

AUDIT COMMITTEE

Date and Time :- Tuesday, 18 August 2020 at 2.00 p.m.

Venue:- Virtual Meeting.

Membership:- The Mayor (Councillor Andrews); Councillors Cowles, Vjestica, Walsh (Vice-Chair) and Wyatt (Chair)

Independent Member - Vacant

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 Governance Advisor 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. Declarations of Interest

To receive declarations of interest from Members in respect of items listed on the agenda.

3. 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.

4. Minutes of the previous meeting held on 26th May, 2020 (Pages 1 - 11)

To consider and approve the minutes of the previous meeting held on 26th May, 2020, as a true and correct record of the proceedings.

5. Publication of Unaudited Statement of Accounts 2019/20 (Pages 12 - 168)

6. Audit Progress Report - Year ending 31st March 2020 (Pages 169 - 176)

7. Annual Treasury Management and Prudential Indicators 2019-20 (Pages 177 - 193)

- 8. Update Report on the Use of Surveillance and Acquisition of Community Data Powers (Pages 194 - 245)**
- 9. Annual Governance Statement 2019/20 (Pages 246 - 267)**
- 10. External Inspections, Reviews and Audits Update (Pages 268 - 279)**
- 11. Internal Audit Annual Plan 2020-21 (Pages 280 - 298)**
- 12. Audit Committee Annual Report 2019/20 (Pages 299 - 312)**
- 13. Audit Committee Forward Plan (Pages 313 - 321)**
- 14. Items for Referral for Scrutiny**

To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.
- 15. Exclusion of the Press and Public**

Resolved:- That, under Section 100(A) 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(1) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relating to business and financial affairs).
- 16. Risk Management Annual Summary 2019-2020 (Pages 322 - 330)**
- 17. Corporate Risk Register and Risk Management Arrangements during the COVID-19 Response (Pages 331 - 339)**
- 18. Adult Care, Housing and Public Health (ACPH) Directorate Risk Register (Pages 340 - 352)**
- 19. Internal Audit Progress Report for the period 1st May to 30th June 2020 (Pages 353 - 374)**
- 20. Urgent Business**

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

21. Date and time of 2020/21 meetings

Meetings will take place on the following dates commencing at 2.00 p.m.:-

Tuesday, 29th September, 2020

24th November

19th January, 2021

23rd March

Sharon Kemp.

**SHARON KEMP,
Chief Executive.**

AUDIT COMMITTEE
Tuesday, 26th May, 2020

Present:- Councillor Wyatt (in the Chair); Councillors Vjestica and Walsh.

Also in attendance were Gareth Mills and Thilina de Zoysa from Grant Thornton, External Auditors.

Apologies for absence were received from Councillor Cowles and Councillor Watson (Minute No. 82 – CYPS Risk Register).

70. MINUTES OF THE PREVIOUS MEETING HELD ON 4 FEBRUARY 2020

Resolved:-

That the minutes of the previous meeting of the Audit Committee held on 4 February 2020 be approved as a true and correct record of proceedings.

71. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

72. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

There were no questions from members of the public or the press.

73. UPDATE ON EXTERNAL AUDIT UPDATE

Consideration was given to the update on External Audit by the representatives from Grant Thornton.

The update drew specific attention to the PSAA - Scale Fee Letter, Grant Thornton's Audit Scope Letter and Grant Thornton's Audit Plan Addendum and the key issues around fee assumptions and expectations, set out in the Statement of Responsibilities, summarised where the different responsibilities of auditors and of the audited body began and ended and what was to be expected of both in certain areas.

It was pointed out that the final fee for the audit would reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors would tailor their work to reflect local circumstances and their assessment of audit risk. This would be achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it had put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

Grant Thornton representatives also highlighted that in terms of their audit scope they were also effectively providing assurances for those charged with governance in order deliver a high quality audit to all users, whilst also seeking to maintain the fee within the envelope previously discussed.

The Council had been contacted to outline how the increased regulatory focus facing all audit suppliers was impacting on the planned audit programme and the expectations for the audit coverage for 2019-20, as well as for the audit fee.

It was further explained that managerial oversight would need to be increased to achieve this audit standard with even greater challenge of management being exercised in areas that were complex, significant or highly judgmental. This additional work would need to be undertaken as detailed in the submitted letter attached to the agenda pack.

In terms of the Audit Plan Update it was highlighted that the preparation of financial statements in accordance with the relevant accounting standards and the Code of Audit Practice would be extended up to 31st August, 2020 and the date for audited financial statements to 30th November, 2020.

