

AUDIT COMMITTEE

Date and Time :- Tuesday, 18 June 2019 at 3.00 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.

Rotherham Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair or Democratic Services Officer of their intentions prior to the meeting.

AGENDA

1. Apologies for Absence
To receive the apologies of any Member who is unable to attend the meeting.
2. Minutes of the previous meeting held on 26th March 2019 (Pages 1 - 4)
To consider and approve the minutes of the previous meeting held on 26th March, 2019, as a true and correct record of the proceedings.
3. Declarations of Interest
To receive declarations of interest from Members in respect of items listed on the agenda.
4. Questions from Members of the Public or the Press
To receive questions relating to items of business on the agenda from members of the public or press who are present at the meeting.
5. Publication of Unaudited Statement of Accounts 2018/19 (Pages 5 - 158)
6. Draft Annual Governance Statement 2018-19 (Pages 159 - 181)
7. External Audit Update
8. External Inspection Recommendation Update. (Pages 182 - 196)

9. Internal Audit Annual Report 2018-19 (Pages 197 - 214)

10. Audit Committee Forward Work Plan (Pages 215 - 224)

11. Items for Referral for Scrutiny

To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.

12. Exclusion of the Press and Public

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.

13. Adult Care, Housing and Public Health Risk Register (Pages 225 - 240)

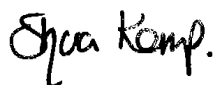
14. Internal Audit Progress Report - 1st March to 31st May 2019 (Pages 241 - 263)

15. Urgent Business

To consider any item which the Chair is of the opinion should be considered as a matter of urgency.

16. Date and time of next meeting

The next meeting of the Audit Committee will be held on Tuesday, 30th July, 2019, commencing at 2.00 p.m. in Rotherham Town Hall.



SHARON KEMP,
Chief Executive.

AUDIT COMMITTEE
26th March, 2019

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

Gareth Mills and Thilina De Zoysa (Grant Thornton UK LLP) were also in attendance.

An apology was submitted by Councillor Watson (Minute No. 88 Children and Young People's Service Risk Register).

79. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

80. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

81. MINUTES OF THE PREVIOUS MEETING HELD ON 29TH JANUARY 2019

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 29th January, 2019.

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

82. EXTERNAL AUDIT PROGRESS REPORT

Consideration was given to a report submitted by Grant Thornton UK LLP providing details of the progress of the external audit of the Council's accounts and financial statements for the 2018/19 financial year, as at 14th March, 2019.

Mr. G. Mills, Engagement Lead, Grant Thornton UK LLP, drew attention to, and responded to Members' questions, as follows:-

- Interim audit visit had commenced on 18th February and would continue into March.
- The next quarterly meeting with the Chief Executive and Section 151 Officer was scheduled to take place on 9th April
- Discussions continued with Finance staff regarding emerging developments and to ensure the audit process was smooth and effective
- The information systems specialist team had performed a high level review of the general IT control environment as part of the overall review of the internal controls system at the Council

AUDIT COMMITTEE - 26/03/19

- Work carried out to date had not identified any weaknesses which impacted upon their audit approach

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

83. INTERNAL AUDIT STRATEGIC PLAN 2019/20 TO 2021/22

Consideration was given to a report, presented by the Head of Internal Audit, regarding the Internal Audit Strategic Plan for the 3 year period 2019/2020 to 2021/2022.

The report explained the Internal Audit approach to the development of the Strategic Plan, as well as detailing the specific activities to be reviewed during the 3 years' period of the Plan. It was noted that the Plan reflected a comprehensive risk assessment process, which also included discussions with the Council's Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage.

Outline scopes for each review were submitted. The following types of audit work would be completed:-

- Risk based work
- System based work
- Follow up audits
- Advisory work
- Value for money
- Grant claims
- Schools
- Counter fraud work

The Committee discussed the following salient issues:-

- The Improving Places Select Commission was due to receive a progress report on the Scrutiny Review recommendations of Emergency Planning and Business Continuity as well as its biannual upgrade
- The Home to School Transport review would involve a lot of change and development required to try to enable young people to travel more independently

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

(2) That the Internal Audit Strategic Plan for the 3 years' period 2019/2020 to 2021/2022, as now submitted, be approved.

84. AUDIT COMMITTEE FORWARD WORK PLAN

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

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

85. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral to Scrutiny.

86. 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).

87. INTERNAL AUDIT PROGRESS REPORT 1ST JANUARY-28TH FEBRUARY 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 1st January to 28th February, 2019, and the key issues that had arisen therefrom.

The completion of the audit plan had been impacted by 2 staff vacancies within the Audit Team, however, replacement staff had commenced work in January 2019 and the Team was now fully staffed.

Performance against key indicators had been maintained apart from audits completed within planned time where there was an overrun on one review.

The updated plan was given in Appendix A. There had been one change to the plan since the half year update reported to the last Committee (Appendix B).

6 audits had been finalised since the last Audit Committee meeting including 3 with Partial Assurance (Appendix C).

Appendix D set out details of the unplanned responsive work completed since the last Audit Committee with Appendix E summarising Internal Audit's performance against a number of Indicators.

Appendix F 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.

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

- Crisis loans
- Out of Authority placements of young people
- Liquid Logic Case Management
- Mental Capacity Act
- Direct Payments
- Outstanding former tenant arrears
- Refresh of Members' Register of Interests

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1st January to 28th February, 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.

88. CHILDREN AND YOUNG PEOPLE'S SERVICES (CYPS) RISK REGISTER

Consideration was given to a report, presented by Jon Stonehouse, Strategic Director, Children and Young People's Services, providing details of the Risk Register and risk management activity within the Children and Young People's Services' 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 7 risks included within the Register.

Resolved:- That the progress and current position in relation to risk management activity in the Children and Young People's Directorate, as detailed in the report now submitted, be noted.

89. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 18th June, 2019, commencing at 2.00 p.m.

Committee Name and Date of Committee Meeting

Audit Committee – 18 June 2019

Report Title

Publication of unaudited 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
01709 254518 rob.mahon@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

The Council's annual accounts are the principal means by which the Council is held publicly accountable to local and national stakeholders over the stewardship of its resources.

The report to Audit Committee in January 2019 highlighted the approach taken by the Council in ensuring that the draft unaudited Statement of Accounts would be published in accordance with the revised timescales in accordance with the Accounts and Audit Regulations 2015.

The draft unaudited Statement of Accounts 2018/19 were published on the Council's website on 31 May 2019 which are available through the following link:

http://www.rotherham.gov.uk/downloads/download/361/financial_reports_and_documentation_2018

It also provides Members with an opportunity to consider the draft unaudited Statement of Accounts before Audit Committee is asked to formally approve them, post completion of Grant Thornton's audit, at its meeting in July.

Recommendations

1. The Audit Committee is asked to receive the draft unaudited Statement of Accounts 2018/19.

List of Appendices Included

Appendix A – Narrative Report

Appendix B – Highlights Report setting out key matters reported in the 2018/19 accounts

Appendix C – Unaudited Statement of Accounts 2018/19

Background Papers

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19

Accounts and Audit Regulations 2015

Audit Committee meeting – 29 January 2019

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Closure of the Accounts 2018/19

1. Background

- 1.1 The Code of Practice on Local Authority Accounting 2018/19 together with the Accounts and Audit Regulations 2015 set out the accounting and statutory framework for local authority financial reporting.
- 1.2 Under the Accounts and Audit Regulations 2015, local authorities are required to publish their unaudited accounts no later than 31 May accompanied by a Narrative Report and draft Annual Governance Statement. This triggers a period of 30 working days for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor. The draft unaudited Statement of Accounts 2018/19 were published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 31 May 2019. The period for local electors to exercise their rights will cease on 12 July 2019.
- 1.3 The external audit of the 2018/19 accounts commenced on 3 June 2019. Grant Thornton will report the findings from their audit to Audit Committee at its July meeting. Where appropriate, Grant Thornton will set out any material adjustments made to the accounts and any uncorrected differences of a non-trivial nature (Grant Thornton have set an overall materiality level of £10.5 million and triviality threshold of £0.525 million for their audit of the 2018/19 accounts). Audit Committee will then be asked to formally approve the audited Statement of Accounts for publication having regard to Grant Thornton's findings and opinion on whether the accounts give a true and fair view of the Council's financial performance for the year and its financial position at the end of the year and whether they have been prepared in accordance with proper practice. The deadline for publishing the audited accounts is 31 July 2019.

2. Key Issues

- 2.1 The Council's draft unaudited Statement of Accounts 2018/19 as published on the Council's website are attached as Appendix C.
- 2.2 The accounts have been produced in accordance with the two new accounting policy changes, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

3. Options considered and recommended proposal

- 3.1 Compliance with the Accounts and Audit Regulations 2015 is a statutory requirement. The Regulations state that the Council's "responsible financial officer" is required to sign-off the draft unaudited Statement of Accounts by 31

May and confirm that they are satisfied it presents a true and fair view of the Council's financial position for the financial year. However, the Audit Committee does have discretion over whether it wishes to receive the unaudited accounts before they are formally required to approve them for publication post audit.

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 accounts being prepared.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The statutory deadline for publishing the draft unaudited Statement of Accounts by 31 May has been met. The statutory deadline for publishing the audited financial statements is 31 July.

Financial and Procurement Advice and Implications

- 5.2 There are no financial or procurement implications directly associated with closure of the accounts, other than the impact on the audit fee of having good quality financial statements and supporting working papers which meet Grant Thornton's expectations.

6. Legal Advice and Implications

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

7. Human Resources Advice and Implications

- 7.1 There are no Human Resource implications arising from the report.

8. Implications for Children and Young People and Vulnerable Adults

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

9. Equalities and Human Rights Advice and Implications

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

10. Implications for Partners

10.1 The NHS requires information on how the pooled budgets operated under the Better Care Fund have been spent to an earlier timetable than that of the Council. Arrangements have been made to ensure this earlier timetable is met. There are no other implications arising from this report to Partners or other directorates.

11. Risks and Mitigation

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

12. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

| | Named Officer | Date |
|--|----------------------|-----------------------------|
| Chief Executive | | Click here to enter a date. |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Graham Saxton | Click here to enter a date. |
| Assistant Director of Legal Services (Monitoring Officer) | Named officer | Click here to enter a date. |
| Assistant Director of Human Resources (if appropriate) | | Click here to enter a date. |
| Head of Human Resources (if appropriate) | | Click here to enter a date. |

Report Author: *Rob Mahon (Finance Manager – Financial Accounting)*
Finance & Customer Services Directorate
 01709 254518 rob.mahon@rotherham.gov.uk

This report is published on the Council's [website](#).

