due to be agreed with management in August and presented to the Audit Committee in September 2019. Final approval of any additional audit fee will be by Public Sector Audit Appointments Ltd (PSAA).

The audit fees reconcile to note 15 in the financial statements

## Non Audit Fees

Fees for other services	Fees £
<b>Audit related services:</b>	
• Housing Benefit Certification	15,826
• Pooling of Housing Capital Receipts	2,700
• DfT grant on Local Transport Major Projects (LTPMP)	3,000
<b>Total audit related services</b>	<b>21,526</b>
<b>Non-audit services:</b>	
• None	-

# Appendix D: Audit opinion (proposed)

We anticipate we will provide the Council with an unmodified 'clean' audit opinion by 31 July 2019

## Independent auditor's report to the members of Rotherham Metropolitan Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Rotherham Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Concepts and Policies, Notes to the Core Financial Statements, Housing Revenue Account and related notes to the Housing Revenue Account, the Collection Fund and related notes to the Collection Fund and Metropolitan Debt Administration and related notes. 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 2018-19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018-19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### 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 for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

#### Conclusions relating to going concern

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 Strategic Director - Finance and Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or  
the Strategic Director - Finance and Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority'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 Strategic Director - Finance and Customer Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report, the Annual Governance Statement other than the financial statements, 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 of the Authority 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.

# Audit opinion (proposed)

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or  
we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or  
we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or

we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Strategic Director – Finance and Customer Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority 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 authority, that officer is the Strategic Director – Finance and Customer Services. The Strategic Director – Finance and Customer 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 2018-19, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director – Finance and Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director – Finance and Customer Services is responsible for assessing the Authority's ability to continue as a going concern. disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Audit opinion (proposed)

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its 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 November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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 the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority 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 under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. 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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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 Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### TO BE SIGNED

#### Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date: TBC



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## Summary Sheet

### Council Report:

Audit Committee 30<sup>th</sup> July 2019

### Title:

Annual Governance Statement 2018-19.

### Is this a Key Decision and has it been included on the Forward Plan?:

No

### Strategic Director Approving Submission of the Report:

Judith Badger (*Strategic Director of Finance and Customer Services*)

### Report Author(s):

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### Ward(s) Affected:

All

### Executive Summary:

On the 18<sup>th</sup> June 2019, the Audit Committee reviewed the Council's draft Annual Governance Statement (AGS) for the 2018-19 financial year. The draft AGS was published alongside the Council's financial statements on 31<sup>st</sup> May 2019. This report briefly reminds the Committee of the process that was followed to construct the AGS and provides an update on changes made to the draft AGS to produce this final version. The full draft AGS is attached to this report as Appendix A.

**Recommendations:**

**The Audit Committee is asked to:**

- **Agree the final 2018-19 Annual Governance Statement subject to any comments from the external auditor Grant Thornton and;**
- **Note that following the Audit Committee's approval of the AGS, the Leader and Chief Executive will be asked to sign the statement to confirm the Council's approval of it.**

**Background Papers:**

"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in April 2016.

Audit Committee Report 27<sup>th</sup> November 2018 "Code of Corporate Governance"

Audit Committee Report 18<sup>th</sup> June 2019 "Draft Annual Governance Statement 2018-19)

**Consideration by any other Council Committee, Scrutiny or Advisory Panel:**

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No

**Title:**

Annual Governance Statement 2018-19.

**1. Recommendations:**

**1.1 The Audit Committee is asked to:**

- **Agree the final 2018-19 Annual Governance Statement subject to any comments from the external auditor Grant Thornton and;**
- **Note that following the Audit Committee's approval of the AGS, the Leader and Chief Executive will be asked to sign the statement to confirm the Council's approval of it.**

**2. Background**

2.1 The Accounts and Audit Regulations require the Council to produce an Annual Governance Statement (AGS) alongside its Statement of Accounts in each financial year. The AGS is a statutory document which explains the processes and procedures in place to enable the Council to carry out its functions effectively. Local Authorities are required to prepare an AGS in order to report publicly on the extent to which they comply with their own Code of Governance. The draft 2018-19 AGS was published on 31 May 2019 and the final will be published on 31<sup>st</sup> July 2019.

2.2 The committee will recall that a process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group, chaired by the Strategic Director Finance and Customer Services. The group included the Head of Internal Audit and the Corporate Risk Manager.

2.3 The assurance and evidence process produced a strong evidence base and enabled the Council to have confidence in the statements that it is making in the AGS. Since publication of the draft version, a small number of updates have been included to produce the final AGS which is attached to this report as Appendix A.

**3. Process to construct the 2018-19 AGS**

3.1 In constructing the AGS for 2018-19, the Council has assembled sufficient evidence to support the statements that it has made. To achieve this each Strategic Director was asked to oversee a self-assessment of governance in their Directorate. This comprised the completion of a self-assessment form based on the Principles and Sub-principles in the Local Code by each Assistant Director as well as a review and update of the detailed issues raised in the 2017-18 AGS. Each Strategic Director was also required to sign a Statement of



Assurance which was based on the information arising from their review of current and previous governance issues.

- 3.2 Each Directorate returned the required Statement of Assurance and supporting documents and the Corporate Governance Group reviewed the evidence contained in them. Additionally, the group considered which issues are of sufficient significance to require reporting in the AGS.
- 3.3 The group then produced the AGS itself, which was reviewed by the Strategic Director Finance and Customer Services, and the Chief Executive.
- 3.4 Internal Audit completed a review of the production of the AGS. They gave substantial assurance that the Statement complies with the requirements of the Accounts and Audit Regulations 2015 and the CIPFA/SOLACE Framework, was prepared properly and is an accurate representation of the governance arrangements within RMBC. No recommendations were made in the report.

#### **Updates since publication of the Draft AGS**

- 3.5 The draft AGS was published on 31<sup>st</sup> May 2019 and was considered by this Committee on 18<sup>th</sup> June. Following publication, minor amendments to wording have been made to the AGS as a result of the review by the external auditor, Grant Thornton. The main change to the AGS has been the addition of Section 7 to show that there have been no significant events or developments relating to the governance system between the year end and the date on which it is signed.
- 3.6 The AGS will need to be updated to reflect the external audit opinion given at this meeting.

#### **Overall conclusion**

- 3.7 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored.
- 3.8 The Committee will note that the AGS at Appendix A reaches an overall conclusion that “...*the Council demonstrated good governance and met its Best value duty throughout the year*”. The AGS recognises the improvements made in the Council’s performance throughout the financial year but also highlights a number of areas for further developments in 2019-20.

## **Next Steps**

3.9 The Audit Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.

3.10 The AGS will be published on 31<sup>st</sup> July, taking account of any further comments made by the Audit Committee and the external auditor.

## **4. Options considered and recommended proposal**

4.1 This paper considers the final AGS for 2018-19. As a result, no specific options have been considered.

## **5. Consultation**

5.1 All Strategic Directors have been asked for their input into the AGS process through the submission of signed Statements of Assurance.

5.2 The final AGS has been reviewed by the Strategic Director Finance and Customer Services and the Chief Executive.

## **6. Timetable and Accountability for Implementing this Decision**

6.1 The Corporate Governance Group will ensure that the final AGS is published by 31<sup>st</sup> July 2019.

## **7. Financial and Procurement Implications**

7.1 There are no direct financial implications other than the requirement to publish the AGS alongside the Council's Annual Finance Statements. There are no procurement issues.

## **8. Legal Implications**

8.1 There are no direct legal implications arising from this report, although it is a statutory requirement for an AGS to be published alongside the Council's Financial Statements. This report endeavours to set out how the Council intends to comply with that requirement.

## **9. Human Resources Implications**

9.1 There are no Human Resources implications directly associated with the paper.

## **10. Implications for Children and Young People and Vulnerable Adults**

10.1 Any implications for the Children and Young People's Service and Adults Services are set out in the AGS attached at appendix A.

**11. Equalities and Human Rights Implications**

11.1 There are no direct human rights or equalities implications in this report.

**12. Implications for Partners and Other Directorates**

12.1 There are no direct implications for our Partners in this report. The AGS has been constructed following consultation with all Directorates. Individual directorates are responsible for implementing action to respond to weaknesses identified in the AGS.

**13. Risks and Mitigation**

13.1 The AGS is expected to be completed each year to sit alongside the Financial Statements. The risk of failing to produce an AGS has been considered and, although this is a remote risk resources are in place to ensure that a complete and accurate AGS is delivered on time.

**14. Accountable Officer:**

14.1 Judith Badger (*Strategic Director of Finance and Customer Services*)

Approvals Obtained from:-

Strategic Director of Finance and Customer Services: Judith Badger

Simon Dennis  
Corporate Risk Manager

This report is published on the Council's website.

**ROTHERHAM METROPOLITAN  
BOROUGH COUNCIL**

**Annual Governance Statement  
2018/19**

## **ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2018/19**

### **1 SCOPE OF RESPONSIBILITY**

- 1.1 Rotherham Metropolitan Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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 (the Best Value duty).
- 1.2 In discharging its overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and ensuring there are effective arrangements in place for the management of risk.
- 1.3 The Council has a Code of Corporate Governance in line with the principles of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*. The Code can be found at [www.rotherham.gov.uk](http://www.rotherham.gov.uk)
- 1.4 This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

### **2 THE COUNCIL'S OVERALL GOVERNANCE DURING 2018/19**

- 2.1 Following Directions issued by the Secretaries of State for Housing and Communities and Local Government on 26<sup>th</sup> February 2015, the Government appointed five Commissioners to take on all executive responsibilities at the Council and responsibilities relating to licensing\*<sup>1</sup>. By the start of the 2018/19 financial year three Commissioners remained, led by Commissioner Mary Ney. The Lead Commissioner was assisted by the Children's Social Care Commissioner, Commissioner Patricia Bradwell and Commissioner Julie Kenny CBE.