Grant Thornton, External Auditors, would continue to liaise with the Council's management to agree appropriate timescales and to be responsible for forming and expressing an opinion on the Authority's financial statements and conclusions on the VFM arrangements.

In order to fulfil responsibilities under International Auditing Standards (ISA's (UK)) the planning risk assessments had been revisited and consideration may need to be given to implementing changes to the procedures that were planned and reported in the Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working.

Additionally, it was confirmed since the Audit Plan was issued that the implementation of IFRS 16 had been delayed for the public sector until 2021-22.

In response to queries about remote working, the Council confirmed it was managing risks using technological innovations and would ensure the audit was undertaken remotely under the current circumstances. All the relevant safeguards and checks were in place with Grant Thornton for the progression of audits using safe data sharing platforms.

Resolved:-

That the updates be received and the contents noted.

74. DEDICATED SCHOOL GRANT - CENTRAL RESERVE

Consideration was given to the report which detailed the current and projected overspend on the Dedicated Schools Grant and the recovery plans in place to operate within its annual allocation and reduce the deficit over future years.

The report further outlined the national picture on the High Needs Block as part of the overall Dedicated Schools Grant and the additional funding the Government was investing in education in the next three years as part of its spending review.

In addition, attention was also drawn to the clarification on the accounting treatment of the Dedicated Schools Grant reserve and use of funds to mitigate the deficit following the Government's consultation response in January, 2020.

The Committee were advised the Council had produced a deficit recovery plan to identify cost savings and reduce the cost pressures on the High Needs Block within the Dedicated Schools Grant. The four main cost pressures (also national pressures) were:-

- High cost external residential placements and independent sector placements.
- General growth in the number of Education Health Care (EHC) with a particular pressure identified for supporting young people post 16.
- Growth in alternative provision placements linked to Pupil Referral Units as an outcome of permanent exclusions.
- The growth in the number of pupils who require specialist provision when their assessed needs cannot be met by mainstream schools and academies.

In addition, the LAC Sufficiency Strategy, and specifically plans to provide care for Looked After Children within the borough, would also have a positive impact on the High Needs Budget. The Council would be in a position to directly oversee each child's Education, Health and Care Plan, and identify local provision that was in a position to meet their needs.

The recent Government spending review announced additional funding for schools and high needs, compared to 2019-20, which would rise by £2.6 billion for 2020-21, £4.8 billion for 2021-22 and £7.1 billion for 2022-23.

In 2020/21 the £2.6 billion was split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block; and for Rotherham this was an additional £6.2 million for schools and £4.8 million in the High Needs Block.

The report further outlined the consultations on the conditions of grant and regulations and how they applied to the Dedicated Schools Grant. The DfE's consultation response to 'Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)' was appended to the report.

It was also pointed out that the Government consultation response made it entirely clear on a statutory basis that a DSG deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorised the Council not to do this.

To assist in mitigating the DSG pressures in the High Needs Block local authorities it was noted that Councils could transfer monies (0.5%) from the Schools Block (£190m in 2019/20) to the High Needs Block if they had consulted and gained agreement from Schools and Schools Forum. If a Local Authority wished to transfer more than 0.5% then they needed to submit a disapplication request to the Secretary of State with a robust business case, which Rotherham was successful in doing in 2019/20. A disapplication request to the Secretary of State was submitted to transfer 1.5% of the DSG Schools Block allocation (£2.8m) to the High Needs Block. The transfer was for one year only and to continue with the transfer of funding a new application was, therefore, required each financial year.

Despite the £2.8m transfer of funding into the High Needs Block, however, there was still a projected overspend of £4.6m (financial pressure would be £7.4m without the transfer) in the 2019/20 financial year, with the DSG deficit estimated to increase to £19.7m.

Due to the size of the DSG Deficit and in line with the DSG Operational Guidance, Rotherham submitted a Recovery Plan to the ESFA in June 2019 and continued to meet with the ESFA to monitor progress in its implementation.

The additional funding to the High Needs Block had now enabled Rotherham to operate within its DSG annual allocation at an earlier stage than in the original recovery plan, (from 2020/21 financial year) and, therefore, minimised further growth in the DSG deficit.

In considering the report the Committee, whilst recognising the DfE's funding decision sought assurances that the funding could be sustained and this was confirmed. The Council was working hard on its recovery plan and deficit and was happy for this to be monitored annually by the Audit Committee.