ROTHERHAM MBC

NARRATIVE REPORT 2018/19



110²m
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 31st 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 52nd 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 31st 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:

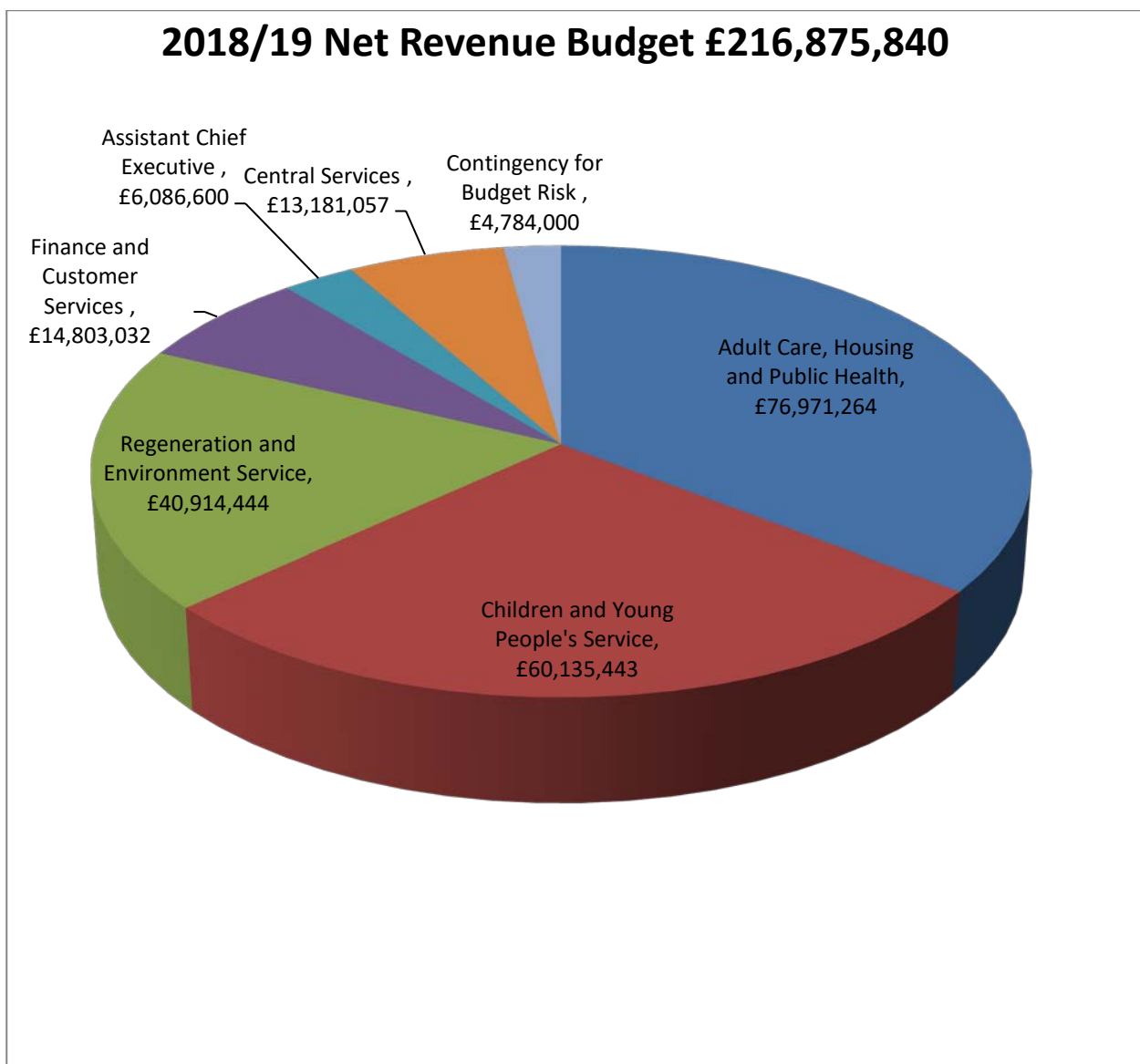
- *Statement of Responsibilities*
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*
This account summarises the revenue costs of providing all Council services and the income and 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

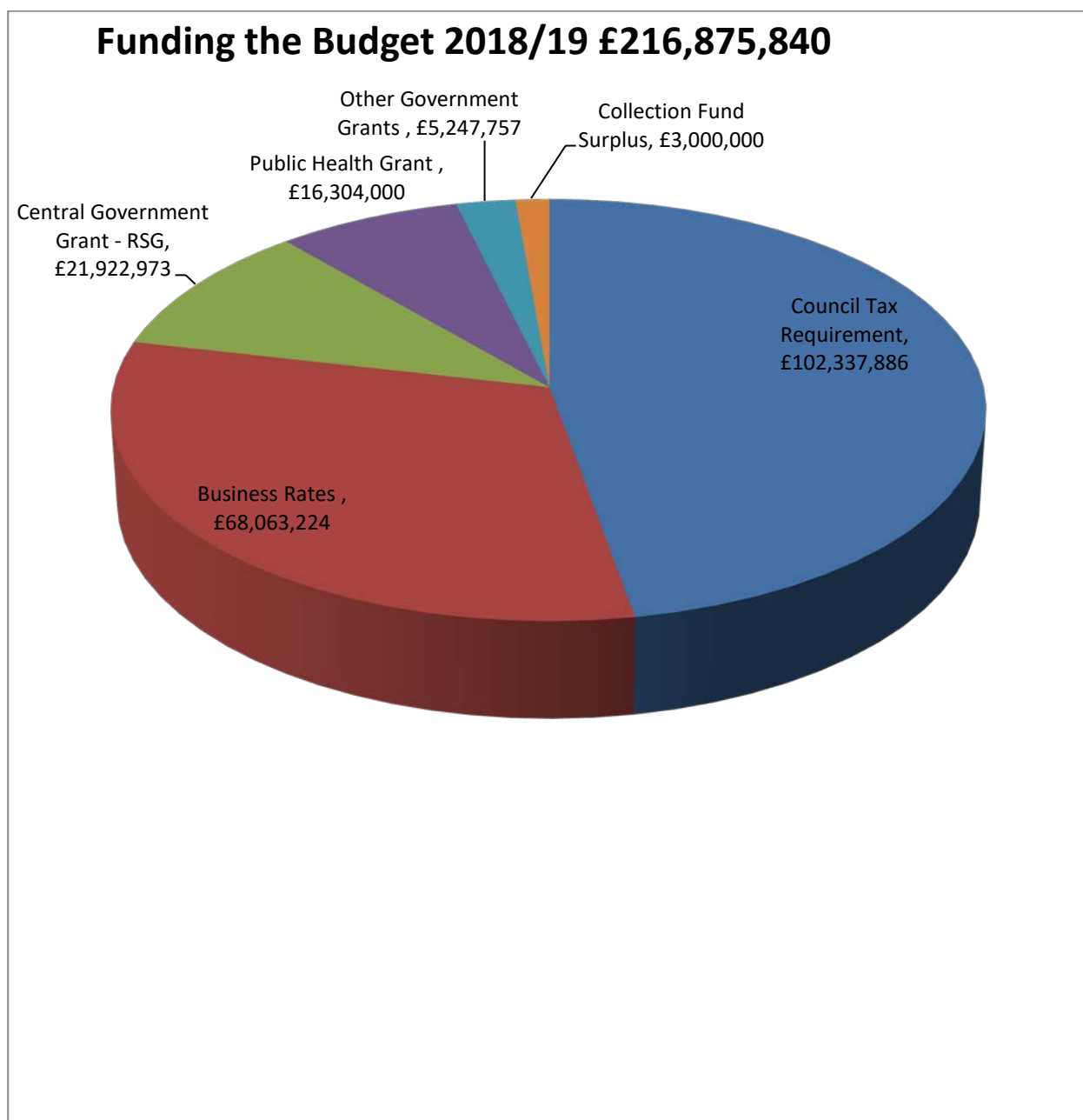
A summary of the Council's revenue and capital outturns for 2018/19 is included in the following paragraphs. Further details will be reported to Cabinet on the 8th July 2019. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

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

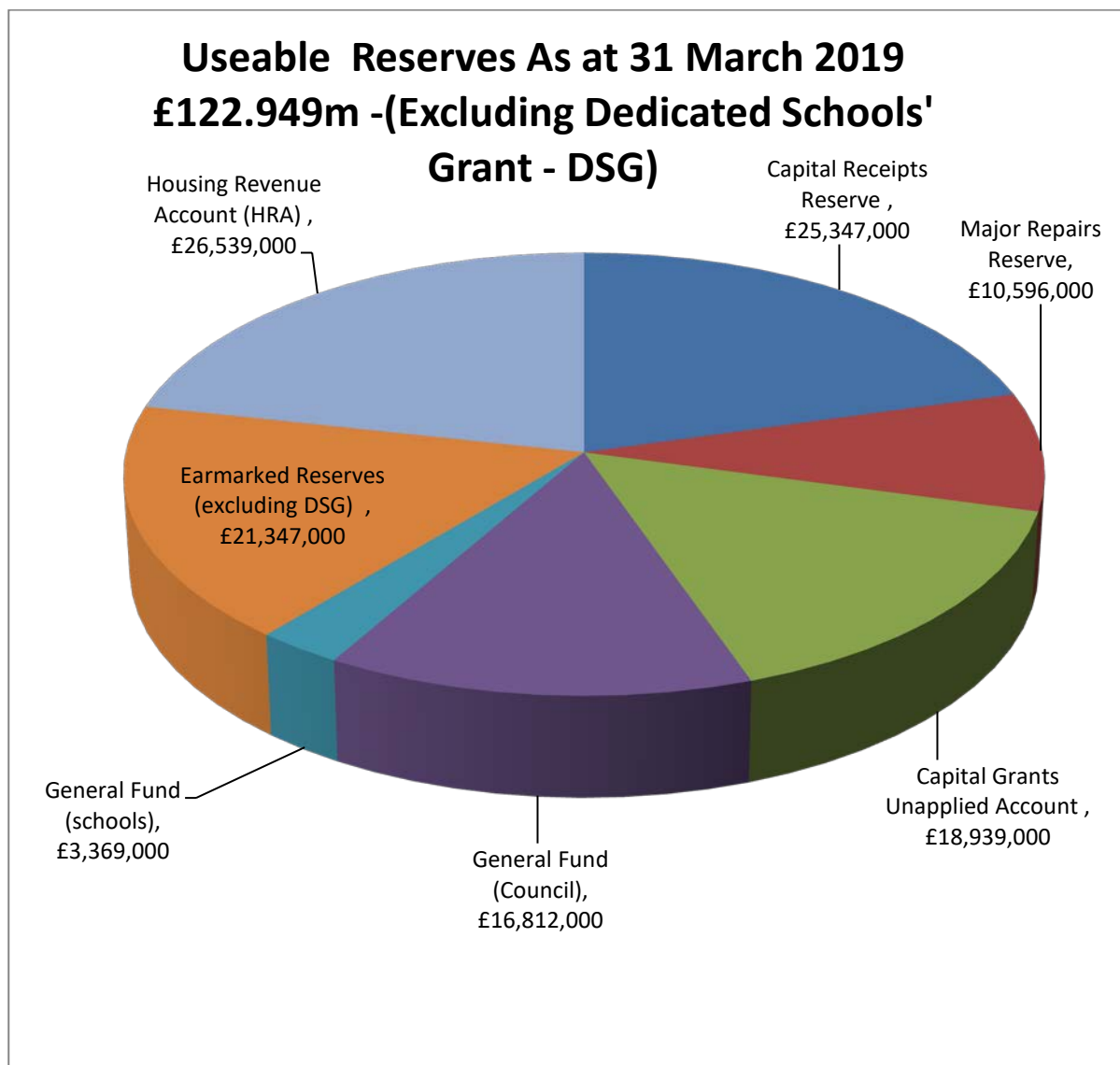
The Council manages its funds between two categories of reserves: usable reserves and unusable reserves.

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 31st 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.



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:

| Directorate/Service | 2018/19 £m |
|----------------------------------|-----------------------|
| 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 |
| Total | 91.643 |

The capital expenditure was financed as follows:

| | 2018/19 £m |
|--------------------------------------|-----------------------|
| 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 |
| Total | 91.643 |

Major items of capital expenditure incurred are as follows:

| | 2018/19 £m |
|--|-----------------------|
| <u><i>Non Housing:</i></u> | |
| 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 |
| <u><i>Housing Investment Programme:</i></u> | |
| 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 8th 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:

| 2017/18 £m | Long Term Borrowing | 2018/19 £m |
|-----------------------|--|-----------------------|
| 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) |
| 419.701 | Balance as at 31 March | 407.388 |

| 2017/18 £m | Short Term Borrowing | 2017/18 £m |
|-----------------------|--|-----------------------|
| 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) |
| | | |
| 145.306 | Balance as at 31 March | 179.313 |

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 31st May, a month earlier than the previous regulations, whilst the Audited Financial Statements require publication by 31st 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 31 May 2019

Draft Statement of Accounts 2018/19 – Financial Highlights Report

This financial highlights report draws Members attention to key financial disclosures reported in the 2018/19 draft Statement of Accounts. The primary financial statements that Members should be aware of are:

- The Comprehensive Income and Expenditure Statement (CIES) on page 6, which is inclusive of the HRA figures shown in the separate statement on page 107, shows what the Council's financial performance would have been on an accounting basis under International Financial Reporting Standards (IFRS). This is very different to the revenue outturn reported on the basis on which local government is funded and which is used to determine the amount to be raised from council tax payers and rent payers.
- The Movement in Reserves Statement on page 7 of the accounts which sets out the change in the overall level of usable reserves (revenue and capital) available to support revenue spending and the capital programme in future years. It provides the reconciliation of the deficit reported in the (CIES) on an accounting basis to the net change in the General Fund balance and HRA balance on a local government funding basis.
- The Balance Sheet on page 9 of the accounts which sets out the assets and liabilities of the Council at the end of 2018/19.