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<sup>1</sup> The Commissioner for Children's Social Care Services had been in place since October 2014 having been appointed initially by the Secretary of State for Education following the failings identified by Ofsted.

- 2.2 At the start of 2018/19 the Commissioners retained responsibility for:
- children’s safeguarding and all other children’s social care services,
  - deciding on the appointment and dismissal of statutory officers (the Head of Paid Service, Section 151 Officer and Monitoring Officer)
  - for adult social care, the Council’s partnership with the NHS and the domestic abuse aspect of community safety.
- 2.3 In addition, the relevant Commissioner could, if they considered a Cabinet decision was particularly significant and carried notable risk in terms of the best value duty, make a formal written recommendation to the relevant Executive Councillor.
- 2.4 On 14<sup>th</sup> June 2018 the results of an independent check (a “Health Check”) of the Council was published. The Health Check was carried out between 27<sup>th</sup> February and 2<sup>nd</sup> March 2018 and was part of the move through the final phases of the intervention. Its purpose was to provide an independent critique on whether the intervention had served its purpose and whether the Council was now fit to continue its improvement journey without Commissioner oversight.
- 2.5 The Health Check reported that, overall, the Council had demonstrated that it was fit to continue its improvement journey without Commissioner oversight. It reported that “the speed and extent of the improvements delivered since 2015 are impressive.” The report recognised that the next stages of improvement would be challenging but it expressed confidence that the right foundations were in place and were sufficiently strong.
- 2.6 As a result of the Health Check, the Commissioner Team recommended to the Secretary of State that the government intervention in Rotherham could be concluded. On the 18<sup>th</sup> September 2018, the Secretary of State announced that he would remove the Commissioners from the Council but that the Council should submit to him an independent review of their performance to ensure compliance with the requirements of Part 1 of the 1999 Act. This report should be submitted no later than 18<sup>th</sup> February 2019.
- 2.7 The final independent review was carried out in February 2019 and the report was sent to the Council on 14<sup>th</sup> February 2019. The review stated that the Council has continued to make good progress since Commissioners were stood down in September 2018 and has acted on the recommendations made by the independent progress review reported in June 2018.

- 2.8 In particular, the report noted that the pace of improvement across the Council had increased beyond the Commissioner's expectations and that this gave assurance that the council was compliant with the best value duty. It also stated that the Council has now assumed an "air of calm and confidence" enabling it to set high ambitions for the future.
- 2.9 The review team were pleased that the Council had made such strong progress over recent months and stated that the Council has the vision, capacity and structures to be a successful council. They stated that it will be important for the Council to:
- Maintain its momentum of improvement
  - To pick up pace in delivery
  - To broaden its ambition and
  - To embrace innovation.
- 2.10 As a result of the findings of the review, the Secretary of State announced on the 27<sup>th</sup> March 2019 that he was content to let the Directions relating to the governance of the Council lapse on 31<sup>st</sup> March 2019, as he saw no evidence that suggested that Government should seek to extend the Directions or put in place new ones.

### **3 THE GOVERNANCE FRAMEWORK**

- 3.1 The Council's general governance arrangements include a range of policies, procedures and activities that are designed to be consistent with the expectations for public sector bodies. They are drawn together by the Council's Code of Corporate Governance which was refreshed and approved by the Audit Committee in November 2018.
- 3.2 The Council has a Council Plan which was refreshed with new performance measures during the year. This Plan sets out the direction and priorities for the year ahead and defines the vision for the borough as

*"Rotherham is our home, where we can come together as a community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper, and where no one is left behind. To achieve this as a council we must work in a modern, efficient way, to deliver sustainable services in partnership with our local neighbourhoods, looking outwards, yet focused relentlessly on the needs of our residents".*

3.3 Flowing from the vision, there are four priorities for the Council:

- Every child making the best start in life
- Every adult secure, responsible and empowered
- A strong community in a clean, safe environment
- Extending opportunity, prosperity and planning for the future

Each of these priorities was underpinned by a fifth priority, “A modern, efficient Council”. The Plan detailed how each directorate contributes to those priorities and included performance measures to be met.

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

3.5 The Council also has a system of internal control which is a significant part of the governance 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 provide proportionate and not absolute assurance of effectiveness. The system of internal control is designed to:

- identify and prioritise the risks to the achievement of Council policies, aims and objectives
- evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
- manage the risks efficiently, effectively and economically.

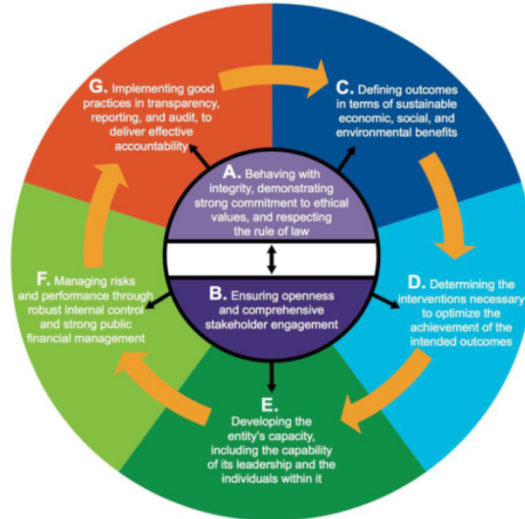


- 3.6 The table below sets out the key elements of an effective Governance framework, and how they were in place in the Council throughout the 2018/2019 year.

<b>Council Committee or group</b>	<b>Governance Function</b>
Full Council	Endorses the Constitution Approves the policy and financial frameworks
Cabinet	Primary decision making body of the Council Approves the Council plan. Comprises the Leader of the Council and Cabinet members who have responsibility for specific areas
Audit Committee	Considers all issues relating to audit matters, both internal and external. Monitors and reviews the effectiveness of risk management systems, including systems of internal control
Standards and Ethics Committee	Promotes high standards of conduct by elected members and monitors the operation of the Members' Code of Conduct
Overview and Scrutiny Committees	Reviews and scrutinises the decisions and action taken in connection with any functions of the Council, including "pre-Scrutiny" of some recommendations due to be considered by Cabinet. Make reports or recommendations to the Council or Cabinet with respect to the discharge of any functions of the Council
Chief Executive, Strategic and Assistant Directors	Sets governance standards Lead and apply governance standards across the Council
Internal Audit	Performs independent and objective reviews of all areas of the Council Undertakes fraud and irregularity investigations and proactive anti-fraud work
Areas or disciplines which are not directly responsible for delivery of services, for example Performance Management, Risk Management, Finance, HR, Legal, Information Security, Health and Safety.	Responsibilities include designing policies, setting direction and ensuring compliance
Management. Assurance at this level comes directly from those responsible for delivering specific objectives, projects or operational areas.	Responsibilities include identifying risks and improvement actions

**4 HOW THE GOVERNANCE FRAMEWORK IS APPLIED**

4.1 The principles set out in both the CIPFA/SOLACE *Delivering Good Governance* Guidance applicable to 2018/19 and the Council’s own Code are shown in the diagram below:



4.2 The table below indicates the detailed governance arrangements in place during the year and their operation, with reference to these principles:

<b>Principle</b>	<b>Arrangements at Rotherham MBC</b>
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements.</p> <p>All key decisions require review by Legal and Financial Services to ensure all relevant requirements and considerations are taken account of.</p> <p>The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council’s Whistle-blowing policy has been revised in line with current guidance.</p> <p>The Council has a Member/Officer Protocol which has been adopted by the Council. It is communicated to all Members, and is emphasized through training on the Code of Conduct which forms part of the induction programme for Members and their continuous development programme. Codes of Conduct for Members and Officers define conflicts of interest and how they should be treated.</p> <p>The Code of Practice, Officer/Member Protocol, constitution and Whistle-blowing Policy can be found at <a href="http://www.rotherham.gov.uk">www.rotherham.gov.uk</a></p>

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Principle B - Ensuring openness and comprehensive stakeholder engagement.	The Council is committed to openness and acting in the public interest. The current Council Plan (covering the period to March 2020) is based on a series of public consultation exercises which resulted in a new vision for the borough which was approved 28 <sup>th</sup> October 2015. The Council Plan can be found at <a href="http://www.rotherham.gov.uk">www.rotherham.gov.uk</a>
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Delivery of this vision is embedded in day-to-day activities across the Council and is monitored through the performance management framework.

The Council conducts a Residents' Satisfaction Survey every six months, based on the Local Government Association's national model. This has continued throughout the year and the results have been reported through the performance management framework.

During 2018 a new Neighbourhood Strategy was published, covering the period 2018-2025. The strategy sets out the way in which the Council will work with and listen to its communities. It commits the Council to listening and acting on feedback and working with partners to plan for the future.

A new Consultation and Engagement Policy was developed in early 2019 and will be rolled out during 2019-2020. This Policy sets out the Council's commitment to consult and engage with the public and states that the Council will listen, inform and work in partnership with service users and stakeholders, including their views in the shaping, commissioning and delivery of services wherever possible. The Policy is underpinned by a consultation toolkit for services to use so that they comply with the Policy.