Grant Thornton, External Auditors, also confirmed the DSG had been added to their value for money work and a number of meetings had taken place with colleagues around the deficit and plans for recovery.

Resolved:-

1. That the actions being taken to manage the Dedicated School Grant deficit in Rotherham be noted.
2. That the additional funding allocated in the Government spending review and the outstanding Department for Education (DfE) consultation on Special Education Needs and Disabilities (SEND) and Alternative Provision (AP) Funding be noted.
3. That the DfE's consultation response to 'Clarifying the Specific Grant and Ring-fenced Status of the Dedicated Schools Grant (DSG)' be noted.

75. CLOSURE OF THE ACCOUNTS 2019/20 - UPDATE DUE TO COVID-19

Consideration was given to the report which set out how the principal objective of the Council's annual financial statements were being accountable to a range of local and national stakeholders over the stewardship of its resources.

It was stressed how important the Council's financial statements were prepared in accordance with recognised accounting standards so that they could be relied upon by users of the accounts.

The Committee's attention was brought, therefore, to the main changes required to the Council's timetable for the production of the financial statements, as a result of Coivd-19; with the most notable change being the Audit Committee needing to formally approve the audited Statement of Accounts at its November meeting.

The Committee were further advised the timetable for the production of 2019/20 accounts, which had been extended to allow for the publication date for final audited, accounts would move from 31st July to 30th November, 2020 for all local authority bodies.

In light of this draft accounts must be approved by 31st August, 2020 at the latest or may be approved earlier, wherever possible and to give local authorities more flexibility, the requirement for the public inspection period to include the first ten working days of June has been removed. Instead local authorities must commence the public inspection period on or before the first working day of September 2020. Notice on the website when the public inspection would commence was also recommended.

The Committee recognised the work being undertaken and wished to place on record their thanks and appreciation to all staff involved in the Council's finances.

Resolved:-

That the revised timetable for the production of the Council's financial statements be noted.

76. INTERNAL AUDIT SELF-ASSESSMENT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Consideration was given to the report which detailed how all Internal Audit departments in Local Government must comply with the Public Sector Internal Audit Standards (PSIAS). The standards included the need for an annual self-assessment to confirm compliance, with an external assessment at least every five years.

An external assessment was completed by PwC in 2015-16, who found that the Department did not conform to the standards, resulting in an Action Plan to improve. An internal self-assessment was completed in January 2017 which showed that substantial progress had been made demonstrating partial conformance with the standards.

Further self-assessments in January 2018 and January 2019 showed that sufficient progress had been made to conclude general conformance with the standards.

This report, therefore, set out the details and the results of the internal self-assessment for January, 2020 and reaffirmed the conclusion of general conformance with the standards.

An external peer review validation of the self-assessment was agreed and planned by the Audit Committee to take place April and May, 2020, but this had since been postponed for later in 2020.

Resolved:-

1. That the result of the self-assessment against the PSIAS be noted.
2. That an external peer review be completed in late 2020.

77. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

Consideration was given to the report which detailed how Internal Audit was a major source of assurance to the Council on the framework of control, risk management and governance. It was, therefore, important that it operated in conformance with Public Sector Internal Audit Standards.

An internal self-assessment was completed in January, 2019 which showed general conformance with those standards. A Quality Assurance and Improvement Programme (QAIP) was produced to address the areas where conformance was not achieved, or further improvement could be made.

The Improvement Programme had since been implemented. The latest annual self-assessment was now complete, still showing general conformance with the standards. However, there were still actions that could be taken to maintain and improve performance. The report, therefore, set out the status of actions in last year's QAIP and the actions to be taken over the coming year.

The Committee sought assurance that this would be complete and externally verified by the end of the calendar year.

Resolved:-

That the production and ongoing implementation of the QAIP based on the internal self-assessment be noted.

78. INTERNAL AUDIT ANNUAL REPORT 2019-20

Consideration was given to the report which provided information on the role of Internal Audit; the work completed during 2019-20 and highlighted the key issues that have arisen from it.

An outline was provided on the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance and on information regarding the performance of the Internal Audit function during 2019-20.

It was noted that based upon internal audit work undertaken, and taking into account other internal and external assurance processes, it had been possible to complete an assessment of the Council's overall control environment.

The Head of Internal Audit as of the opinion that the Council had overall an adequate and effective framework of governance, risk management and control during 2019-20. However, at the end of the year the effect of the response to Covid-19 may have impacted on that adequacy and effectiveness.