The Cash Flow Statement on page 10 shows the changes in cash and cash equivalents of the Council during the reporting period.

- The Collection Fund on page 115 of the accounts which shows separately the surplus or deficit to be distributed or recovered relating to council tax and retained business rates.

Material Items Per note 49 (page 104)

Draft

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2018/19

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AUDIT OF ACCOUNTS 2018/19**ROTHERHAM METROPOLITAN BOROUGH COUNCIL****Statement of Accounts 2018/19 Public Inspection Notice****Notice of the Commencement of the Period for the Exercise of Public Rights
Local Audit and Accountability Act 2014 Sections 26 and 27
Accounts and Audit (England) Regulations 2015 Regulations, 14 and 15**

The period for the Exercise of Public Rights commences at 9.30am on Monday 3 June 2019 and will conclude at 4pm on Friday 12 July 2019.

The following documents will be made available:

- The Draft Statement of Accounts
- The Annual Governance Statement
- The Narrative Report

The draft Statement of Accounts may be subject to change.

The above Council's accounts are subject to external audit by Grant Thornton UK LLP, Gareth Mills, No 1 Whitehall Riverside, Leeds, LS1 4BN. Members of the public and local government electors have certain rights in the audit process:-

1. The period for the Exercise of Public Rights commences on Monday 3 June 2019 and will conclude on Friday 12 July 2019 (between 9.30am and 4.00 pm Monday to Friday). Any person interested, on application to the Strategic Director of Finance and Customer Services, Rotherham Metropolitan Borough Council, Riverside House, Main Street, Rotherham, S60 1AE, may inspect and make copies of the accounts of the above-named Council for the year ended 31 March 2019, and all books, deeds, contracts, bills, vouchers and receipts relating thereto.
2. Notice is also given that on or after Monday 3 June 2019 until Friday 12 July 2019, a local government elector for the area to which the accounts relate or his/her representative may ask any questions of the auditor. Please contact the auditor at the above address to make arrangements to ask any questions.
3. These rights do not permit a person to require disclosure of personal information as defined in section 26 of the Local Audit and Accountability Act 2014.
4. From 9.30am on Monday 3 June 2019 until Friday 12 July 2019, a local government elector for the area of the Authority, or his/her representative, may object to the Council's accounts asking that the auditor issue a report in the public interest (schedule 7, Local Audit and Accountability Act 2014) and/or apply to the Court for a declaration that an item in the accounts is contrary to law (section 27, Local Audit and Accountability Act 2014). No such objection may be made unless the Auditor has previously received written notice of the objection and the grounds on which it is made and a copy of that notice has been provided to the Strategic Director of Finance and Customer Services, Rotherham Metropolitan Borough Council.

Judith Badger CPFA
Strategic Director - Finance and Customer Services
Finance and Customer Services Directorate,
Riverside House,
Main Street,
Rotherham,
S60 1AE

Friday 31 May 2019

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.

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
31 May 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 6) – 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 7) – 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 10) – 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 107) – 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 115) – 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 9) - 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 125) 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 36) 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 restated to reflect the structure as at the end of 2018/19.*

| 2017/18 as restated Gross Expenditure £000 | 2017/18 as restated Gross Income £000 | 2017/18 as restated 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 | 111,868 | (47,309) | 64,559 | |
| 68,803 | (84,345) | (15,542) | Local Authority Housing (HRA) | 67,640 | (83,030) | (15,390) | |
| 111,635 | (33,827) | 77,808 | CYPS Excl Schools | 119,951 | (37,526) | 82,425 | |
| 85,343 | (90,474) | (5,131) | Schools | 74,200 | (79,134) | (4,934) | 49 |
| 83,185 | (30,858) | 52,327 | Regeneration and Environment Services | 79,086 | (31,194) | 47,892 | |
| 16,906 | (16,975) | (69) | Public Health | 16,465 | (16,439) | 26 | |
| 9,437 | (3,362) | 6,075 | Assistant Chief Executive Office | 10,129 | (3,355) | 6,774 | |
| 104,347 | (89,557) | 14,790 | Finance and Customer Services | 96,597 | (81,586) | 15,011 | |
| 13,273 | (10,828) | 2,445 | Central Services | 8,261 | (10,386) | (2,125) | |
| 603,323 | (406,619) | 196,704 | Cost of Services | 584,197 | (389,959) | 194,238 | |
| 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 | (235,760) | (235,760) | 7 |
| 709,468 | (634,204) | 75,264 | Deficit on Provision of Services | 662,385 | (627,704) | 34,681 | |
| | | (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) | | | 52,252 | 18 |
| | | (128,684) | Other Comprehensive Income & Expenditure | | | 16,307 | |
| | | (53,420) | Total Comprehensive Income & Expenditure | | | 50,988 | |

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 |
|---|---|---------------------------------------|----------------------------------|--------------------------------|----------------------------------|-------------------------------|---------------------------------|--------------------------------|-------|
| Balance as at 1 April 17 | 53,239 | 35,156 | 27,422 | 5,219 | 11,483 | 132,519 | (107,480) | 25,039 | 37/38 |
| Movement in reserves during the year: | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (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 | |
| Increase / (Decrease) in Year | (15,417) | 2,515 | 1,393 | 4,450 | 2,863 | (4,195) | 57,615 | 53,420 | |
| <i>Schools Balances transferred out on conversion to academy</i> | 401 | | | | | 401 | | 401 | |
| Balance as at 31 March 18 carried forward | 38,223 | 37,671 | 28,815 | 9,669 | 14,346 | 128,725 | (49,865) | 78,860 | |

| 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 |
|---|---|--|----------------------------------|--------------------------------|----------------------------------|-------------------------------|---------------------------------|--------------------------------|-------|
| Balance as at 1 April 18 | 38,223 | 37,671 | 28,815 | 9,670 | 14,346 | 128,725 | (49,863) | 78,862 | 37/38 |
| Movement in reserves during the year: | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (38,677) | 3,996 | 0 | 0 | 0 | (34,681) | (16,307) | (50,988) | |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis | 26,751 | (15,092) | (3,469) | 927 | 4,593 | 13,711 | (13,711) | 0 | |
| Increase / (Decrease) in Year | (11,926) | (11,096) | (3,469) | 927 | 4,593 | (20,971) | (30,018) | (50,989) | |
| <i>Schools Balances transferred out on conversion to academy</i> | 82 | | | | | 82 | | 82 | |
| Balance as at 31 March 19 carried forward | 26,379 | 26,575 | 25,346 | 10,596 | 18,939 | 107,836 | (79,881) | 27,955 | |

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 | (573,343) | 50 |
| (2,245) | Capital Grants Received in Advance | (1,892) | 8 |
| (932,282) | Long Term Liabilities | (987,864) | |
| 78,860 | Net Assets | 27,955 | |
| (128,725) | Usable Reserves | (107,836) | 37 |
| 49,865 | Unusable Reserves | 79,881 | 38 |
| (78,860) | Total Reserves | (27,955) | |

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 | 34,681 | |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | (97,787) | (83,293) | |
| 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, National Non-Domestic Rates and 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 and assets under construction – depreciated 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 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**

IFRS16 will not be adopted by the Code until 2020/21. A brief description of the accounting change and estimated financial effect is provided.

IFRS 16 Leases

IFRS 16 replaces IAS17 Leases, it will not be adopted until the 2020/21 Code. The key impact of IFRS 16 will be to bring most leases on balance sheet from April 2020. Transitional arrangements will cover existing contracts but these judgements will have to be made for all new contracts. Preparatory work has begun to ensure compliance with IFRS 16.

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.

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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 | 2,607 | 64,559 |
| (2,515) | (13,027) | (15,542) | Local Authority Housing (HRA) | 10,969 | (26,359) | (15,390) |
| 75,284 | 2,524 | 77,808 | Children and Young People's Services excluding schools | 79,831 | 2,594 | 82,425 |
| 1,561 | (6,692) | (5,131) | Schools | (953) | (3,981) | (4,934) |
| 44,573 | 7,754 | 52,327 | Regeneration and Environment Services | 44,404 | 3,488 | 47,892 |
| (70) | 1 | (69) | Public Health | 16,330 | (16,304) | 26 |
| 5,671 | 404 | 6,075 | Assistant Chief Executive Office | 6,253 | 521 | 6,774 |
| 13,262 | 1,528 | 14,790 | Finance and Customer Services | (2,904) | 17,915 | 15,011 |
| (187,413) | 189,858 | 2,445 | Central Services | (192,860) | 190,735 | (2,125) |
| 12,902 | 183,802 | 196,704 | Net Cost of Services | 23,022 | 171,216 | 194,238 |
| 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 | (235,760) | (235,760) |
| 12,902 | 62,362 | 75,264 | (Surplus) / Deficit | 23,022 | 11,659 | 34,681 |
| | | (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) | Closing General Fund and HRA Balance at 31 March | | | (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 | 1,588 | (1,126) | 2,607 |
| 308 | 544 | (13,879) | (13,027) | Local Authority Housing (HRA) | 216 | 480 | (27,055) | (26,359) |
| 309 | 1,949 | 266 | 2,524 | Children and Young People's Services excluding schools | 395 | 2,268 | (69) | 2,594 |
| 2,099 | (7,746) | (1,045) | (6,692) | Schools | 802 | (4,686) | (97) | (3,981) |
| 11,030 | 2,097 | (5,373) | 7,754 | Regeneration and Environment Services | 8,716 | 2,391 | (7,619) | 3,488 |
| 0 | 0 | 1 | 1 | Public Health | 0 | 0 | (16,304) | (16,304) |
| 53 | 347 | 4 | 404 | Assistant Chief Executive Office | 123 | 390 | 8 | 521 |
| 644 | 889 | (5) | 1,528 | Finance and Customer Services | 617 | 977 | 16,321 | 17,915 |
| 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 | 9,796 | 30,805 | 41,004 |
| 2,799 | 0 | (228,586) | (225,787) | Taxation & Non-Specific Grant Income and expenditure | 5,139 | 0 | (240,899) | (235,760) |
| 66,914 | 12,983 | (17,535) | 62,362 | | 39,377 | 13,204 | (40,922) | 11,659 |

Notes:

- 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.
- 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.
- 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:

| Expenditure/Income | 2017/18 £000 | 2018/19 £000 |
|--|-------------------------|-------------------------|
| Expenditure | | |
| Employee benefits expenses | 211,496 | 206,085 |
| Other services expenses | 364,567 | 352,223 |
| 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 |
| Gain on the disposal of assets | 42,055 | 17,584 |
| Total expenditure | 709,468 | 662,385 |
| Income | | |
| Fees, charges and other service income | (187,559) | (190,512) |
| Interest and investment income | (254) | (315) |
| Income from council tax and non domestic rates | (134,697) | (144,564) |
| Government grants and contributions | (311,694) | (292,313) |
| Total income | (634,204) | (627,704) |
| Deficit on the Provision of Services | 75,264 | 34,681 |

Note 1c **Income Analysed by Segment**

International Reporting Standard IAS15 was adopted in the 2018/19 Code of Practice on Local Authority Accounting. Per IAS15 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 IAS15 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) | (3,839) |
| (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) | Total Income analysed on a segmental basis | (135,433) | (55,079) | (190,512) |

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) | 36,359 | 2,252 | 0 | 0 | 0 | (38,611) |
| 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 | 26,750 | (15,092) | (3,469) | 927 | 4,593 | (13,709) |

Note 3 Transfers to and from Earmarked Reserves

| | Bal at 1 Apr 17 £000 | Trans between Reserves 2017/18 £000 | Trans out 2017/18 £000 | Trans in 2017/18 £000 | Bal at 31 Mar 18 £000 | Trans between Reserves 2018/19 £000 | Trans out 2018/19 £000 | Trans in 2018/19 £000 | Bal at 31 Mar 19 £000 |
|--|----------------------------|---|------------------------------|-----------------------------|-----------------------------|---|------------------------------|-----------------------------|-----------------------------|
| General Fund | | | | | | | | | |
| 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 |
| Total | 45,900 | 0 | (12,938) | 2,440 | 35,402 | (5,026) | (9,887) | 858 | 21,347 |
| 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