The Rotherham Together Partnership is well established and partner organisations have an opportunity to provide the Chair role in future years. The new Partnership strategy, The Rotherham Plan 2025, was published in early 2017. The Plan can be found at <http://rotherhamtogetherpartnership.org.uk/>

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Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.	<p>The Council's Council Plan was in place throughout 2018/19 which set out the principal outcomes required in the course of the financial year. This has been monitored throughout the year in line with the Council's Performance Management Framework. This involves quarterly consideration of the performance measures in public sessions of Cabinet.</p> <p>Sitting alongside the Council Plan are numerous other strategies which set out more detail around the required outcomes. These include the Rotherham Housing Strategy, Rotherham Economic Growth Plan, Safer Rotherham Strategy,</p>
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Rotherham Local Plan Core Strategy, Municipal Waste Management Strategy and the Rotherham Health and Wellbeing Strategy.

Each Service area has a Service Plan which links to both the Council Plan and the relevant Strategies and these Plans are reviewed by individual Services.

In addition to the above, the Council's Risk Management framework links to the Service Plans and enables Leadership Teams to monitor and respond to the risks around each key element of the overall plan that they are accountable for.

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Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.

As set out above, the Council Plan and associated Service Plans form the basis for all interventions planned by the Council. All Business decisions are accompanied by a business case and options appraisal and the corporate report templates require information explaining the legal and financial implications of decisions.

Delivery of the Plans is monitored through Quarterly Monitoring Reports and Contract Monitoring Reports and the Council has Performance Reports which are aligned to the Council Plan priorities.

All decisions need to be taken in the context of the Medium Term Financial Strategy, the Capital Programme and the Revenue budget process.

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Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.

The Council has been working with the Local Government Association to support the development of all councillors, and this will continue in future years. Personal development planning is also now available to all Members and take up has now reached 100%.

Job descriptions are in place for all posts throughout the Council and these are supported by recruitment and appointment policies and procedures. There is a comprehensive training programme for officers linked to a Workforce Development Plan and the Corporate Workforce Strategy. Each Council employee has a Personal Development Plan which links to their service's Service Plan and is reviewed at regular intervals.

A series of projects are in place to deliver service transformation across the Council as part of the "Big Hearts, big Changes" programme. Many of these projects are designed to increase the Council's capability and capacity to meet increased service pressures and budgetary constraints.

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Principle F -  
Managing risks and  
performance  
through robust  
internal control and  
strong public  
financial  
management.

The Council has a Risk Management Policy and Guide which is fully embedded and is reviewed annually. This Policy requires the Strategic Risk Register to be reviewed at regular intervals by the Strategic Leadership team and for Directorate and Service level risk registers to be reviewed at least quarterly. Corporate report templates all contain 'risk implications' sections and Risk Management also links closely to Service Plans. The Audit Committee reviews risks and the Risk Management process at every meeting.

Performance Reports are aligned to Council Plan priorities and are considered in public and are also linked to the Risk Policy.

The Council has an Anti-Fraud and Corruption Policy and Strategy which is frequently reviewed and an Internal Audit function which issues an annual opinion on governance, risk management and internal control. The council also has a Corporate Information Governance Group which is responsible for improving its approach to securing information. This group is supported by a dedicated Information Governance team as well as ongoing monitoring of Data Protection Act / Freedom of Information compliance.

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Principle G -  
Implementing good  
practices in  
transparency,  
reporting, and audit  
to deliver effective  
accountability.

The Council has a Corporate Communications Strategy and this includes the publication on its website of details around budgets and spending, Senior Officer remuneration, Performance Information and reports, the Annual Report and Statement of Accounts and the Annual Governance Statement.

The Local Code of Corporate Governance is refreshed annually in accordance with CIPFA/SOLACE principles and any documents proposed for publication are scrutinised and approved by Senior Leadership Team, Cabinet and Audit Committee prior to publication.

The Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year. The Audit Committee meets five times a year and receives reports from both Internal and External Audit. During the year the Audit Committee agreed an update to its Terms of Reference based on CIPFA guidance.

The Council is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the Council's responses are made available via the website.

An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team and Cabinet.

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**How is the effectiveness of our Governance Arrangements monitored?**

4.3 The Council reviews the effectiveness of its governance framework, including the system of internal control, every year. The ten key elements of assurance that inform this governance review are:

- 1) The Chief Executive, Strategic and Assistant Directors whose role includes:
  - Corporate oversight and strategic planning
  - Annual corporate governance assessment which is informed by annual Assurance Statements from each Strategic and Assistant Director
  - Implement and monitor regulatory and other governance protocols
- 2) Monitoring Officer who has oversight of:
  - Legal and regulatory assurance
  - Monitors the operation of the Constitution
- 3) The Section 151 Officer who has oversight of the proper administration of the Councils financial affairs
- 4) Information Governance, which is monitored by:
  - The Designated Senior Information Risk Owner (SIRO)
  - Data Protection procedures
  - Information Security and Records Management procedures
- 5) The Overview and Scrutiny Management Board, who carry out policy review and challenge as well as have an overview and carry out scrutiny of specific topics
- 6) The Audit Committee which;
  - Reviews the effectiveness of internal and external audit
  - Considers the adequacy of the internal control, risk management and governance arrangements
  - Carries out a Self-assessment
- 7) Internal Audit who produce;
  - An Annual opinion on the adequacy and effectiveness of internal controls, risk management and governance arrangements
  - An Internal audit plan, reports and action tracking reported to Audit Committee

8) External Audit / Inspections which include:

- Financial statements audit
- Value for Money conclusion
- Care Quality Commission, Ofsted, etc.

9) Risk Management which incorporates:

- A Risk management policy and strategy
- Quarterly monitoring and reporting of Strategic Risks

10) Counter Fraud work, which includes:

- Anti-Fraud and Corruption and Whistleblowing arrangements
- Anti-Money Laundering Policy and supporting arrangements
- Codes of Conduct for Officers and Members
- Financial and Contract Procedure Rules

**What specific assurances does the Council receive about the effectiveness of our Governance Arrangements?**

4.4 The Council receives a number of specific assurances around its governance arrangements from the following:

**Chief Financial Officer (Section 151 Officer)**

4.5 The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) demands that assurance is provided on a number of governance arrangements relating to the organisation including financial control, reporting, the approach to decision making, compliance with relevant codes and the influence of the CFO within the organisation. These have been considered within the context of this Statement and it has been established that the Council's arrangements conform to the CIPFA requirements and the Section 151 Officer has no significant concerns.

**Monitoring Officer**

4.6 The Monitoring Officer is required to report to the Council in any case where it appears that any proposal, decision or omission by the authority has given rise to or is likely to or would give rise to any contravention of any enactment, rule of law or code of practice or maladministration or injustice in accordance with Sections 5 and 5A of the Local Government and Housing Act 1989; (LGHA 89). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report.

### **Internal Audit**

- 4.7 In December 2017 Internal Audit was assessed as generally conforming to Public Sector Internal Audit Standards by an internal review. This was confirmed by another internal assessment in January 2019 carried out by a qualified and experienced auditor who had just joined the Council.
- 4.8 It is a requirement of the UK Public Sector Internal Audit Standards that an annual report is produced setting out the work performed by Internal Audit and the opinion of the *Chief Audit Executive* (at Rotherham this is the Head of Internal Audit) on the Council's internal control environment.
- 4.9 The Annual Internal Audit report was presented to the Audit Committee on 18<sup>th</sup> June 2019. The report confirmed positive progress had been made during the year, but also highlighted areas identified from the work of Internal Audit where further improvement could be made.
- 4.10 Internal Audit concluded that the Council has maintained overall an adequate and effective framework of governance, risk management and control.
- 4.11 During 2018/19 the Internal Audit plan included a review of the preparation of the Annual Governance Statement. The report gave substantial assurance that the Statement complies with the requirements of the Accounts and Audit Regulations 2015 and the CIPFA/SOLACE Framework, was prepared properly and is an accurate representation of the governance arrangements within RMBC. No recommendations were made in the report.

### **External Audit**

- 4.12 The Council's external auditor is required each year to carry out a statutory audit of the Council's financial statements and give an assessment of the Council's value for money arrangements. KPMG issued an unqualified opinion on the Council's financial statements for the year ended 31<sup>st</sup> March 2018 year on 31<sup>st</sup> July 2018.
- 4.13 in addition, KPMG issued an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources on 31<sup>st</sup> July 2018. This conclusion stated that the Council had, in all significant respects, proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the financial year ended 31<sup>st</sup> March 2018.
- 4.14 The Council's new auditors, Grant Thornton LLP, will issue a final ISA 260 report for 2018/19 as well as an opinion on the financial statements and a conclusion on



the Council's arrangements to secure economy, efficiency and effectiveness once their work is complete.

## **5 UPDATE ON MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT FOR 2017/18**

- 5.1 Section 2 of this Statement covers in detail the work that has been carried out in the course of the year by the Commissioners which has resulted in the Government's intervention in the Council ceasing on 31<sup>st</sup> March 2019 and is not repeated here.