The Committee advised audits were carried out in all areas of the Council during the year. The overall level of control found in audits was good. No area stood out as being worse than the others. A full summary of the results were appended to the report, together with definitions of the assurance levels and recommendation categories.

The Committee welcomed the report and the progress made to date.

Resolved:-

1. That the Internal Audit work undertaken during the financial year 2019/20 and the key issues be noted.
2. That the overall opinion of the Head of Internal Audit be noted.
3. That the information contained regarding the performance of Internal Audit during 2019/20 be noted.

79. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the which set out the work plan covering the next year and showed how the agenda items related to the objectives of the Audit Committee.

The work plan was an evolving document and could be reviewed and amended as necessary.

Resolved:-

That the Forward Work Plan be received for review and any amendments suggested.

80. EXCLUSION OF THE PRESS AND PUBLIC**Resolved:-**

That, under Section 100(A) 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(1) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006 (information relating to business and financial affairs).

81. INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD 1ST JANUARY TO 30TH APRIL, 2020

Consideration was given to a report presented by the Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st January to 30th April 2020, and the key issues that had arisen therefrom.

An overview was provided on the status of actions arising from audits and regarding the performance of the Internal Audit function during this period.

The current position with regards to the plan was set out in detail as part of the appendices and the current position highlighted following review. Eleven reviews were deleted from the current year's plan, with additional days being allocated to two reviews.

As a result of the current pandemic most of the Audit Team had been supporting the Finance Department in the processing of applications which meant of the reviews were still in progress and some were deferred. Even with some of the cancellations, sufficient work was completed during the year to enable the annual audit opinion to be formed.

There were currently twelve reports completed in draft, eight of which had been reviewed and issued to management, with six responses overdue. By the time of the meeting, two of these had been received, with dates agreed for the other four.

Performance against targets had not achieved for the time to issue a draft report, but this related to just one audit. Target Performance had, therefore, not been achieved for the indicator on productive time. Some of this was due to sickness with a member being absent for the majority of this period.

Further information was provided on the management response to audit reports and the level of commitment to the implementation of recommendations. Summary reports of outstanding actions were produced monthly and distributed to Strategic Directors and discussed at the Strategic Leadership Team meetings, where the current situation was highlighted.

Whilst it was noted that progress was steady the result of the pandemic had meant management had other priorities to concentrate on. The situation would continue to be closely monitored.

The Committee sought assurances that staff would soon return from redeployment in order for internal audit work to resume and were advised that it was hoped that staff would commence returning from mid-end June, 2020.

The Committee also asked that the staffing and performance position be monitored and some benchmarking take place with other authorities as to the level of internal audit activity and how this had been managed during the pandemic.

Grant Thornton representatives confirmed they were drawing on experience with other local government and NHS clients around internal and external auditing during Covid-19. Discussions would take place between respective colleagues and the situation closely supported and monitored.

Resolved:-

1. That the Internal Audit work undertaken during the period 1st January to 30th April 2020, and the key issues arising be noted.
2. That the performance of Internal Audit and the actions being taken by management in respect of their performance be noted.

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

Consideration was given to a report, presented by Sally Hodges, Interim Strategic Director of Children and Young People's Services, which provided details of the Risk Register and risk management activity within the Children and Young People Services' Directorate.

Particular reference was made to the categorisation of service areas in the current plan and how each service area had established risk registers capturing their service level risks identified and monitored by the respective Assistant Director and their Heads of Service.

The risk registers were reviewed and updated with a clear mechanism for any Assistant Director service level risk to be escalated higher.

A regular scheduled programme of reviewing and updating service area and directorate level risk registers had been implemented with risks formally discussed and reviewed by Directorate Leadership Team (DLT) on a quarterly basis and by individual members of the Directorate Leadership Team with their Senior Management Teams on a monthly basis.

The CYPS Directorate level risk register had now been refined to four risks registered and outlined, which were appended to the report, and reflected the current risks and direction of travel the Directorate was moving in.

It was also intended that new Service Plans for 2020/21 would identify priorities moving forward, which in turn reflected within the CYPS risk register and respective service area risk registers.

The Committee sought reassurance that the risks were embedded in the service given the current situation and were advised about the processes being used to ensure vulnerable children were identified and closely monitored. This was more of a concern with the current pandemic and the young people being out of education.

Further clarification was sought on the four risk themes and whether there were sub-sets that sat beneath in order to monitor all identified risk and to ensure this was all picked up as part of the risk profile. Assurances and explanations were further provided on how all risks were captured.