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 31st 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 31st 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 31st 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 31st 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 1st April 2018 were used in support of the 2018/19 revenue budget. This reserve had a nil balance at the 31st 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 31st 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 | | 2018/19 | |
|---------|---|---------|-------|
| £000 | | £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 | Revaluation loss on disposal of Assets Held for Sale - current assets | 442 | 22 |
| 60,186 | Total | 35,199 | |

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

| 2017/18 | | 2018/19 | |
|---------|--|---------|-------|
| £000 | | £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 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 | 20,780 | (21,266) | (486) |
| 1,333 | (1,199) | 134 | Vehicle Maintenance | 1,072 | (1,280) | (208) |
| 1,645 | (2,255) | (610) | Property Services – Fee-billing | 1,608 | (3,508) | (1,900) |
| 902 | (769) | 133 | Engineering – Fee-billing | 803 | (696) | 107 |
| 5,754 | (5,243) | 511 | Cleaning of buildings | 6,112 | (5,146) | 966 |
| 1,031 | (884) | 147 | Markets | 1,833 | (726) | 1,107 |
| 414 | (396) | 18 | Building Regulations Control | 407 | (388) | 19 |
| 8,813 | (8,661) | 152 | School Support Services | 8,963 | (8,443) | 520 |
| 293 | (347) | (54) | Dispersed & Furnished Units | 216 | (216) | 0 |
| 39,319 | (39,527) | (208) | (Surplus) / Deficit | 41,794 | (41,669) | 125 |

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 | 35,446 | 8 |
| 15,389 | Capital Grants and Contributions | 22,747 | 8 |
| 225,787 | Total | 235,760 | |

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 | 3,701 |
| 44,467 | Total | 35,446 |

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 | 5,305 |
| 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 | (304) | 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 | (304) | 820 | (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 | Better Care Fund - Pool 1 RMBC | 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 | Better Care Fund - Pool 2 RCCG | 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.

| 2017/18 £000 | YOS Pooled Budget | 2018/19 £000 |
|-----------------|---|-----------------|
| (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 |

| 2017/18 £000 | Rotherham Safeguarding Board | 2018/19 £000 |
|-----------------|---|-----------------|
| (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 oversight 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.

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 |
| Total | 845,372.88 | 0.00 | 0.00 | 845,372.88 | 125,960.56 |

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 |
| Total | 804,605.83 | 5,286.82 | 0.00 | 809,892.65 | 120,175.47 |

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 17th 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 28th 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 to KPMG with regard to external audit services carried out by the appointed auditor | 109 |
| 22 | Fees payable to KPMG for the certification of grant claims and returns. | 25 |
| 17 | Non-audit services | 0 |
| 180 | Total | 134 |

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) |

In Year Adjustments 2018/19:

| | £ |
|---|------------|
| Early Years Jan 18 Census Adjustment 2017/18 (3&4 year old Universal Funding) | 241 |
| Early Years Jan 18 Census Adjustment 2017/18 (3&4 year old Additional Funding for 30 Hours) | 37 |
| Early Years Jan 18 Census Adjustment 2017/18 (2 year old Disadvantaged Funding) | 15 |
| Early Years Jan 18 Census Adjustment 2017/18 (Early Years Pupil Premium Grant) | 17 |
| Early Years Jan 18 Census Adjustment 2017/18 (Disability Access Fund) | 26 |
| Estimated Early Years Jan 19 Census Adjustment 2018/19 (3&4 year old Universal Funding) | (77) |
| Estimated Early Years Jan 19 Census Adjustment 2018/19 (3&4 year old Additional 30 Hour Funding) | 141 |
| Estimated Early Years Jan 19 Census Adjustment 2018/19 (2 year old Disadvantaged Funding) | (145) |
| Estimated Early Years Jan 19 Census Adjustment 2018/19 (Early Years Pupil Premium Grant) | 17 |
| Estimated Early Years Jan 19 Census Adjustment 2018/19 (Supplementary Funding for Maintained Nursery Schools) | 38 |
| Total Adjustment 2018/19 | 310 |

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 |
|--|----------------|

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 £ | Related Parties | Nature of Transactions | 2018/19 £ |
|--------------|--|--------------------------------|--------------|
| | Assisted Organisations: | | |
| 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 | Tassibee 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 |
| | Member Related: | | |
| 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 |
| | Officer Related: | | |
| 161,334 | Wickersley Parish Council | Fees and Precept | 159,596 |
| | Commissioner Related: | | |
| 60,314 | Maltby Learning Trust | Grants and fees | 51,730 |
| 92,767 | Providence Maintenance and Electrical Services Ltd | Fees | 86,779 |
| | Other Related Organisations: | | |
| 10,905,000 | Sheffield City Region Combined Authority | Transport Levy | 10,545,330 |
| 309,460 | Sheffield City Region Combined Authority | Contribution | 1,103,873 |

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 31st 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.

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 |
|--|---|--|--|---|
| | | Net Cost of Services | | |
| (36,008) | 0 | - Current Service Cost | (34,777) | 0 |
| (944) | 0 | - Past Service | (182) | 0 |
| 9,185 | 0 | - Gain / (loss) from settlements | 6,144 | 0 |
| (11,004) | (572) | Financing and Investment Income and Expenditure - Net Interest Expense | (9,796) | (568) |
| (38,771) | (572) | Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service | (38,611) | (568) |
| | | Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | | |
| | | Remeasurement of the net defined benefit liability comprising: | | |
| 0 | 0 | - Experience gain / (loss) on liabilities | 0 | 0 |
| 15,285 | 0 | - Return on plan assets (excluding the amount included in the net interest expense) | 33,477 | 0 |
| 0 | 0 | - Actuarial gains and (losses) arising on changes in demographic assumptions | 0 | 0 |
| 78,327 | 242 | - Actuarial gains and (losses) arising on changes to financial assumptions | (85,729) | (753) |
| 93,612 | 242 | Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement | (52,252) | (753) |
| | | Movement in Reserves Statement | | |
| 12,983 | (749) | - Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code | 13,205 | (751) |
| | | Actual amount charged against General Fund: | | |
| (25,788) | 0 | Balance for pensions in year: | (25,406) | 0 |
| 0 | (1,321) | - Employer's contributions payable to Scheme - Rechargeable Pensions | 0 | (1,319) |

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 £52.252m (£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 | 1,193,877 |
| Present value of Funded Liabilities | (1,500,630) | (1,615,704) |
| Net (under) funding in Funded Plans | (349,041) | (421,827) |
| Present Value of Unfunded Discretionary Liabilities | (22,513) | (22,515) |
| Per Mercers Report | (371,554) | (444,342) |
| <u>Amount in the Balance sheet:</u> | | |
| Liabilities - funded and unfunded | (1,523,143) | (1,638,219) |
| Assets - funded and unfunded | 1,151,589 | 1,193,877 |
| Add back Employer Contributions Prepayment for 2018/19 & 2019/20 | (14,531) | (7,200) |
| Pensions Reserve | (386,085) | (451,542) |
| Pensions Liability | (371,554) | (444,342) |

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

| 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 |
|--|---|--|--|---|
| 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 | 33,477 | 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 | 1,193,877 | 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 | (39,029) | (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 | (182) | 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 | (1,638,219) | (22,515) |

Analysis of the Fair Value of Plan Assets:

| | Quoted (Y/N) | Total Funded & Unfunded Local Government Pension Scheme 31 Mar 18 £000 | Total Funded & Unfunded Local Government Pension Scheme 31 Mar 19 £000 |
|------------------------------|--------------|--|--|
| Cash & cash equivalents: | | 55,737 | 39,517 |
| Equity Investments: | | | |
| - UK quoted | Y | 171,242 | 170,247 |
| - Overseas quoted | Y | 472,151 | 436,840 |
| Bonds: | | | |
| - UK Government fixed | Y | 0 | 0 |
| - UK Government indexed | Y | 130,590 | 154,846 |
| - Overseas Government fixed | Y | 29,711 | 32,473 |
| - Overseas other | Y | 30,517 | 31,638 |
| - UK other | Y | 54,470 | 57,067 |
| Property: | | | |
| - UK direct | Y | 91,321 | 104,345 |
| -Property Funds | Y | 13,934 | 11,103 |
| Alternatives: | | | |
| - Pooled Investment Vehicles | N | 101,916 | 155,801 |
| | | 1,151,589 | 1,193,877 |

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 1st April 2018 to the 31st 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 31st 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 |
| Total Cost or Valuation | 638,674 | 291,470 | 67,765 | 215,221 | 8,542 | 15,994 | 46,615 | 1,284,280 |

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 & Environment</u> | |
| Highways | 5,000 |
| Total | 47,314 |

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 Level 1 £000 | Other significant observable inputs Level 2 £000 | Significant unobservable inputs Level 3 £000 | Fair value as at 31 March 2019 £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 Level 1 £000 | Other significant observable inputs Level 2 £000 | Significant unobservable inputs Level 3 £000 | Fair value as at 31 March 2018 £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 | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £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 | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £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

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 |
| Total Financial Liabilities | 419,730 | 407,629 | 211,807 | 265,541 |
| Non Financial Liabilities | 5,144 | 5,000 | 5,000 | 4,790 |
| Total | 424,874 | 412,629 | 216,806 | 270,331 |
| Investments | 3,824 | 3,780 | 972 | 383 |
| Plus Accrued Interest | 0 | 0 | 75 | 71 |
| Plus Debtors | 85 | 19 | 40,209 | 37,372 |
| 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 | 3,799 | 69,980 | 72,361 |
| 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 |
| Total Financial Assets | 4,099 | 3,989 | 69,980 | 72,361 |
| Non-Financial Assets | | | 12,771 | 13,785 |
| Total | 4,099 | 3,989 | 82,750 | 86,147 |

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 | 18,430 | 6.428% | 6.428% | 1,185 |
| Debtors | 41,690 | | | 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 and 2 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 | 12,082 | 12,082 |
| 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 | 61,920 | 61,920 |

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.

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 31st 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 |
|-----------------|--|-----------------|
| 190 | <u>Investments in Associates and Joint Ventures:</u> Investment in BDR Property Limited (formerly Arpley Gas Ltd) | 190 |
| 190 | Balance at 31 March | 190 |

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 £000 | 2018/19 £000 | 2017/18 £000 | 2018/19 £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) |
| Total | (61,520) | (70,542) | (28) | (240) |

Note 36 **Provisions**

| Current Year | 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) |
| Total | (10,347) | (1,732) | 2,139 | 0 | (9,940) |
| Current Provisions | (5,204) | (448) | 712 | 0 | (4,940) |
| Long Term Provisions | (5,144) | (1,284) | 1,428 | 0 | (5,000) |
| Total | (10,348) | (1,732) | 2,140 | 0 | (9,940) |

| Comparative Year | 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) |
| Total | (9,955) | (2,347) | 1,746 | 208 | (10,348) |
| Current Provisions | (4,390) | (1,091) | 197 | 80 | (5,204) |
| Long Term Provisions | (5,565) | (1,256) | 1,549 | 128 | (5,144) |
| Total | (9,955) | (2,347) | 1,746 | 208 | (10,348) |

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 |
|-------------------|--|-------------------|
| | CAPITAL RESERVES | |
| (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) |
| | REVENUE RESERVES | |
| (11,269) | General Fund Minimum Balance – Council | (16,812) |
| (35,402) | Earmarked Reserves excluding DSG | (21,312) |
| (46,672) | 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 |
| (37,508) | HRA | (26,575) |
| (29,222) | Sub-Total Other Reserves | (14,830) |
| (128,725) | TOTAL USABLE RESERVES | (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 |
|-------------------|--|-------------------|
| | CAPITAL RESERVES | |
| (189,331) | Capital Adjustment Account | (203,094) |
| (144,724) | Revaluation Reserve | (166,745) |
| (98) | Deferred Capital Receipts | (98) |
| | REVENUE RESERVES | |
| 386,085 | Pensions Reserve | 451,541 |
| 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 | TOTAL UNUSABLE RESERVES | 79,881 |

(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 |
| | Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | |
| 51,287 | | 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) | 52,252 |
| 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 | 38,611 |
| (25,788) | Employer's pensions contributions and direct payments to pensioners payable in the year | (25,406) |
| 386,085 | Balance 31 March | 451,542 |

(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 | 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 | (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 |

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 |
| Total | 2,271 | 178 | 0 | 2,449 |

Trust Funds – Balance Sheet

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

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 £17.142m 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 | (444,342) | 18 |
| (3,981) | Deferred Liabilities | (2,085) | 50 |
| (505,163) | Total | (573,343) | |

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 and £2,085,445 after that date.