### **Adult Social Care**

- 5.2 The 2017/18 Annual Governance Statement reported the progress that Adult Social Care Services had continued to make against their improvement priorities. The AGS reported that a new improvement plan was in place, supported by the Improvement Board and additional peer support and that work was taking place to reduce costs and improve value for money in the service.
- 5.3 Adult Care continues to develop and make improvements to its offer of care and support to the residents of Rotherham. This has been building on a strength based approach to assessments through training and support via the Principal Social Worker role. There is focus on assessment and review activity and this is ongoing as demand and complexity has increased over the 12 months. Staff engagement was initiated in readiness for staff consultation being initiated in April/May 19 around a new operating model, this was positively received. Assurance for all elements of the directorate is monitored via the Project Assurance Meeting chaired by the Strategic Director.

### **Information Governance**

- 5.4 In last year's Annual Governance Statement it was reported that the Council failed to retain its Public Services Network (PSN) certificate due to insufficient progress being made to action the previous years' requirements. This has not had any impact on the business of the Council but there was a risk, should lack of progress continue, that the Council's permissions to share confidential data with other organisations would be removed. It was also reported that an action plan had been developed and action was being taken to deal with the identified weaknesses. Delivery of the action plan has progressed well with 90% of tasks completed during the last 12 months and regular discussion with the PSN office to discuss this progress. One large task remains, which is the replacement of the ageing council telephone system. This will be replaced during 2019/20 and a plan is currently in development.

- 5.5 The rate of completion for Freedom of Information Requests within the required timescales continues to improve over previous years and performance is now good. The Right of Access Requests (previously known as DSAR) are also improving, although significant changes to the process have had to take place to achieve this improvement. Electronic redaction methods are now in use and have assisted in beginning to see the completion rates improve significantly, although these levels are not yet at an acceptable level.

### **Medium Term Financial Strategy**

- 5.6 The Council's budget for 2018/19 brought the total amount of savings which the Council has had to address since 2011/12, to £177m.
- 5.7 The Council also continued to face significant cost and demand pressures on social care services. In setting the budget for 2018/19, and in recognition of these continuing pressures, a budget contingency of £10m was earmarked, including planned use of £5.2m of reserves.
- 5.8 The provision of the budget contingency for 2018/19 was to provide time for the outcomes of a number of cross-cutting reviews being undertaken to demonstrate a more strategic approach to the budget and savings, where previously there had been an over-reliance on a traditional "top-slicing" approach. This would provide new budget proposals for 2019/20 and beyond to address some of the funding gaps in those years as well as identifying actions to address the spending pressures in social care.
- 5.9 Close financial monitoring during 2018/19 and early identification of mitigating actions to address adverse budget variances, enabled the Council to achieve a financial outturn which used only £2m of the £5.2m of reserves set aside within the budget contingency, thereby protecting £3.2m of reserves for use in future years.

## **6 OTHER SIGNIFICANT ISSUES ARISING DURING 2018/19**

### **Delivering the Financial Strategy**

- 6.1 The Medium Term Financial Strategy was fully reviewed during 2018/19, alongside the development of a two-year budget for 2019/20 and 2020/21, setting out the Council's financial picture to 2021/22.
- 6.2 The biggest challenge for the Council remains the cost and demand pressures on social care services. Following the substantial in-depth work and analysis done on these services during 2018/19, to establish where the cost pressure could be addressed or mitigated without adverse impact on vulnerable children and adults, the budgets for 2019/20, 2020/21 and the MTFs projections for 2021/22 have been rebased for these services. This was done alongside reviews of all Council

budgets and savings options and a refresh of the Council's reserves strategy, resulting in a budget and MTFs which, supported by the reserves strategy, is considered to be sustainable in the medium term.

- 6.3 The biggest risk to the Council remains the pressure on social care services and the ability of all services to deliver the service and cost changes agreed within the budgets.
- 6.4 There is also uncertainty nationally for Local Government funding beyond 2019/20 pending the outcomes of the Fair Funding review, Spending Review 2019 and the proposed revisions to the Business Rates Retention Scheme.

## **7 SIGNIFICANT EVENTS OR DEVELOPMENTS AFTER YEAR END**

- 7.1 There have been no significant events or developments relating to the governance system between the year-end and the date on which this statement has been signed.

**8 LEADER AND CHIEF EXECUTIVE STATEMENT 2018/19**

- 8.1 This Annual Governance Statement fairly reflects the position at Rotherham Metropolitan Borough Council during the year and up to the date of signing.
- 8.2 The Council has continued to make good progress on its improvement journey throughout 2018/19 and this is supported by removal of Commissioners and the end of intervention following the positive comments made by the Commissioners in their final review.
- 8.3 The Council Vision remains current and has been reflected in the Council Plan which has been in place throughout the year. This Plan has been monitored through the Performance Management framework which includes public reporting of Council performance against the Plan. Refreshed indicators under the Council Plan have been finalised and were approved in May 2019. The Medium Term Financial Strategy approved in February 2019 sets out the prioritisation and funding of the Council’s aspirations. These and other guiding documents developed during the year provide the building blocks for the Council to make further improvements.
- 8.4 The evidence, reinforced by the independent review, supports a conclusion that, throughout the 2018/19 year the Council demonstrated good governance and met its Best Value duty. The action plans in place, which are embedded as part of Service Plans and the wider Council Plan, will continue to drive further improvement throughout the coming year.

Signed .....

**Councillor Chris Read,  
Leader, Rotherham MBC  
Date: 31<sup>st</sup> July 2019**

Signed .....

**Sharon Kemp,  
Chief Executive, Rotherham MBC  
Date: 31<sup>st</sup> July 2019**

**Committee Name and Date of Committee Meeting**

Audit Committee – 30 July 2019

**Report Title**

Financial Outturn 2018/19 – Treasury Management and Prudential Indicators

**Is this a Key Decision and has it been included on the Forward Plan?**

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

Rob Mahon – Finance Manager, Financial Accounting  
01709 254518 or [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)

**Ward(s) Affected**

All

**Report Summary**

At the Cabinet Meeting on 8 July 2019, Members agreed to recommend that Audit Committee receive the Financial Outturn 2018/19 – Treasury Management and Prudential Indicators report. The report considered by the Cabinet is appended to this covering paper in order to comply with the recommendation to forward the Annual Treasury Management Report and Actual Prudential Indicators 2018/19 for information.

**Recommendations**

1. That the Financial Outturn 2018/19 – Treasury Management and Prudential Indicators be noted for information.

**List of Appendices Included**

Appendix 1 Report to Cabinet – 8 July 2019 ‘Financial Outturn 2018/19 – Treasury Management and Prudential Indicators’.

**Background Papers**

n/a

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Cabinet – 08 July 2019

**Council Approval Required**

No

**Exempt from the Press and Public**

No

**Committee Name and Date of Committee Meeting**

Cabinet – 8 July 2019

**Report Title**

Financial Outturn 2018/19 - Treasury Management and Prudential Indicators

**Is this a Key Decision and has it been included on the Forward Plan?**

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

Rob Mahon, Finance Manager – Financial Accounting  
01709 254518 rob.mahon@rotherham.gov.uk

**Ward(s) Affected**

Borough-Wide

**Report Summary**

The Council received an annual treasury strategy report in advance of the 2018/19 financial year at its meeting on 28<sup>th</sup> February 2018 and Audit Committee received a mid-year report at its meeting on 27<sup>th</sup> November 2018, representing a mid-year review of treasury activity during 2018/19.

This report is the final treasury report for 2018/19. Its purpose is to review the treasury activity for 2018/19 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2018/19 in accordance with the requirements of the Prudential Code.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council is required to comply with both the aforementioned codes through regulations issued under the Local Government Act 2003.

**Recommendations**

1. That the Treasury Management Prudential Indicators outturn position as set out in Section 3 and Appendices A and B of the Annual Treasury Management Report for 2018/19 be noted.
2. That the report be forwarded to Audit Committee for information.

**List of Appendices Included**

Appendix A Summary Prudential Indicators for Rotherham MBC

Appendix B Summary Prudential Indicators for the Former South Yorkshire County Council

**Background Papers**

CIPFA – Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated)

CIPFA – Prudential Code for Capital Finance in Local Authorities(as updated)

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Audit Committee

**Council Approval Required**

No

**Exempt from the Press and Public**

No



## **Financial Outturn 2018/19 - Treasury Management and Prudential Indicators**

### **1. Background**

1.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2018/19);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act, the MHCLG has issued Investment Guidance to structure and regulate the Council's investment activities; and
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 (revised) the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

1.2 The Council complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular, the adoption and implementation of the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable. Treasury investment practices are governed by the primary objectives of security ahead of liquidity and then yield.

### **2. Key Issues**

#### **2.1 Overview**

2.2 Indicators are set prior to the start of the financial year and reflect the known position at that time. Approved changes to the capital programme and its funding throughout the financial year, together with variations in treasury management activity, mean that actual indicators for the year may vary from the projections made prior to the start of the financial year. However, by regular monitoring and reporting revised estimates of these indicators the Council is able to ensure the impact is known and managed through the Medium Term Financial Strategy.

The actual prudential indicators for 2018/19 for the Council, with comparators, are shown in the attached Appendix A. Background to these is provided in the following paragraphs.

**2.3 Impact of the Council's Capital Expenditure and Financing 2018/19** – capital expenditure is Council spend on long term assets. This may either be:

- Financed immediately through capital receipts, capital grants etc.; or
- Financed over the life of the asset by use of Prudential Borrowing

Part of the Council's Treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flows, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then optimise performance. The primary objective is security ahead of liquidity and then yield or return.

**2.4** The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. It represents 2018/19 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. The CFR also includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets.

**2.5** The Non-HRA element of the CFR (excluding PFI schemes and finance lease assets) is reduced each year by a statutory revenue charge (the Minimum Revenue Provision - MRP). The CFR can also be reduced by:

- the application of additional capital resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

**2.6** At the end of the financial year 2018/19, the closing CFR was £8.642m less than that approved in the revised indicator, as set out in the Mid-Year Report 2018/19. The reduction is due to slippage on a number of capital schemes, that in turn reduces the Council's need to borrow at this point in time.

**2.7 Treasury Position at 31 March 2019** - whilst the Council's gauge of its underlying need to borrow is the CFR, the Strategic Director - Finance and Customer Services and the Treasury function can manage the Council's actual borrowing position by either:

- borrowing to the CFR (excluding the impact of PFI and similar contracts); or
- choosing to utilise some temporary internal cash flow funds instead of borrowing (under-borrowing); or
- borrowing for future increases in the CFR (borrowing in advance of need).

2.8 For 2018/19 provision was made for the estimated borrowing need for the year to partly reduce the Council's 31 March 2018 under-borrowed position. However, the Council has continued to take advantage of the current availability of short-term cash loans at very favourable rates and did not take out any new long-term loans in 2018/19.

2.9 There is minimal risk to the Council in following this strategy, as long-term loans can be taken out immediately at any point in time that the financial markets start to change when long-term loans are the more cost effective option.

2.10 Thus at 31 March 2019, the Council's borrowing (excluding PFI and similar schemes) and investments were as follows:

**Table 1 Council's Treasury Position 2018/2019**

<b>Net Borrowing</b>	<b>As At 31 March 2018 £m</b>	<b>As At 31 March 2019 £m</b>
<b>External Borrowing</b>		
Public Works Loans Board (PWLB)	204.007	196.702
Market (e.g. Banks, Other Local Authorities)	243.000	223.000
Temporary Borrowing	118.000	167.000
	<b>565.007</b>	<b>586.702</b>
<b>External Investments</b>		
Debt Management Office	0.000	0.000
Money Market Funds	0.000	27.530
	<b>0.000</b>	<b>27.530</b>
<b>Net Borrowing</b>	<b>565.007</b>	<b>559.172</b>
<b>Net Borrowing - Excluding Temporary Borrowing</b>	<b>447.007</b>	<b>392.172</b>
<b>Capital Financing Requirement</b>	<b>693.932</b>	<b>685.241</b>
<b>Net Under-Borrowed</b>	<b>246.925</b>	<b>293.069</b>

2.11 Against the Council's Capital Financing Requirement of £685.241m (excluding PFI and similar arrangements totalling £129.626m), the Council's outstanding net borrowing of £392.172m (excluding temporary loans) is lower than this requirement by approximately £293.069m due to the Council's approach of utilising temporary cash flow funds and short term borrowing rather than taking out any new long term borrowing.

2.12 Total savings in the Treasury Management budget for 2018/19, arising from all treasury activity including cash-flow management, were £2.621m.

## 2.13 PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES

Some of the prudential indicators provide either an overview or specific limits on Treasury activity:

- 2.14 **Net Borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term, the Council's external borrowing net of investments must only be used for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2018/19 plus the expected changes to the CFR for 2018/19 and 2019/20. The Council complied with this prudential indicator throughout 2018/19.
- 2.15 **The Authorised Limit** - the Authorised Limit is the "Affordable Borrowing Limit" required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The Council maintained gross borrowing within its Authorised Limit, both excluding and including the impact of including PFI and similar arrangements on to the Council's Balance Sheet.
- 2.16 **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The Council maintained its borrowing position around its Operational Boundary.
- 2.17 **Actual financing costs as a proportion of net revenue stream** - This indicator identifies the trend in the cost of capital (borrowing and the cost of other long term obligations but net of investment income) against the Council's Budget Requirement (net revenue stream) for the General Fund and budgeted income for the HRA.

Both indicators show a reduction in the actual financing costs as a proportion of net revenue stream. The General Fund ratio reduced from 5.56 (original budget) to 5.26 (actual outturn). This was as a result of a combination of the actual net revenue stream for the year being higher than originally forecast and the actual MRP charge being lower than the original budget. The HRA ratio reduced from 15.95 (original budget) to 15.92 (actual outturn). This was due to increased notional interest achieved on HRA cash balances during the year.

- 2.18 **Incremental impact of Capital Investment Decisions** – these two indicators are used to highlight the trend in cost arising from changes to the Council's capital investment plans:

- the impact on Council Tax Band D levels of changes to the General Fund capital programme, and
- the impact on weekly rent levels arising from changes in the housing capital programme

The incremental impact of capital investment decisions on the Band D Council Tax has reduced significantly from the original budget of £13.26 to £7.39. This is due to the actual borrowing required in the year (to fund capital expenditure) being substantially lower than anticipated. More capital grants have been available and these have been applied in funding the capital programme, thus

replacing the need to borrow. Strategic capital financing decisions made at the financial year end also reduced borrowing by replacing planned prudential borrowing on short-life assets with use of capital receipts. The equivalent amount of prudential borrowing will then be utilised in later years on longer life assets. None of the HRA capital investment was financed by borrowing in 2018/19 and therefore there was no incremental impact of capital investment on HRA rent levels.

## **2.19 TREASURY MANAGEMENT INDICATORS**

### **2.20 Limits on Activity**

Upper limits on fixed and variable interest rates as at 31 March 2019 – these indicators identify the maximum limits for fixed interest rate gross debt and for variable interest rates based upon the debt position, net of investments. The Council remained within the limits set throughout 2018/19.

Maturity structure of fixed rate borrowing during 2018/19 – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits. The Council remained within the limits set throughout 2018/19.

Maximum funds invested for more than 364 days – This limit is set to reduce the need for early sale of an investment and is based on the availability of funds after each year end.

### **2.21 Borrowing**

New and Replacement Borrowing – No new long term loans were taken up during the year as the Council continued with its strategy of utilising the temporary borrowing market to manage the cash flow position.

During the year, temporary borrowing was taken up on 35 occasions with a mix of terms (ranging from 3 months to 11 months) to manage the Council's cash flow position. Of these short-term loans, 10 have been fully repaid in the year; with 25 remaining outstanding at the year end. Included within these are two rolling deals, where the Council or lender can provide 1 months' notice or 14 days' notice to either change the rate or end the deal.

**Table 2 Short Term Borrowing as at 31<sup>st</sup> March 2019**

Start Date	Principal	Type	Term	Interest Rate %
29/09/2017	£20,000,000	Temp	1 Month notice	0.80
17/08/2018	£5,000,000	Temp	9 Months	0.65
01/08/2018	£3,000,000	Temp	9 Months	0.65
01/08/2018	£4,000,000	Temp	9 Months	0.65
01/08/2018	£2,000,000	Temp	9 Months	0.65
01/08/2018	£1,000,000	Temp	9 Months	0.65
16/08/2018	£10,000,000	Temp	7 Months	0.65
22/08/2018	£10,000,000	Temp	14 Day Notice	0.80
23/10/2018	£10,000,000	Temp	6 Months	0.85
15/10/2018	£5,000,000	Temp	6 Months	0.90
15/10/2018	£5,000,000	Temp	6 Months	0.90
15/10/2018	£5,000,000	Temp	6 Months	0.90
23/10/2018	£5,000,000	Temp	6 Months	0.90
05/11/2018	£3,000,000	Temp	4 Months	0.82
20/11/2018	£3,000,000	Temp	5 Months	0.80
03/12/2018	£2,000,000	Temp	6 Months	0.95
03/12/2018	£10,000,000	Temp	5 Months	0.95
07/12/2018	£5,000,000	Temp	6 Months	0.95
04/12/2018	£3,000,000	Temp	5 Months	0.80
13/12/2018	£6,000,000	Temp	7 Months	0.95
17/12/2018	£5,000,000	Temp	4 Months	0.85
18/01/2019	£10,000,000	Temp	14 Day Notice	0.80
15/03/2019	£15,000,000	Temp	3 Months	1.00
21/03/2019	£10,000,000	Temp	8 Months	1.05
25/03/2019	£10,000,000	Temp	6 Months	1.00

Rescheduling – No rescheduling took place in 2018/19 due to the continuing unfavourable market conditions.

Debt Repayment – Three loans totalling £25m matured during the year as shown in the table below. Part repayments of principal (£2.299m) continued on the Annuity and Equal Instalment of Principal (EIP) loans taken up in prior years.

**Table 3 Debt Repayments 2018/19**

<b>Lender</b>	<b>Principal £m</b>	<b>Type</b>	<b>Interest Rate</b>	<b>Weighted Average rate of interest</b>
Sheffield City Region	10.000	Fixed rate	1.25%	
Wandsworth Council	10.000	Fixed rate	0.70%	
PWLB	5.000	Fixed rate	2.82%	
PWLB EIP	2.000	Fixed rate	3.46%	
PWLB EIP	0.130	Fixed rate	1.89%	
PWLB Annuity	0.169	Annual repayments	Various	
<b>Total:</b>	<b>£27.299</b>			<b>1.50%</b>

The overall debt activity resulted in a decrease in the average interest rate on the Council's debt portfolio of 0.08%, from 4.08% to 4.00%. This has arisen as loans have matured (shown in the table above) and have been replaced with temporary borrowing.