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.

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 | 668 | |
| (15,542) | Net Cost of HRA Services | (15,390) | |
| | <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 | (3,996) | |

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 | (3,996) | |
| 4,615 | | Adjustments between accounting basis and funding basis under statute | 15,092 | |
| (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 |
| Total Adjustments | (4,616) | 4,450 | (166) |

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 | 2,252 | 0 | 2,252 |
| 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 | (15,092) | 927 | (14,165) |

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) | |
| 117,044 | 72,462 | 189,506 | Total Income | 125,950 | 73,649 | 199,599 | |
| Precepts: | | | | | | | |
| 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 | |
| Distribution of previous years surplus(deficit): | | | | | | | |
| 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 | |
| Charges to Collection Fund: | | | | | | | |
| 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 | |
| 117,507 | 74,777 | 192,284 | Total amounts charged to the Collection Fund | 126,579 | 72,240 | 198,819 | |
| (463) | (2,315) | (2,778) | Surplus/(Deficit) arising during the year | (629) | 1,409 | 780 | |
| Collection Fund Balance | | | | | | | |
| (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 ValuesFair 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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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 ئەوەی لەم بەلگەنامە یە تیبگات یان بیخوینیتەو، تکایە پەیوەندیمان پێوە بکە لەسەر ئەو ژمارەییە سەرەو هەدا یان بەو نیمەیلە.

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.

Summary Sheet

Council Report:

Audit Committee 18th June 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):

Simon Dennis (*Corporate Risk Manager*)

Assistant Chief Executive's Department

Extension 22114

simon.dennis@rotherham.gov.uk

David Webster (*Head of Internal Audit*)

Finance and Customer Services

Extension 23282

david.webster@rotherham.gov.uk

Ward(s) Affected:

All

Executive Summary:

The Council has produced a draft Annual Governance Statement (AGS) for the 2018-19 financial year which was published alongside the Council's financial statements on 31st May 2019. This report briefly sets out for the Committee the process that was followed to construct this AGS. The full draft AGS is attached to this report as Appendix A.

Recommendations:

The Audit Committee is asked to review the draft 2018-19 Annual Governance Statement and raise queries if necessary.

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 27th November 2018 "Code of Corporate Governance"

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 review the draft 2018-19 Annual Governance Statement and raise queries if necessary**

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 Local Code of Governance. The draft 2018-19 AGS was published on 31 May 2019.
- 2.2 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. The AGS also includes updates to matters raised in the previous year's AGS. The draft AGS 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 has returned the required Statement of Assurance and supporting documents and the Corporate Governance Group has reviewed the evidence contained in them. Additionally, the group has

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.

Overall conclusion

- 3.4 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored.
- 3.5 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

- 3.6 The Audit Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.
- 3.7 The AGS will be updated by 31st July to reflect any issues that emerge between now and the completion of the final Statement of Accounts. It will also take account of any comments made by the Audit Committee and the external auditor.

4. Options considered and recommended proposal

- 4.1 This paper considers the draft 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 draft 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 any issues raised by the Audit Committee or the external auditors, and any emerging issues are addressed and updated as part of the completion of the final AGS for 2018-19.

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
- 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 Education and Communities and Local Government on 26th February 2015, the Government appointed five Commissioners to take on all executive responsibilities at the Council and responsibilities relating to licensing*¹. 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.

¹ 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 14th June 2018 the results of an independent check (a “Health Check”) of the Council was published. The Health Check was carried out between 27th February and 2nd 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 18th 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 18th February 2019.
- 2.7 The final independent review was carried out in February 2019 and the report was sent to the Council on 14th 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 27th March 2019 that he was content to let the Directions relating to the governance of the Council lapse on 31st 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:

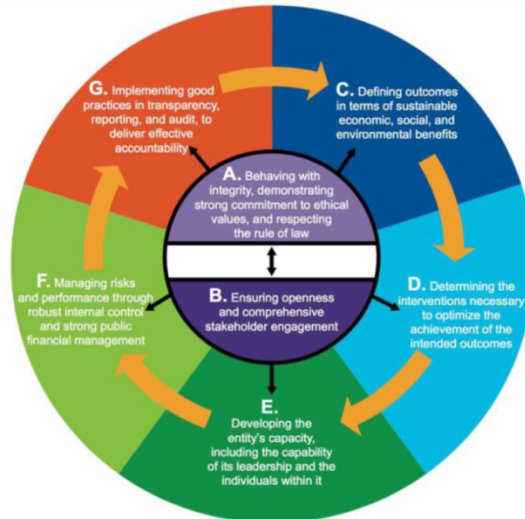
- identify and prioritise the risks to the achievement of Council policies, aims and objectives
- evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
- manage the risks efficiently, effectively and economically.

- 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.

| Council Committee or group | Governance Function |
|---|--|
| 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 | Review and scrutinise 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 | Set 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:

| Principle | Arrangements at Rotherham MBC |
|--|---|
| 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 www.rotherham.gov.uk</p> |

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 28th October 2015. The Council Plan can be found at www.rotherham.gov.uk

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/>

Principle C -
Defining outcomes
in terms of
sustainable
economic, social,
and environmental
benefits.

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.

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,

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 the risks around each key element of the overall plan that they are accountable for.

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.

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.

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.

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.

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 and the Audit Committee meets five times a year and receives reports from both Internal and External Audit.

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.

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
- Other external inspections

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. This was confirmed by another 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 will be presented to the Audit Committee on 18th June 2019. The report confirms positive progress had been made during the year, but also highlights areas identified from the work of Internal Audit where further improvement could be made.
- 4.10 Internal Audit concludes 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 31st March 2018 year on 31st 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 31st 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 31st 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 31st 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 Principle 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 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 LEADER AND CHIEF EXECUTIVE STATEMENT 2018/19

- 7.1 This Annual Governance Statement fairly reflects the position at Rotherham Metropolitan Borough Council during the year and up to the date of signing.
- 7.2 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.
- 7.3 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.
- 7.4 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: 31st July 2019

Signed

Sharon Kemp,
Chief Executive, Rotherham MBC
Date: 31st July 2019

Summary Sheet

Council Report:

Audit Committee – 18th June 2019

Title:

External Audit and Inspection Recommendations

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

No

Strategic Director Approving Submission of the Report:

Shokat Lal – Assistant Chief Executive

Report Author(s):

Simon Dennis, Corporate Risk Manager

Ward(s) Affected:

All

Executive Summary:

In line with the Audit Committee terms of reference, the purpose of this report is to provide details of recent and current external audits and inspections. The report also sets out the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from these audits and inspections.

The appendix to the report provides a summary of progress against recommendations from across all key external audits and inspections.

Recommendations:

That the Audit Committee notes the governance arrangements that are currently in place for monitoring and managing the recommendations from external audits and inspections.

That the Audit Committee continues to receive regular reports in relation to external audit and inspections and progress made in implementing recommendations.

List of Appendices Included:

Appendix A: Summary of Recommendations from “Active” Inspection and Audit Action Plans

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Title – External Audit and Inspection Recommendations

1. Background and Corporate Inspections

- 1.1 In line with the Audit Committee terms of reference, the purpose of this report is to provide details of recent and current external audits and inspections. The report covers corporate inspections and peer reviews as well as inspections relating to other functions of the Council.
- 1.2 The final external independent review of the intervention period took place in February 2019 and was reported in March 2019. The review was carried out by the former Commissioners, supported by the Local Government Association and Director of Children’s Services at Lincolnshire County Council. The independent review report stated *‘the pace of improvement across the Council has increased beyond our expectations, which bodes well for future prospects and gives assurance that the council is compliant with the best value duty. The Council has now assumed an air of calm and confidence enabling it to set high ambitions for the future.’* The review made no formal recommendations, however two risks were identified in relation to the delivery of the medium term financial plan and performance targets and work will continue to closely monitor these. The review resulted in the Secretary of State permitting all powers to be returned to the Council on 31 March 2019.
- 1.3 The review demonstrated that the Council had been effective in delivering the “Fresh Start” Improvement Plan, which was the Council’s strategic response to the external Corporate Governance Inspection (CGI) and the Jay and Ofsted reports. The plan was approved in May 2015 and the final phase was fully implemented in May 2018.

2. Adult Care and Housing

- 2.1 The Council has received two further Care Quality Commission (CQC) inspections since the last report. One was in respect of Council provider services at Davies Court and the other in the Home Enabling Service (incorporating “Shared Lives”). Both inspections resulted in **Good** overall ratings and require no improvement actions. No other additional external inspections have taken place since the last report in November 2018, however, a progress update is provided below covering the actions referenced in the relevant CQC inspection reports.
- 2.2 CQC undertakes programmed inspections of the Council’s Adult Social Care registered providers. They undertake these ‘comprehensive’ inspections on a risk based rating frequency (services rated **overall** as **Good** usually within 30 months of the last inspection visit). The table overleaf details completed inspections and the most recent ratings for the service.

| Service | Latest Inspection Visit | Overall Rating for Service |
|---|--------------------------------|----------------------------|
| Lord Hardy Court | 20 th December 2016 | Good* |
| Parkhill Lodge | 24 th January 2018 | Good* |
| Davies Court | 22 nd January 2019 | Good |
| Home Enabling (includes Shared Lives) | 7 th January 2019 | Good |
| Quarryhill Resource Centre | 31 st January 2018 | Good |
| Treefields Resource Centre | 13 th July 2017 | Good |
| <ul style="list-style-type: none"> * Indicates had some actions requiring improvement under one of the five sub categories referenced within overall rating. | | |

Lord Hardy Court

2.3 Lord Hardy Court's last CQC inspection visit was 20th December, 2016 resulted in an overall rating of good. However, 2 actions needed to be addressed by the Council, details of which are set out below:-

- (i) The visit found that there were no structured activities programme or dedicated activity staff. In response, the Council continues to work extremely hard mitigating the impact of the lack of dedicated activity staff on customers using the facility. Staff proactively encourage residents to become more involved in a wider range of activities and dedicated time continues to be built in to staff rotas to ensure that a variety of activities can be offered on a regular basis. There are also a high proportion of Intermediate Care beds at Lord Hardy Court providing therapy led rehabilitation. These residents are preparing to go home and are working to individual plans based around their recuperation.
- (ii) The visit also found that changes in client's needs were not always fully incorporated into all care records, and decisions made in client's best interest were not always clearly recorded in their care files. Action was taken to ensure recording in client files were accurately reflecting the up to date position. Follow up quality assurance checks have been scheduled by the service to ensure improvements are being consistently applied. Following the inspection in December 2016 care plans were immediately updated to capture the current needs of people using the facility and a robust process was developed to ensure care plans are being updated regularly.

Parkhill Lodge

2.4 Although rated overall as being good some minor recommendations were made about Parkhill Lodge with regard to how well the service was being led; The following actions were identified to help improve the service;

- (i) There were some actions referring to the repair or replacement of building maintenance which had failed to be met within the agreed timescales. The inspectors recognised the reasons for the delay was that consultations were still underway to determine the future plans for the building, however despite this, the inspectors wanted to see some firm indication when actions in the plan would be completed. All identified areas of concern to the inside of the building have now been completed. The home has been redecorated throughout and new furniture purchased for communal areas. This was undertaken within a very short period of time following the inspection. The CQC inspector was informed of the outcome of the works and was satisfied that these have all been completed.