## **2.22 Investments**

The Council's investment policy is governed by MHCLG Guidance, which was implemented in the annual investment strategy approved by Council on 28th February 2018. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of £23.4m and received an average return of 0.70%. When compared to the local measure of performance, the average return was higher than the average 7 day London Interbank Bid Rate for 2018/19 of 0.51%. This is due to the Council's established use of Money Market Funds to utilise for short-term deposits. These Funds are AAA rated securities which pay a better rate of interest than the Government Debt Management Office.

## **2.23 FORMER SOUTH YORKSHIRE COUNTY COUNCIL**

The Council became responsible for the administration of the former SYCC debt from 1<sup>st</sup> April 1986 on behalf of the four South Yorkshire Councils. No new borrowing or rescheduling took place during 2018/19, whilst one loan of £0.811m matured during the year. Thus at 31 March 2019, external debt, all with the PWLB, totalled £36.189m. The average interest rate on the debt is 5.10%.

The Former South Yorkshire County Council had no investments at 31 March 2019, the same as at 31 March 2018.

The actual prudential indicators for the Former South Yorkshire County Council are shown in the attached Appendix B.

**3. Options considered and recommended proposal**

3.1 No options considered as the report outlines actual Treasury Management activity during 2018/19.

**4. Consultation**

4.1 None required

**5. Timetable and Accountability for Implementing this Decision**

5.1 None

**6. Financial and Procurement Implications**

6.1 Treasury Management forms an integral part of the Council's overall financial arrangements.

6.2 There are no direct procurement implications arising from the report.

**7. Legal Implications**

7.1 None, other than ensuring compliance with the Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated) and the Prudential Code (as updated).

**8. Human Resources Implications**

8.1 There are no Human Resource implications arising from the report.

**9. Implications for Children and Young People and Vulnerable Adults**

9.1 There are no implications arising from the proposals to Children and Young People and Vulnerable Adults.

**10. Equalities and Human Rights Implications**

10.1 There are no implications arising from this report to Equalities and Human Rights.

**11. Implications for Partners and Other Directorates**

11.1 There are no implications arising from this report for Partners and other Directorates.

**12. Risks and Mitigation**

12.1 Regular monitoring of treasury management activity throughout the financial year ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.



**13. Accountable Officer**

Judith Badger – Strategic Director - Finance &amp; Customer Services

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	24/06/19
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	20/06/19
Assistant Director of Legal Services (Monitoring Officer)	Bal Nahal	20/06/19
Assistant Director of Human Resources (if appropriate)	N/A	N/A
Head of Procurement (if appropriate)	N/A	N/A

*Report Author: Rob Mahon, Finance Manager – Financial Accounting  
01709 254518 or rob.mahon@rotherham.gov.uk*

This report is published on the Council's [website](#).

## APPENDIX A

## Summary Prudential Indicators: Rotherham MBC

		Actual	Revised Estimate	Original Estimate
		£m	£m	£m
<b>1</b>	<b>Capital Expenditure (excluding PFI &amp; Finance lease liabilities)</b>	<b>91.643</b>	<b>107.054</b>	<b>113.911</b>
<b>2</b>	<b>Capital Financing Requirement (CFR) including PFI &amp; similar liabilities:</b>			
	General Fund	509.841	519.433	505.879
	HRA	305.075	304.125	304.125
	<b>Total</b>	<b>814.916</b>	<b>823.558</b>	<b>810.004</b>
<b>3</b>	<b>Net Borrowing compared to CFR excluding PFI &amp; similar liabilities:</b>			
	Total Borrowing	419.702	425.855	558.953
	Total Investments	27.530	8.180	20.000
	Net Borrowing	392.172	417.675	538.953
	CFR	685.241	693.932	680.378
	<b>Under-borrowing</b>	<b>293.069</b>	<b>276.257</b>	<b>141.425</b>
<b>4</b>	<b>Net Borrowing compared to CFR including PFI &amp; similar liabilities:</b>			
	Borrowing (from above)	419.702	425.855	558.953
	Borrowing (PFI etc.)	129.626	129.626	129.626
	Total Borrowing	549.328	555.481	688.579
	Total Investments	27.530	8.180	20.000
	Net Borrowing	521.798	547.301	668.579
	CFR	814.916	823.558	810.004
	<b>Under-borrowing</b>	<b>293.118</b>	<b>276.257</b>	<b>141.425</b>
<b>5</b>	<b>Authorised Limit for external debt</b>			
	Assumed Borrowing	714.397	714.397	714.397
	PFI & similar liabilities	132.219	132.219	132.219
	Authorised Limit	846.615	846.615	846.615
	Total Borrowing	549.328	555.481	688.579
	<b>Borrowing Below Limit</b>	<b>297.287</b>	<b>291.134</b>	<b>158.036</b>
<b>6</b>	<b>Operational boundary for external debt</b>			
	Assumed Borrowing	558.953	558.953	558.953
	PFI & similar liabilities	129.626	129.626	129.626
	Operational Boundary	688.579	688.579	688.579
	Total Borrowing	549.328	555.481	688.579
	<b>Borrowing Below/(Above) Boundary</b>	<b>139.251</b>	<b>133.098</b>	<b>0.000</b>
<b>7</b>	<b>Maximum Funds invested &gt; 364 days</b>	<b>0.000</b>	<b>10.000</b>	<b>10.000</b>
			<b>Revised</b>	<b>Original</b>

		<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>
		<b>%</b>	<b>%</b>	<b>%</b>
<b>8</b>	<b>Ratio of financing costs to net revenue stream – Non HRA</b>	5.26	5.46	5.56
<b>9</b>	<b>Ratio of financing costs to net revenue stream – HRA</b>	15.92	15.75	15.95
		<b>£</b>	<b>£</b>	<b>£</b>
<b>10</b>	<b>Incremental impact of capital expenditure plans on the Band D Council Tax</b>	7.39	13.26	13.26
<b>11</b>	<b>Incremental impact of capital expenditure plans on housing rents levels</b>	0	0	0

<b>12</b>	<b>Maturity Structure of Fixed Rate Borrowing</b>	<b>Actual</b>	<b>Revised Upper Limit</b>	<b>Original Upper Limit</b>
		<b>%</b>	<b>%</b>	<b>%</b>
	Under 12 Months	2.93	35	35
	12 months to 2 years	2.94	35	35
	2 years to 5 years	11.82	45	45
	5 years to 10 years	2.67	45	45
	10 years to 20 years	12.13	45	45
	20 years to 30 years	1.19	50	50
	30 years to 40 years	25.34	50	50
	40 years to 50 years	17.16	55	55
	50 years and above	23.83	60	60

<b>13</b>	<b>Upper Limit on fixed interest rates based on fixed net debt</b>	<b>Actual</b>	<b>Revised Upper Limit</b>	<b>Original Upper Limit</b>
		<b>%</b>	<b>%</b>	<b>%</b>
		78.32	100	100

<b>14</b>	<b>Upper Limit on variable rates based on fixed net debt</b>	<b>Actual</b>	<b>Revised Upper Limit</b>	<b>Original Upper Limit</b>
		<b>%</b>	<b>%</b>	<b>%</b>
		21.68	30	30

## Summary Prudential Indicators: Former South Yorkshire County Council

		Actual	Revised Estimate	Original Estimate
		£m	£m	£m
1	<b>Authorised Limit for external debt</b>			
	Authorised Limit	37.000	37.000	37.000
	Total Borrowing	37.000	37.000	37.000
	<b>Borrowing Below Limit</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
2	<b>Operational boundary for external debt</b>			
	Operational Boundary	37.000	37.000	37.000
	Total Borrowing	37.000	37.000	37.000
	<b>Borrowing Below Boundary</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

3	<b>Maturity Structure of Fixed Rate Borrowing</b>	Actual	Revised Upper Limit	Original Upper Limit
		%	%	%
	Under 12 Months	45.594	25	25
	12 months to 2 years	54.406	50	50
	2 years to 5 years	0	100	100

4	<b>Upper Limit on fixed interest rates based on fixed net debt</b>	Actual	Revised Upper Limit	Original Upper Limit
		%	%	%
		100	100	100

5	<b>Upper Limit on variable rates based on fixed net debt</b>	Actual	Revised Upper Limit	Original Upper Limit
		%	%	%
		0	30	30

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## Summary Sheet

### Council Report:

Audit Committee – 30 July 2019.

### Title:

Audit Committee Annual Report 2018/19

### Is this a Key Decision and has it been included on the Forward Plan?

No

### Strategic Director Approving Submission of the Report:

Judith Badger (Strategic Director of Finance and Customer Services)

### Report Author(s):

David Webster (Head of Internal Audit)

### Ward(s) Affected:

All wards

### Executive Summary:

The purpose of the Annual Report 2018/19 is to bring together in one document a summary of the work undertaken by the Audit Committee. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees operate effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this Audit Committee is attached at Appendix 1. Copies of the Audit Committee's Terms of Reference for 2018/19 and 2019/20 are included in the Appendix for information.

### Recommendation:

#### The Audit Committee is asked to

- a. **Note the production of the Audit Committee Annual Report 2018/19.**
- b. **Consider and approve the draft report prior to its submission to Council.**

### Background Papers:

Relevant reports presented to the Audit Committee and minutes of the meetings of the Audit Committee.

**Consideration by any other Council Committee, Scrutiny or Advisory Panel:**

No

**Council Approval Required:**

Yes

**Exempt from the Press and Public:**

No

**Title:**

Audit Committee Annual Report

**1. Recommendations**

**The Audit Committee is asked to:**

- **Note the production of the Audit Committee Annual Report 2018/19.**
- **Consider and approve the draft report prior to its submission to Council.**

**2. Background**

2.1 The Audit Committee is responsible for overseeing the Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in section 9 of the Constitution under the Terms of Reference of the Audit Committee. Copies of the Terms of Reference for 2018/19 and 2019/20 are attached within the Appendix for information.

2.2 Audit Committees are a key component of corporate governance and provide an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

2.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities.

**3. Work undertaken during 2018/19**

3.1 The Audit Committee met on six occasions in the year to 31 March 2019, in accordance with its programme of work.

3.2 During this period the Committee assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the internal auditors and the external auditors. The Committee sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified during the period. The Committee also sought to ensure that effective relationships continue to be maintained between the internal and external auditors, and between the auditors and management.

3.3 The specific work undertaken by the Committee is set out in Appendix 1.

**4. Options considered and recommended proposal**

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

**5. Consultation**

5.1 None.

**6. Financial and Procurement Implications**

6.1 There are no direct financial or procurement implications arising from this report.

**7. Human Resources Implications**

7.1 There are no direct implications for HR arising from this report.

**8. Implications for Children and Young People and Vulnerable Adults**

8.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

**9. Equalities and Human Rights Implications**

9.1 There are no direct Equalities or Human Rights implications arising from this report.

**10. Accountable Officer(s):**

David Webster (Head of Internal Audit).



**ROTHERHAM METROPOLITAN  
BOROUGH COUNCIL**

**AUDIT COMMITTEE ANNUAL REPORT  
2018/19**

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## 1. INTRODUCTION

- 1.1 While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. RMBC's Audit Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.
- 1.2 A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.
- 1.3 This role is reflected in the Committee's Terms of Reference which are given in paragraphs 4 and 5.
- 1.4 The Audit Committee had six Members during 2018/19:
- Councillor Ken Wyatt – Chair
  - Councillor Bob Walsh – Vice Chair
  - Councillor Allen Cowles
  - Councillor Simon Evans
  - Councillor John Vjestica
  - Bernard Coleman – independent person

## 2 SUMMARY OF WORK UNDERTAKEN IN 2018/19.

The Audit Committee completed the following during 2018/19

### 2.1 External Audit

At the start of the year Grant Thornton became the external auditors for the Council, taking over from KPMG. The Audit Committee received reports from both auditors during the year.

#### From KPMG

Received and considered the detailed results of the external auditor's work in relation to the audit of the 2017/18 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion with few audit adjustments necessary, none of which affected the financial performance or financial position of the Council. There was an unqualified value for money conclusion stating that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. All of the recommendations from the ISA 260 from the previous year had been implemented.

Received and considered the external auditor's annual audit letter in respect of the 2017/18 audit year. The Committee was pleased to note that the external auditors had given an unqualified value for money audit opinion and an unqualified opinion on the financial statements. They also stated that the consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements and that the Annual Governance Statement was consistent with their understanding and compliant with the CIPFA/SOLACE framework on good governance in local authorities.

Received and considered the external auditor's report on Grant returns and certification work. There was only one grant audited, the Housing Benefit Subsidy claim, and the Committee was pleased to note that an unqualified opinion had been given on the claim.

#### From Grant Thornton

Received and considered a report on the planned audit fee for 2018/19, to cover work on: the audit of the financial statements; reaching a conclusion on the economy, efficiency and effectiveness of the Council's use of resources; and the work on the Whole of Government Account Return.

Received and considered three progress reports detailing the work undertaken by the external auditor during the year.

Received and considered the external auditor's plan for the audit of the 2018/19 financial statements and the review of the Council's arrangements for securing value for money.

## **2.2 Internal Audit**

Continued to oversee the internal audit arrangements for the Council. This included approving minor updates to the Internal Audit Charter.

Received and approved the Internal Audit Plan for 2018/19. The plan ensures that internal audit resources are prioritised towards those systems and areas which are considered to be the most risky or which contribute most to the achievement of the Council's corporate objectives.

Monitored the delivery of the Annual Internal Audit Plan through regular update reports presented by the Head of Internal Audit. Reviewed variations to the audit plans which were considered necessary to reflect new or changed Council priorities.

Received and considered the results of internal audit work performed in respect of each Directorate.

Monitored the progress made by management during the period to address identified control weaknesses.

Monitored the performance of the Internal Audit team through regular update reports.

Received and considered the Annual Report of the Head of Internal Audit for 2017/18 which provided an overall opinion on the Council's control environment.

The report included a summary of the resources and audit coverage, the work undertaken and the audit opinions and recommendations issued during the year. The Head of Internal Audit confirmed that the Council overall had an adequate and effective framework of governance, risk management and control.

Received and considered the results of the internal assessment against Public Sector Internal Audit Standards which showed General Conformance with the Standards

Received and considered the implementation of the Quality Assurance and Improvement Plan and the revised plan for 2019.

Received and approved the Internal Audit Plan for 2019/20, produced on the same basis as the 2018/19 plan.

### **2.3 Anti-fraud and Corruption**

Received and considered updates to the Anti-Fraud and Corruption Policy and Strategy.

Received and considered updates on completed fraud investigations as part of the Internal Audit Progress Reports.

### **2.4 Risk Management**

Continued to oversee the Council's risk management arrangements and strategy, including reviewing the refreshed risk management policy and guide.

Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register.

Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in each Directorate's Risk Register. Presentations were received from Strategic Directors and Cabinet Members on their approach to risk management.

### **2.5 Corporate Governance**

Considered changes to the refreshed Code of Corporate Governance prior to approval. The Code reflects the core principles and requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'.

Considered the draft Annual Governance Statement for 2017/18.

Considered and approved the Annual Governance Statement for 2017/18 of the Council. The Statement reflected the continued progress made by the Council during that year.

Received and considered a report on the Committees Terms of Reference, proposing changes to bring them into line with new CIPFA Guidance. The proposals were accepted and were agreed at Council in May 2019, see paragraph 5.

Received and considered a report on the appointment of an independent member to the committee, deciding to appoint the current independent member for one year to allow a recruitment process to take place.

Produced its own Prospectus for 2018/19 detailing the work to be undertaken by the Committee during the year.

Produced its own Annual Report for 2017/18 setting out the work undertaken by the committee.

Received and considered at each meeting its own forward plan for the year ahead, ensuring that all relevant areas are covered during the year.

Received and considered a briefing paper on the preparation and compliance processes which had been carried out prior to the implementation of GDPR.

## **2.6 Finance**

Considered the unaudited draft Statement of Accounts.

Considered and approved the Statement of Accounts for 2017/18 for the Council.

Received and considered a report on the final accounts closedown and accounting policies updates for 2018/19.

Continued to review the Council's Treasury Management arrangements. This included reviewing the Annual Treasury Management Report for 2017/18 which covered the actual Prudential Indicators, and the Mid-Year Monitoring Report which included the actual and proposed treasury management activity.

## **2.7 Other**

Received and considered two update reports on progress made to implement recommendations arising from external inspections.

Received and considered reports on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA). There had been no usage of these powers by the Council during 2017/18 or in the remainder of 2018.

Received a report on proposed revisions to the Regulation of Investigatory Powers Act policy after the Home Office issued revised Codes of Practice.

Received a report on the Liquid Logic case management system outlining the continued development taking place to enable the clearance of outstanding audit recommendations.

## **3 TRAINING**

- 3.1** The Committee receives training or a briefing before each meeting. During 2017/18 these included the Statement of Accounts, Treasury Management, CIPFA Guidance for Audit Committees, the Code of Corporate Governance and Risk Management.

## **4. TERMS OF REFERENCE 2018/19**

- 4.1** The Council has established an Audit Committee comprising five non-executive members of the Council. The Committee will be attended by a representative of the Council's external auditors as well as senior officers of the Council. The Committee's remit is:-
- to consider all issues relating to audit matters, both internal and external;

- to monitor and review the effectiveness of risk management systems, including systems of internal control;
- to consider the preparation and monitoring of the internal audit plan;
- to consider summary reports of each internal audit and value for money study undertaken;
- to consider the external audit plan;
- to consider reports from the external auditor, including value for money, systems and final accounts audits;
- to review and monitor the performance of internal audit;
- to review and monitor the anti-fraud strategy and initiatives;
- to ensure the receipt of 'Best Value' from all audit resources;
- to review and monitor corporate governance matters in accordance with audit guidelines.

The Audit Committee will consider the external auditor's annual report on the Council's statement of accounts income and expenditure and will also consider the SAS 610 report from the external auditor. However, the external auditor's management letter will be presented to the full Council.

## **5. TERMS OF REFERENCE 2019/20**

### **Committee Size**

To comprise:-

- Five Councillors, none of which are members of the Cabinet.
- One person who is not a councillor or officer of the Council (independent member).

### **Statement of purpose**

- 1 The Audit Committee is a key component of RMBC's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the audit committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of RMBC's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### **Governance, risk and control**

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider RMBC's code of governance.
- 4 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To approve the final AGS for publication.
- 6 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.

- 8 To monitor the effective development and operation of risk management in the council.
- 9 To monitor progress in addressing risk-related issues reported to the committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 12 To monitor the counter-fraud strategy, actions and resources.
- 13 To review the governance and assurance arrangements for significant partnerships or collaborations.