The only outstanding area was the fascia to the outside of the building that needs to have remedial action to remove and replace rotten wood and paint to enhance the look of the building. Due to the significant cost to the Council and the medium to long term plans for the home being to identify other suitable accommodation, it has been decided to postpone this work.

- (ii) The policies and procedures used to deliver the service were last reviewed in 2013 which was identified as a gap. A refresh was required to ensure the service is:
- meeting its statutory requirements in terms of health and safety etc;
 - operating effectively and;
 - is able to capture best practice and learning.

The Service now subscribes to Quality Compliance System which provides a full suite of policies that are CQC compliant and regularly updated. Staff training to enable them to make the best use of the system has taken place; additional IT equipment supplied and ongoing support within each service is being provided to ensure the system is fully utilised.

Davies Court and Home Enabling Services

2.5 Adult Social Care (ASC) continues to have a good compliance record with standards subject to inspection, as reflected in latest two inspections in January 2019 at Davies Court and Home Enabling Services. Governance arrangements remain in place and are updated to reflect necessary changes. This has included:

- Project Assurance Meetings being introduced in 2018, to enhance the governance framework, which subsequently report to the Directorate Leadership Team.
- An evaluation and update of financial procedure
- Medication framework to ensure consistency of practice
- Framework for Moving and Handling training

Housing Inspections

- 2.6 Three of the four recommendations made following Fire Risk Assessments of Housings Hampstead Green, Doncaster Road and Eastwood View flats by South Yorkshire Fire and Rescue Service have been completed. Work to complete the final recommendation by expanding the alarm system, reconfiguring the sounders and installing a sprinkler system at Hampstead Green flats will be started before October 2019 which has been agreed with South Yorkshire Fire and Rescue Service,
- 2.7 Following an external audit by Homes England into one of Housings Cluster Programmes at East Herringthorpe the Council has been notified the scheme complies fully with the policies, procedures and funding conditions of Homes England and no recommendations have been made to take further action.

3. Children and Young People's Services

- 3.1 Ofsted carried out a re-inspection of Children's Services in November 2017 under their Single Inspection Framework.
- 3.2 As previously reported, the findings from the inspection were published on the 29th January 2018. Progress against the eight recommendations from the inspection is managed in the CYPS Improvement Plan and is discussed and challenged as part of the arrangements for the CYPS Performance Board. To date four recommendations have been completed and four are outstanding.
- 3.3 Senior Managers attended our Annual Conversation with HMI Ofsted on the 20th November 2018. This was a formal discussion which included a self-evaluation by Children's Services, where we were asked to critically evaluate our own performance and articulate what we think is working well for children in their area.
- 3.4 This Annual Conversation influenced HMI Ofsted's decision to undertake a focused visit on the 21st March 2019 focusing on Planning and Achieving Permanence (an area which was judged as Requires Improvement at the Inspection in 2017). Although a formal judgement is not given, findings from the inspection were positive with inspectors stating:

"Children looked after by Rotherham Borough Council who need permanence in their lives are receiving a strong service. Progress is evident since the last inspection in 2017, when services for children looked after were judged to require improvement."

A full copy of the report can be accessed on Ofsted's website. The inspection identified 3 key areas for improvement and progress against these is managed in the CYPS Improvement Plan as described in section 3.1 above.

- 3.5 Planning for inspections remains a priority with preparations underway for the following key potential inspections of Children's Services:
- Inspection of Local Authority Children's Services (ILACs)
 - Joint Target Area Inspection with a focus on a 6 monthly rolling theme
 - Special Educational Needs Local Area Inspection

- 3.6 Liberty House Short Breaks Children's Home is for young people with disabilities. The Home has 9 beds but staffing capacity dictates the number of young people able to access an overnight short break. The number of nights a child accesses the home within the month is varied and subject to their assessed needs.
- 3.7 Liberty House received a full inspection in December 2018 by HMI Ofsted, the outcome of which was that Liberty House received a grading of 'Good'. The inspection identified 2 recommendations a full copy of the report can be found on Ofsted's website. An action plan has been developed which identifies actions to address these recommendations.
- 3.8 In accordance with Children's Homes standards and regulations, Liberty House has monthly visits from an independent visitor. These are externally commissioned to ensure independence and objectivity. The reports are sent monthly to HMI Ofsted.

4. Regeneration and Environment Services

- 4.1 The ground source heat/cooling system at Riverside House was inspected by the Environment Agency in January 2017.
- 4.2 The recommendation was for a new volume meter to be installed if there are any future upgrades to the system. However the recommended works make no operational or compliance difference as the information required can be calculated without the additional cost of an extra meter.
- 4.3 When an upgrade or replacement becomes due then this recommendation will be considered at that time, however this is not planned in the foreseeable future.

5. Finance and Customer Services

- 5.1 Each year the Council's External Auditor issues a range of reports relating to the work to be undertaken and these are presented to Audit Committee:
- External Audit Plan which outlines the audit approach and identifies areas of audit focus and planned procedures.
 - Interim Audit Report which details control and process issues and identifies improvements required prior to the issue of the draft financial statements and the year-end audit.
 - Report to those charged with Governance (ISA260 report) which:
 - Details the resolution of key audit issues.
 - Communicates adjusted and unadjusted audit differences
 - Highlights recommendations identified during the audit
 - Comments on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources (Value for Money)

- Annual Audit Letter which summarises the outcomes and key issues arising from the audit work specifically in relation to:
 - Audit of accounts
 - Value for Money Conclusion
 - Any other matters the external auditor is required to communicate

- 5.2 The External Auditor's 2017/18 ISA 260 Report was presented to the Audit Committee on 30th July 2018 and anticipated the issuing of an unqualified audit opinion on the 2017/18 financial statements. The unqualified opinion was subsequently issued to the Council on 31st July 2018.

- 5.2 The ISA 260 report also provided an unqualified opinion on the Value for Money conclusion. The unqualified opinion confirms 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.

- 5.3 The Annual Audit Letter summarising the outcome from the External Audit work in relation to the 2017/18 financial year was issued to the Council on 31st August 2018 and was considered by the Audit Committee at its meeting on 27th November 2018.

- 5.4 Any recommendations made by the External Auditor in relation to issues identified and the management responses to those recommendations are highlighted in the reports presented to Audit Committee. In carrying out the audit work each year the External Auditor examines progress in addressing previous recommendations made and comments on progress within future reports.

- 5.5 The 2017/18 ISA 260 Report contained six medium and two low priority recommendations which have all been implemented. There are no outstanding external audit recommendations from earlier years.

- 5.6 In addition, each local authority's external auditor is required to certify that the annual claim for reimbursement by the Government of Housing Benefit (a means tested benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP)) is fairly stated and to report any errors or adjustments to the DWP in a covering letter that accompanies the claim. Whilst the DWP have no formal inspection process it does reserve the right to carry out an inspection if circumstances warrant it, i.e. if a Local Authority's performance causes concern.

- 5.7 The Council's external auditors carry out an annual audit of the claim behalf of DWP. As part of their work they check the financial validity of the subsidy claim and, depending upon their findings, can:
 - Where, no errors are found during their audit, certify the claim as fairly stated (i.e. provide an unqualified opinion on the Council's return).

- Where minor errors are found, agree adjustments to the claim with the Council and make no reference to errors in their opinion to the DWP (without qualification).
- For more significant errors, either in process or figures, the external auditor is likely to qualify the opinion on the Council's return and explain the reasons for doing so to the DWP, who will then determine what action, if any, needs to be taken on any points raised by the auditor.

5.4 The audit of the Council's 2017/18 Housing Benefit claim was finalised in November 2018 with only minor adjustments being made to the claim. The audit of the Council's 2018/19 Housing Benefit claim will be undertaken by Grant Thornton between June 2019 and November 2019.

6. Options considered and recommended proposal

6.1 Audit Committee consider the detail of the report including Appendix A which provides a high level summary of the current position of inspection recommendations.

7. Consultation

7.1 Not applicable to this report.

8. Timetable and Accountability for Implementing this Decision

8.1 The timescales for each inspection recommendation differs and is included in Appendix A.

9. Financial and Procurement Implications

9.1 There are no financial and procurement implications.

10. Legal Implications

10.1 There are no direct legal implications arising from the recommendations within this report.

11. Human Resources Implications

11.1 There are no Human Resources implications.

12. Implications for Children and Young People and Vulnerable Adults

12.1 The recommendations in relation to inspections in both Children and Young People's Services and Adult Social Care have direct implications on the quality of services provided to children, young people and vulnerable adults. Completing the recommendations will improve outcomes for these groups.

13. Equalities and Human Rights Implications

- 13.1 Equality Assessments are undertaken in relation to any new policies or strategies that are developed as a result of the work being undertaken to improve services.

14. Implications for Partners and Other Directorates

- 14.1 Partnership approaches are key to improving services, particularly in relation to Children and Young People's Services, the Improvements need to be of a multi-agency nature and owned cross the partnership. The CYPs Improvement Board is made up of senior officers from partner organisations.

15. Risks and Mitigation

- 15.1 There is a risk that actions are reported as completed without substance, it is important that arrangements are in place as part of the respective quality assurance regimes and monitored through performance management, evidencing not just completion of actions, but the associated outcomes. As governance arrangements are strengthened, these risks become mitigated.

16. Accountable Officer(s)

- Anne Marie Lubanski, Strategic Director of Adult Care and Housing
- Paul Woodcock, Strategic Director Regeneration and Environment Services
- Jon Stonehouse, Strategic, Director Children and Young People's Services
- Judith Badger, Strategic Director Finance and Customer Services

Approvals Obtained from:-

Shokat Lal, Assistant Chief Executive

This report is published on the Council's website or can be found at:

<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories>

APPENDIX A

Summary of Recommendations from “Active” Inspection and Audit Action Plans

| Inspection / Review (date) | External Assessor | Number of recommendations | Implemented at last report | Implemented since last report | Still outstanding | Overall Completion Date for Recommendations | STATUS |
|---|--|---------------------------|----------------------------|-------------------------------|--------------------------------------|---|--|
| Corporate | | | | | | | |
| Independent Review of the Council (Final Health check): February 2019 | Former Commissioners, LGA and Director of Children’s Services at Lincolnshire County Council | Nil | Nil | None | No actions or milestones outstanding | Not applicable | <p>The Independent Review took place in February 2019 and was published in March 2019. There were no formal recommendations made as part of the report, however two risks were identified with regards to the delivery of the medium term financial plan and performance targets and work will continue to closely monitor these.</p> <p>As a result of the independent review, the Secretary of State returned all powers to the Council and intervention formally ended on 31st March 2019.</p> |

| Inspection / Review (date) | External Assessor | Number of recommendations | Implemented at last report | Implemented since last report | Still outstanding | Overall Completion Date for Recommendations | STATUS |
|--|-------------------|---------------------------|----------------------------|-------------------------------|-------------------|---|---|
| Adult Care and Housing | | | | | | | |
| Adult Social Care – Inspection of Lord Hardy Court | CQC | 2 | 1 | 0 | 1 | June 2019 | <p>The ‘dedicated activity’ recommendation is awaiting a further CQC inspection visit to determine if the implemented Council’s within budget actions satisfy their recommendation in full.</p> <p>As at 3/6/2019 the next CQC inspection of this overall rated “Good” service, is still awaited.</p> <p>The action remains active until undertaken; this could be up to a maximum of 30 months from last inspection visit, so date for completion has been amended to match.</p> |
| Adult Social Care – Inspection of Parkhill Lodge | CQC | 2 | 0 | 1 | 1 | Medium Term Plan | <p>In relation to the cosmetics of the building this is under corporate landlord and we are managing day to day repairs and maintenance by raising issues with facilities management building manager.</p> <p>All internal works recommended for completion have been completed.</p> <p>Assistive technology in place for individual residents who may need to call for assistance. The medium term plan for Parkhill Lodge will be to look for alternative premises.</p> <p>Above arrangements continue as at June 2019.</p> |