#### **Internal audit**

- 14 To approve the Internal Audit Charter.
- 15 To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 16 To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- 17 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
- 19 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards. This will include:-
  - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is so severe that it must be included in the AGS
- 20 To consider reports from the Head of Internal Audit on Internal Audit's performance during the year. These will include updates on the work of Internal Audit including:-
  - progress against the plan
  - key findings and issues of concern
  - action in hand as a result of internal audit work
  - performance indicators
- 21 To approve the Head of Internal Audit's annual report:-
  - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
  - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 22 To consider summaries of specific Internal Audit reports.
- 23 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.



- 24 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for him/her to meet privately with the committee.

#### **External audit**

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 27 To approve the external auditor's annual plan
- 28 To approve any revisions to the external auditor's plan
- 29 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30 To consider specific reports as agreed with the external auditor.
- 31 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 32 To commission work from internal and external audit.
- 33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

#### **Financial reporting**

- 34 To receive the draft annual statement of accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 35 To approve the final audited annual statement of accounts for publication. Specifically to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 36 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 37 To deal with any matters referred to the Committee by the Strategic Director Finance and Customer services in relation to his/her responsibilities under section 151 of the Local Government Act 1972.

#### **Treasury Management**

- 38 To review treasury management policy, strategy and procedures and to be satisfied that controls are satisfactory
- 39 To receive annual reports on treasury management, specifically the outturn report and the mid-year report
- 40 To review the treasury risk profile and adequacy of treasury risk management processes
- 41 To review assurances on treasury management, for example an internal audit report, external audit report or other review.

#### **Accountability arrangements**

- 42 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.

- 43 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 44 To submit a report on the work of the committee to the Council on an annual basis.

**Summary Sheet****Council Report:**

Audit Committee 30<sup>th</sup> July 2019

**Title:**

Audit Committee Forward Work Plan

**Is this a Key Decision and has it been included on the Forward Plan?**

No

**Strategic Director Approving Submission of the Report:**

Judith Badger (Strategic Director of Finance and Customer Services).

**Report Author(s):**

David Webster (Head of Internal Audit).

Tel: 01709 823282 Email david.webster@rotherham.gov.uk

**Ward(s) Affected:**

None.

**Executive Summary:**

The report presents to the Audit Committee a forward work plan covering the next year. The plan shows how the agenda items relate to the objectives of the Committee. It is presented for review and amendment as necessary.

**Recommendation:**

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

**Consideration by any other Council Committee, Scrutiny or Advisory Panel:**

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No

**Title:**

Audit Committee Forward Work Plan.

**1. Recommendations**

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

**2. Background**

2.1 The Audit Committee's Terms of Reference are published in the Constitution. The attached Forward Work Plan details how the committee meets those Terms of Reference.

**3. Details**

3.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The Terms of Reference for the Audit Committee are designed to ensure the Committee meets the CIPFA standards.

3.2 Key Audit Committee responsibilities, reflected in the work plan, include:

- Governance, Risk and Control
  - Review the council's corporate governance arrangements against the good governance framework
  - Review the Annual Governance Statement and consider whether it reflects the Council's risk environment and supporting assurances
  - Approve the final AGS for publication
  - Consider the council's framework of assurance
  - Monitor the development and operation of risk management
  - Consider reports on the effectiveness of internal controls
  - Monitor the counter-fraud strategy, actions and resources
  
- Internal Audit
  - Approve the internal audit charter
  - Approve the risk-based internal audit plan, including resource requirements, and any changes to the plan
  - Approve the internal or external assessments of internal audit against the Public Sector Internal Audit Standards
  - Consider internal audit progress reports throughout the year
  - Approve the internal audit annual report
  - Provide free and unfettered access to the audit committee chair for the head of internal audit
  
- External Audit
  - Approve the external auditor's annual plan and any revisions to it
  - Consider the external auditors annual letter, relevant reports and the report to those charged with governance
  
- Financial Reporting
  - Receive the draft annual statement of accounts and consider whether appropriate accounting policies have been followed.

- Approve the final audited annual statement of accounts for publication, considering whether there are concerns that need to be brought to the attention of the council.
- Consider the external auditor's report on issues arising from the audit of the accounts

- Treasury Management

- Review the treasury management policy, strategy and procedures and be satisfied that controls are satisfactory
- Receive annual reports on treasury management

3.3 The committee is accountable to the Council and submits an annual report to show how it has discharged its responsibilities.

#### **4. Options considered and recommended proposal**

4.1 The work plan for the Audit Committee is a helpful guiding document for the Committee itself and other stakeholders with an interest in the Committee's activities. The work plan for the coming year by date is presented to each committee meeting for review and amendment.

#### **5. Consultation**

5.1 Relevant officers and the Audit Committee were consulted in producing the work plan.

#### **6. Timetable and Accountability for Implementing this Decision**

6.1 The Forward Plan comprises a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement).

#### **7. Financial and Procurement Implications**

7.1 There are no financial or procurement issues arising from this report.

#### **8. Legal Implications**

8.1 There are no direct legal implications associated with this report.

#### **9. Human Resources Implications**

9.1 There are no Human Resources implications arising from the report.

#### **10. Implications for Children and Young People and Vulnerable Adults**

10.1 The Audit Committee reviews the management of risks across the Council including those relating to Children's and Adult Services. Review of the management of risks helps to ensure the risks are mitigated.

#### **11. Equalities and Human Rights Implications**

11.1 There are no direct Equalities or Human Rights implications arising from this report.

#### **12. Implications for Partners and Other Directorates**

12.1 Partners will be able to take assurance on the Control's application of governance controls and management of risks from the work of the Audit Committee.

**13. Risks and Mitigation**

13.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a work plan is consistent with the CIPFA standards. The production of a work plan also helps the Audit Committee to ensure it achieves its terms of reference.

**14. Accountable Officer:**

David Webster (Head of Internal Audit).

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
26 <sup>th</sup> September 2019	External Audit	Training External Audit Progress Report	Grant Thornton / Graham Saxton
	Internal Audit	IA Charter review and update	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Review of Surveillance and use of Regulation of Investigatory Powers	Bal Nahal
	Governance Risk and Control	Risk Management Annual Report	Simon Dennis
	Governance Risk and Control	Assurance Framework	Simon Dennis / David Webster
	Governance Risk and Control	Risk Management Directorate Presentation – Assistant Chief Executive	Shokat Lal
	Governance Risk and Control	Anti-Fraud and Corruption Policy and Strategy review and update	David Webster
	Financial Reporting	Updates to Financial Procedure Rules	Graham Saxton
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
26 <sup>th</sup> November 2019	External Audit	Training – Code of Corporate Governance External Audit Annual Letter	Grant Thornton / Graham Saxton
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Governance Risk and Control	Code of Corporate Governance	Simon Dennis
	Governance Risk and Control	Risk Management Strategy and Policy	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Regeneration and Environment	Strategic Director R&E
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster



Meeting Date	Key Responsibility	Agenda Item	Author
28 <sup>th</sup> January 2020	External Audit	Training External Audit Progress Update	Grant Thornton / Graham Saxton
	Financial Reporting	Final Accounts closedown and accounting policies	Graham Saxton
	External Audit	External Audit Grants Report	Grant Thornton / Graham Saxton
	External Audit	Accounts Audit Plan	Grant Thornton / Graham Saxton
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	Judith Badger
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
24 <sup>th</sup> March 2020	Internal Audit	Training	
	Internal Audit	IA Strategy and Plan	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	Risk Management Directorate Presentation – CYPS	Jon Stonehouse
	Internal Audit	Public Sector Internal Audit Standards	David Webster
	Internal Audit	Internal Audit Quality Assurance and Improvement Plan	David Webster
	Audit Committee Accountability	Audit Committee Self-Assessment	David Webster
Audit Committee Accountability	Audit Committee Forward Work plan	David Webster	

Meeting Date	Key Responsibility	Agenda Item	Author
June 2020	<p>External Audit</p> <p>Financial Reporting</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Internal Audit / Governance Risk and Control</p> <p>Internal Audit</p> <p>Governance Risk and Control</p> <p>Audit Committee Accountability</p>	<p>Training – Statement of Accounts</p> <p>External Audit Progress Update</p> <p>Draft Statement of Accounts</p> <p>Draft AGS</p> <p>External Audit and Inspection Recommendations</p> <p>IA Progress Report</p> <p>IA Annual Report</p> <p>Risk Management Directorate Presentation – Adult Care and Housing</p> <p>Audit Committee Forward Plan</p>	<p>Grant Thornton / Graham Saxton</p> <p>Graham Saxton</p> <p>Judith Badger</p> <p>Simon Dennis</p> <p>David Webster</p> <p>David Webster</p> <p>Anne Marie Lubanski</p> <p>David Webster</p>

Meeting Date	Key Responsibility	Agenda Item	Author
July 2020		Training	
	Financial Reporting	Final Statement of Accounts	Graham Saxton
	Governance Risk and Control	Final AGS	Judith Badger
	External Audit	External Audit findings (ISA 260)	Grant Thornton / Graham Saxton
	External Audit	External Audit report on the Accounts	Grant Thornton / Graham Saxton
	Treasury Management	Annual Treasury Report	Graham Saxton
	Governance Risk and Control	Information Governance Annual Report	Paul Vessey
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Audit Committee Accountability	Audit Committee Annual Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster
Internal Audit	Private meeting		

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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