| Inspection / Review (date) | External Assessor | Number of recommendations | Implemented at last report | Implemented since last report | Still outstanding | Overall Completion Date for Recommendations | STATUS |
|--|---------------------------------------|---------------------------|----------------------------|-------------------------------|-------------------|---|---|
| Adult Care and Housing (cont) | | | | | | | |
| Housing - Fire Risk Assessment Audit: Hampstead Green Flats | South Yorkshire Fire & Rescue Service | 1 | 0 | 0 | 1 | Before October 2019 | Expand the alarm system, reconfigure sounders in the corridors and install sprinklers. |
| Children and Young People's Services | | | | | | | |
| Children's Services Inspection: November 2017 Inspection of services for children in need of help and protection, children looked after and care leavers and Review of the effectiveness of the Local Safeguarding Children Board | OFSTED | 8 | 3 | 1 | 4 | TBA | Children's Services was re-inspected by HMI Ofsted in November 2017 and received a rating of 'Good' with outstanding features and identified 8 new recommendations. |
| Ofsted Focused Visit under the Inspection of Local Authority Children's Services (ILACS) Framework - Focus on permanence planning and achieving permanence | OFSTED | 3 | 0 | 0 | 3 | TBA | Focused visit undertaken by Ofsted over a 2 day period 21 st and 22 nd March. Report with 3 recommendations was published on 15 th April 2019 |

| Inspection / Review (date) | External Assessor | Number of recommendations | Implemented at last report | Implemented since last report | Still outstanding | Overall Completion Date for Recommendations | STATUS |
|---|-------------------|---------------------------|----------------------------|-------------------------------|-------------------|---|---|
| Finance and Corporate Services | | | | | | | |
| External Auditor's Report on the Accounts 2017/2018 | KPMG | 8 | 8 | 0 | 0 | Mar 2019 | Action has been taken to comply with all recommendations. |
| Regeneration and Environment Services | | | | | | | |
| Environment Agency compliance audit against environmental permit Licence No. NE/027/0005/004 & Discharge Permit EPR-HP3427GA Ground source heat/cooling system at Riverside House, Main Street, Rotherham, S60 1AE | EA | 1 | 0 | 0 | 1 | N/A | <p>The recommendation was for a new volume meter to be installed if there are any future upgrades to the system.</p> <p>The recommended works make no operational or compliance difference as the information required can be calculated without the additional cost of an extra meter.</p> <p>When an upgrade or replacement becomes due then this recommendation will be considered at that time. However, this is not planned in the foreseeable future.</p> |

| Inspection / Review (date) | External Assessor | Number of recommendations | Implemented at last report | Implemented since last report | Still outstanding | Overall Completion Date for Recommendations | STATUS |
|--|-------------------|---------------------------|----------------------------|-------------------------------|-------------------|---|--|
| Regeneration and Environment Services | | | | | | | |
| Use of the DVLA Web Enabled Enquiry (WEE) system for the identification of vehicle keeper details for untaxed and abandoned vehicles | DVLA | 3 | 0 | 3 | 0 | All implemented | All 3 recommendations identified by DVLA have been actioned and DVLA have confirmed that the rating for the overall audit of use of the WEE system is now green. |

Council Report

Audit Committee – 18th June 2019.

Title

Internal Audit Annual Report 2018 – 2019.

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, Finance and Customer Services.

Report Author

David Webster, Head of Internal Audit

Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Executive Summary

This report provides information on the role of Internal Audit; the work completed during 2018/19 and highlights the key issues that have arisen from it. It provides the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance. It also provides information regarding the performance of the Internal Audit function during 2018/19.

Based upon internal audit work undertaken and taking into account other internal and external assurance processes it has been possible to complete an assessment of the Council's overall control environment. In the opinion of the Head of Internal Audit, Rotherham Metropolitan Borough Council had overall an adequate and effective framework of governance, risk management and control.

Recommendations

The Audit Committee is asked to:

1. Note the Internal Audit work undertaken during the financial year 2018/19 and the key issues that have arisen from it.
2. Note the overall opinion of the Head of Internal Audit.
3. Note the information contained regarding the performance of Internal Audit during 2018/19.

List of Appendices Included:-

Appendix 1 – Internal Audit Annual Report 2018/19.

Background Papers

UK Public Sector Internal Audit Standards.

Local Government Application Note.

Accounts and Audit (England) Regulations 2015.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Title: Internal Audit Annual Report 2018 / 2019.

1. Recommendations

The Audit Committee is asked to:

- 1.1 Note the Internal Audit work undertaken during the financial year 2018/2019 and the key issues that have arisen from it.
- 1.2 Note the overall opinion of the Head of Internal Audit
- 1.3. Note the information contained regarding the performance of Internal Audit during 2018/19.

2. Background

- 2.1 Internal Audit produced a risk based Annual Audit Plan in accordance with the UK Public Sector Internal Audit Standards (PSIAS). This was received by the Audit Committee at its meeting in June 2018. The Plan was regularly reviewed and monitored during the year so that it provided sufficient coverage of the key risks facing the Council.
- 2.2 During the year the Audit Committee received periodic updates on the work of Internal Audit and a summary of the key issues that arose. This annual report is a final summary of Internal Audit activity.
- 2.3 The report is attached at **Appendix 1** and includes the following information:
 - 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

3. Key Issues

- 3.1 The Head of Internal Audit's opinion is that there was overall an adequate and effective framework of governance, risk management and control.
- 3.2 We gave an opinion of Partial Assurance or No Assurance in fifteen areas subject to audit.
- 3.3 We can confirm that action plans have been agreed with management in respect of all final audit reports issued.

- 3.4 There were substantial changes to the Internal Audit team during 2018/19. The team was affected by staff members leaving and the time taken to recruit replacements. Resource levels provided sufficient capacity to provide an adequate level of assurance, and sufficient work was completed to enable the Head of Internal Audit to provide his overall opinion.
- 3.5 Public Sector Internal Audit Standards (PSIAS) require that an assessment of the Internal Audit function must be undertaken annually. The internal assessment in January 2019 showed general conformance with the standards, which matched the assessment the previous year. The most recent external assessment in late 2015 had shown non-conformance.
- 3.6 A Quality Assurance and Improvement Programme (QAIP) was put into place during 2018 with the results reported to the Audit Committee in February 2019. This showed 10 of the 17 actions had been completed. An updated QAIP based on the internal assessment has been produced to maintain and increase the level of conformance within the team. This has 27 recommendations and suggestions which will be actioned and monitored during 2019.

4. Options Considered and Recommended Proposal

- 4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit. It provides an annual summary of Internal Audit work completed and the key issues arising from it and the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment. It also provides information about the performance of the Internal Audit function during the year.

5. Consultation

- 5.1 All Internal Audit reports referred to in this report have been discussed and agreed with the appropriate Service Manager and Assistant Director, and have also been issued formally to the relevant Strategic Director. Where an opinion of partial or no assurance has been given, the report was also sent to the Chief Executive.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The Audit Committee is asked to receive this report at its 18th June 2019 meeting.

7. Financial and Procurement Implications

- 7.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

8. Legal Implications

8.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

8.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

9. Human Resources Implications

9.1 There are no direct Human Resources implications arising from this report. However, it is noted that during 2018/19 there were significant changes to the membership of the team.

10. Implications for Children and Young People and Vulnerable Adults

10.1 This document constitutes a report of progress against delivery of the Internal Audit Plan 2018/19. A significant proportion of the Plan was devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

11 Equalities and Human Rights Implications

11.1 There are no direct Equalities and Human Rights Implications arising from this report.

12. Implications for Partners and Other Directorates

12.1 Internal Audit is an integral part of the Council’s Governance Framework, which is wholly related to the achievement of the Council’s objectives, including those set out in the Corporate Improvement Plan and Children’s Services Improvement Plan.

13. Risks and Mitigation

13.1 The following risk has been identified.

| Risk | Impact | Likelihood | Mitigation |
|---|--------|------------|--|
| Insufficient and / or ineffective resources / skills. Inadequate service. Failure to meet the requirements of S151 of the LG Act 1972 and the Accounts and Audit Regulations, to provide an effective internal audit. Council exposed to risks (fraud / errors / inefficiencies) from unexposed control weaknesses. | Med | Low | Implementation of action plan. Resources monitored to ensure sufficient to complete the plan. |

14. Accountable Officer

David Webster, Head of Internal Audit.



Rotherham Metropolitan Borough Council

Internal Audit Annual Report 2018/19

1 Introduction

1.1 Objectives of the Report.

The objectives of this report are:

- To provide a summary of the Internal Audit work undertaken during the financial year 2018/19 and the key issues that have arisen from it.
- To present the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's control environment, risk management and governance arrangements, which supports the Council's Annual Governance Statement (AGS).
- To provide information regarding the performance of the Internal Audit function during the 2018/19 year.

This report is presented to the Audit Committee to enable the Committee to fulfil its responsibility for overseeing the work of Internal Audit.

1.2 Legislation Surrounding Internal Audit.

The provision of Internal Audit is a statutory requirement for all local authorities that for the period under consideration is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal Audit also has an important role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are that:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

1.3 Professional Standards

The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.

The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The QAIP must include both internal and external assessments. External assessments must be completed at least every five years. Internal assessments must include:

- Ongoing monitoring of the performance of the Internal Audit activity; and
- Periodic self-assessments

A self-assessment against the standards was completed in December 2017 and the results reported to the Audit Committee in February 2018. The Internal Audit Service was assessed as generally conforming to the Standards. The assessment resulted in the development of a QAIP for 2018. During 2018, 10 of the 17 actions were completed. Another self-assessment was completed in January 2019 with the results reported to the Audit Committee in February 2019. It was completed by an experienced Senior Auditor newly recruited to the department to give a degree of independence and an outside view. The self-assessment showed that general conformance with the standards had been maintained. An updated QAIP was then produced to continue the improvement during 2019. This will be implemented and monitored during 2019.

The CIIA define General Conformance as follows.

Generally Conforms means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

Ongoing monitoring of performance is in place. The quality of audit work is ensured by the use of an audit manual, ongoing supervision and management of staff and the review of all audit work. Performance targets are set and actual performance reported to each Audit Committee meeting.

During the year the integrated internal audit software was developed to include automated reporting and recommendation tracking. Client satisfaction surveys and audit questionnaires will be developed in the future, whilst it is also possible to integrate strategic planning and scheduling. The structure of the software helps to enforce standardised modern working practices and contributes to conformance with the standards.

1.4 The Definition and Role of Internal Audit

The definition of Internal Auditing in PSIAS is as follows:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to

evaluate and improve the effectiveness of risk management, control and governance processes.

The role and responsibilities of the Rotherham MBC Internal Audit Service are outlined in the Internal Audit Charter which was revised during the year and approved by the Audit Committee. It also specifies the department's independence, authority, scope of work and reporting arrangements. All audit work is carried out in accordance with the contents of the Charter.

The role of Internal Audit is to provide an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the framework of internal control, risk management and governance. Internal Audit is therefore a key part of the RMBC assurance cycle and one of the sources of assurance available to the Council and Audit Committee, which assists the Council to prepare the Annual Governance Statement.

In giving the opinion on the framework of internal control, risk management and governance, it should be noted that assurance can never be absolute. The matters raise in this report are only those which came to our attention during our Internal Audit work and are not necessarily a comprehensive statement of all weaknesses that exist, or of all the improvements that may be required.

There have been no limitations made on the scope of Internal Audit coverage within the year.

2 Internal Audit Assurance for 2018/19

2.1 Internal Audit Opinion

For the year ending 31 March 2019, based on the work we have undertaken, my opinion is that Rotherham Metropolitan Borough Council had overall an adequate and effective framework of governance, risk management and control.

2.2 Scope of the opinion

In arriving at that opinion, I have taken into account

- The results of all internal audits undertaken during the year (see Appendix A for a summary of audits)
- The results of follow up action taken in respect of audits from previous years
- The appropriateness of the proposed action by management to address control weaknesses and consequent risks
- Matters arising from previous reports or other assurance providers to the Audit Committee and/or the Council
- No limitations having been placed on the scope of internal audit
- No resource constraints having been imposed on us which may have impacted on our ability to meet the full audit needs of the Council; and
- Where weaknesses have been identified, the action plans in place to address those weaknesses.

2.3 The basis of the opinion

In reaching this opinion the following factors were taken into particular consideration:-

Governance

The council's governance framework comprises a range of policies, procedures and processes. At the highest level this includes the Council Plan, which is monitored and reported on regularly. It is supported by a range of policies and strategies to ensure that governance is applied throughout the Council. During the year there was a review of governance covering codes of conduct, registers of interest and hospitality and induction. There was also a review on the production of the Annual Governance Statement. In addition, many of the other audits undertaken touched on the implementation of the policies and strategies.

A Corporate Governance Group operated during the year, chaired by the Strategic Director Finance and Customer Services and comprising the Corporate Risk Manager, the Head of Internal Audit and the Assistant Director, Legal Services. The group produced the annual review of the RMBC Code of Corporate Governance based on the seven principals from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance on 'delivering good governance', published in 2016. This was updated and presented to the Audit Committee in November 2018.

The group has the following roles:

- Have oversight of the Local Code, including its implementation, review and revision on at least an annual basis
- Coordinate the production of the Annual Governance Statement and the assurances needed to underpin it
- Review the progress being made to address the issues reported in the previous year's Annual Governance Statement
- Ensure that recommendations from external bodies are appropriately followed up and reported to the Audit Committee
- Be responsible for responding to any ad hoc governance issues as required.

The group has prepared and drafted the Annual Governance Statement. To do so the group issued corporate governance self-assessment questionnaires to Assistant Directors and asked for Statements of Assurance from Strategic Directors and Statutory Officers. This process provided an opportunity for senior officers to consider the effectiveness of governance arrangements. The Statement explains how Rotherham MBC complies with its own Code of Corporate Governance, in line with the seven principles from CIPFA/SOLACE.

Risk Management

Risk management has been developed and improved throughout the year. There is a hierarchy of risk registers dealing with strategic and operational risks at SLT, DLT and service level. These are regularly reviewed, discussed and amended to ensure they remain up to date. Risks are escalated to strategic level as necessary. Risk management training continued to be delivered to Directors and managers during the year. The Audit Committee reviewed the strategic risk register in June 2018 and

January 2019, and Directorate risk registers on a rolling basis throughout the year. Internal Audit completed a review of risk management in February 2019 and gave an audit opinion of substantial assurance.

Internal Control

Our opinion on the Council's control environment is based on our assessment of whether the controls in place in the services and functions subject to audit support the achievement of the Council's objectives as set out in the 2018/19 Annual Audit Plan and the individual audit reports issued.

Audits were carried out in all areas of the Council during the year. The overall level of control found in audits was good. 63% of audits where an assurance level was given resulted in a Substantial or Reasonable assurance level. No area stood out as being worse than the others. During 2018/19 182 recommendations were made to improve the internal control, risk management and governance arrangements across the Council. Summary results are given in Appendix A together with definitions of the assurance levels and recommendation categories.

2.4 Resources

At the time the Internal Audit Plan was agreed in April 2018, the establishment structure had been agreed as 8 fte employees. One of the team was seconded to Finance and being covered by an incoming secondee. The secondee from the team gained a permanent position within Finance. A recruitment exercise took place, resulting in the incoming secondee becoming a permanent member of the team. One Senior Auditor left the team in April 2018 and another in October 2018. Recruitment took place but their replacements did not commence work with the team until January 2019. The effect of this was that the team was understaffed by 1 fte during the year. The team is now fully staffed.

It is the opinion of the Head of Internal Audit that resource levels throughout the year provided sufficient capacity to provide an adequate level of assurance to the Audit Committee and the Strategic Director of Finance and Customer Services.

As a result of careful management of our resources and significant effort by a very small team, sufficient work was completed during 2018/19 to enable the Head of Internal Audit to provide his overall opinion.

2.5 Revisions to the Audit Plan

In accordance with PSIAS, a detailed review of the Audit Plan was regularly undertaken. In particular a review was undertaken at the half-year to arrive at a revised plan. The factors taken into account as part of this review were as follows:

- The imperative to deliver a balanced programme of work that would inform Internal Audit's annual opinion on the overall adequacy of the Council's control environment;
- Any changes to our risk assessment of specific services, functions or systems during the year;

The changes arising from this review were presented to the Audit Committee in November 2018. Any further changes were presented to the Audit Committee as they arose.

2.6 Level of Audit Coverage during the year

The number of audit days spent in each area compared to the original and revised plan is given in the table below.

| Audit Area | Original Plan Days | Revised Plan Days | Actual Days |
|---|--------------------|-------------------|-------------|
| Corporate | 20 | 20 | 10 |
| Assistant Chief Executive | 135 | 110 | 98 |
| Adult Care and Housing | 120 | 90 | 65 |
| Children and Young People Services | 140 | 115 | 139 |
| Finance and Customer Services | 225 | 190 | 219 |
| Regeneration and Environment | 130 | 100 | 85 |
| Investigations and Advice / Consultancy | 200 | 200 | 241 |
| Advice / Consultancy | 80 | 80 | 68 |
| Anti-Fraud | 30 | 30 | 42 |
| Grants | 50 | 50 | 53 |
| Software Development | 20 | 20 | 36 |
| | | | |
| Total | 1150 | 1005 | 1056 |

The plan is produced after taking into account estimated unproductive time. During 2018/19 the actual unproductive time was in line with the plan.

The plan is always flexible and subject to change during the year. The number of days planned for audits at the start of the year is reviewed when the audit is scoped in detail, and is also subject to change depending on the findings.

The original plan showed 66 audits to be completed in 1150 days. After a mid-year review this was changed in September 2018 to 54 audits in 1005 days. There is always a time lag in terms of the dates of audits, with the audit plan for any year not being completed at the end of March but in April/May. Additions and deferrals also make comparison of actual work completed against the plan more difficult, and some investigation work results in reports with recommendations to correct weaknesses. However, within 2018/19, as can be seen in Appendix A, 40 final reports were issued, plus 8 investigation reports. In addition, at year end there were another 10 audit reviews that had been completed, with the reports in draft form. In overall terms, this shows that the plan was substantially achieved.

2.7 Summary of Findings from Audit Reviews.

Internal Audit provides an opinion on the control environment for all systems, services or functions which are subject to audit review. These are taken into

account when forming our overall annual opinion on the Council's control environment. All final audit reports are issued to the appropriate Strategic Director, Assistant Director and Service Manager. In addition, where an opinion of partial or no assurance is given, the final report is also sent for information to the Chief Executive.

2.8 Management Response to Audit Reports.

After reports are finalised Internal Audit subsequently seeks assurance that agreed actions emanating from audit work have actually been implemented. As a minimum this involves contacting the manager responsible to seek written confirmation that agreed actions have been implemented or, where they have not, appropriate progress is being made. Where fundamental weaknesses in internal control arrangements have been identified, a more detailed follow up piece of work is undertaken.

A new system of tracking audit recommendations was implemented in May 2018. A report on aged outstanding actions is presented to the Audit Committee at each meeting. This initially included a backlog of aged actions, which has proved difficult to clear. At the start of the year there were 60 overdue outstanding actions. By the March committee this had reduced to 49, but further work has been undertaken after the year end and the total now stands at 29.

2.9 Reporting to the Senior Leadership Team

SLT receive a summary report based on the Progress Reports presented to the Audit Committee, showing progress against the plan, reports issued and outstanding recommendations.

2.10 Investigations and Advisory/Consultancy work

During the year 241 days were spent on investigations. 8 were completed during the year with 5 ongoing. There was no pattern to the subjects of the investigations, and none were significant in terms of the governance of the Council. A further 68 days were spent on Advisory work. This includes work that does not result in an audit report but adds value to the Council by contributing to working groups or providing advice.

2.11 Anti-Fraud work

During the year the department completed the following:

- The Anti-Fraud and Corruption Policy and strategy were updated and presented to the Audit Committee in October 2018. They were subsequently entered onto the Intranet.
- Continued to work on the National Fraud Initiative to identify errors and fraud.
- Re-issued fraud awareness e-learning to Members and relevant staff.

2.12 Grants

During the year the department completed reviews in accordance with the grant funding body requirements for the following grants.

- Troubled Families Grant
- Local Transport Capital Block Funding
- Disabled Facilities Grant
- Active Ability Grant
- Active Rotherham Communities Grant
- Active for Health Grant
- NO₂ Early Measures Fund
- Bus Service Operators

All were found to be accurately compiled and in accordance with the grant criteria.

2.13 Summary of Other Evidence taken into Account for Control Environment Opinion.

In forming our opinion, we also take into account the findings from external reviews of the Council's activities. The Head of Service, Performance and Planning, CYPS presents a bi-annual report that details recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from these. Reports were submitted to Audit Committee in June and November 2018.

2.14 External work

During the period Internal Audit provided audit services on a fee earning basis to the following academies:

- Wingfield Academy
- Anston Greenlands Primary
- Herringthorpe Junior
- Greasbrough Primary

Since academies are separate legal entities to the Council, this work does not have any impact on our overall opinion of the Council's control environment. The findings, recommendations and conclusions arising from these engagements are therefore not reported to the RMBC Audit Committee.

2.15 Internal Audit Performance Indicators

Our performance against a number of key indicators is summarised below:

| Performance Indicator | 2017/18 Actual | 2018/19 Target | 2018/19 Actual |
|--|-----------------------|-----------------------|-----------------------|
| Draft reports issued within 15 days of field work being completed. | 80% | 90% | 97% |
| Chargeable Time / Total Time. | 70% | 72% | 72% |
| Audits completed within planned time. | 76% | 90% | 89% |
| Client Satisfaction Survey. | 100% | 100% | 100% |

Performance has increased to meet the targets as the audit software has become embedded, including automated report generation and action tracking.

Analysis Of Internal Audit Opinions and Recommendations Made in 2018/19

The table below shows a summary of the audit opinions and recommendations that have arisen from audit work completed during the period.

| <i>Audit Area</i> | <i>Audit Opinions</i> | | | | | <i>Total</i> | <i>Number of Recommendations Made</i> | | | |
|------------------------------------|------------------------------|-----------------------------|--------------------------|---------------------|-------------------------|--------------|---------------------------------------|-----------|-----------|--------------|
| | <i>Substantial Assurance</i> | <i>Reasonable Assurance</i> | <i>Partial Assurance</i> | <i>No Assurance</i> | <i>No opinion given</i> | | <i>***</i> | <i>**</i> | <i>*</i> | <i>Total</i> |
| Corporate | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 1 | 8 | 9 |
| Assistant Chief Executive | 1 | 4 | 3 | 2 | 0 | 10 | 6 | 20 | 19 | 45 |
| Adult Care and Housing | 1 | 3 | 0 | 0 | 0 | 4 | 0 | 6 | 10 | 16 |
| Children and Young People Services | 3 | 3 | 5 | 0 | 0 | 11 | 2 | 29 | 11 | 42 |
| Finance and Customer Services | 5 | 2 | 4 | 0 | 0 | 11 | 1 | 27 | 19 | 47 |
| Regeneration and Environment | 1 | 1 | 0 | 1 | 0 | 3 | 4 | 9 | 10 | 23 |
| Investigations | | | | | 8 | 8 | | | | |
| Total | 11 | 14 | 12 | 3 | 8 | 48 | 13 | 92 | 77 | 182 |

| Rating | Definition |
|-----------------------|--|
| Substantial Assurance | <p>Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk.</p> <p>The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.</p> |
| Reasonable Assurance | <p>Reasonable assurance that the system of internal control is designed to achieve the service's objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk.</p> <p>There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.</p> |
| Partial Assurance | <p>Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.</p> |
| No Assurance | <p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse. Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p> |

Recommendation categories

- *** Fundamental (Action considered necessary to avoid exposure to high risk)**
- ** Significant (Action considered necessary to avoid exposure to a significant risk)**
- * Merits Attention (Action desirable to enhance control or value for money)**

Summary Sheet**Council Report:**

Audit Committee 26th March 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 |
|----------------------------|--------------------------------|---|-----------------------------------|
| 30 th July 2019 | Financial Reporting | Training 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 | 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 | |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|---------------------------------------|--|--|-----------------------------------|
| 24 th 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 |
| | Audit Committee Accountability | Audit Committee Forward Work Plan | David Webster |

| Meeting Date | Key Responsibility | Agenda Item | Author |
|--------------------------------------|---|--|-----------------------------------|
| 26 th 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 th 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 th 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> |

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