The Committee suggested this be discussed further with the Corporate Improvement and Risk Manager for his oversight and for him to be involved in the risk profiles and format of the Directorate Risk Register if this was required for consistency.

Resolved:-

1. That the progress and current position in relation to risk management activity in the Children and Young People's Services Directorate, as detailed in the report now submitted, be noted.
2. That the Corporate Improvement and Risk Manager be asked to review the consistency of the risk profiles and format of the Directorate Risk Register.

83. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for consideration by the Committee from Scrutiny.

84. URGENT BUSINESS

There were no items of urgent business for consideration.

85. DATE AND TIME OF NEXT MEETING

Resolved:-

That the next meeting of the Audit Committee be held virtually on Tuesday 23 June 2020 at 2.00 p.m.

Committee Name and Date of Committee Meeting

Audit Committee – 18 August 2020

Report Title

Publication of unaudited Statement of Accounts 2019/20

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 (Head of Corporate Finance)
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 Feb 2020 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. A follow up report to Audit Committee in May 2020 set out the revised timetable for the production of accounts in light of the Covid-19 impact.

The draft unaudited Statement of Accounts 2019/20 were published on the Council's website on 31 July 2020 which are available through the following link:

[2019-20 SOA](#)

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 November.

Recommendations

1. The Audit Committee is asked to receive the draft unaudited Statement of Accounts 2019/20.

List of Appendices Included

Appendix A – Narrative Report

Appendix B – Highlights Report setting out key matters reported in the 2019/20 accounts

Appendix C – Unaudited Statement of Accounts 2019/20

Background Papers

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20

Accounts and Audit Regulations 2015

Audit Committee meeting – 4 February 2020

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

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1. Background

- 1.1 The Code of Practice on Local Authority Accounting 2019/20 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. Following recognition of the deliverability of quality accounts by this date in light of the Covid-19 outbreak the regulations were amended for the 2019/20 accounts to require publication of unaudited accounts by 31 August 2020. A revised timetable for the production of the Council's accounts was presented to Audit Committee in May 2020, indicating the Council's draft accounts would now be published on 31 July 2020. The draft unaudited Statement of Accounts 2019/20 were published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 31 July 2020, in line with these revised timelines. The period for local electors to exercise their rights will cease on 14 September 2020.
- 1.3 The external audit of the 2019/20 accounts commenced early on a small scale, with full commencement from 31 July 2020. Grant Thornton will report the findings from their audit to Audit Committee at its November 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 £9 million and triviality threshold of £0.450 million for their audit of the 2019/20 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 now 30 November 2020.

2. Key Issues

- 2.1 The Council's draft unaudited Statement of Accounts 2019/20 as published on the Council's website are attached as Appendix C, with a Highlight Report attached as Appendix B. The accompanying Narrative Report is attached as Appendix A.

- 2.2 The accounts have been produced in accordance with The CIPFA code of practice, there have been no new IFRS to consider and include.

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 the statutory date 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.
- 4.2 Relevant outcomes from the consultation process must be included in the report. The consultation methodology must also be included so Members can form a view on how reliable and representative the consultation outcomes are. The names of included or associated organisations involved need to be included in the Report History section of the report.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The statutory deadline for publishing the draft unaudited Statement of Accounts for 2019/20 by 31 August has been met. The statutory deadline for publishing the audited financial statements for 2019/20 is 30 November.

6. Financial and Procurement Advice and Implications

- 6.1 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.

7. Legal Advice and Implications

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

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

- 11.1 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.

12. Risks and Mitigation

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

13. 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)	Judith Badger	05/08/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	05/08/20
Assistant Director of Human Resources (if appropriate)	Lee Mann	06/08/20
Head of Human Resources (if appropriate)	N/A	N/A

Report Author: *Rob Mahon (Finance Manager – Financial Accounting)
Finance & Customer Services Directorate
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This report is published on the Council's [website](#).



ROOTHERHAM MBC

NARRATIVE REPORT 2019/20

Narrative Report 2019/20

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 2019/20, 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.

Covid-19

Following the impact of Covid-19 on all Councils functions it was clear that the production of the statement of accounts in line with traditional deadlines was not feasible. As such following the announcement that the revised deadline for production of unaudited accounts would be pushed back to 31st August 2020, the Council has agreed to produce its accounts by the 31st July 2020, with final accounts due for publication by 30th November 2020. The statement of accounts covers the Council's views on the concerns around the potential financial impact of Covid-19, however, what is clear at the time of producing the accounts is that the ultimate short, medium and long term implications of Covid-19 are still unclear.

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 plan 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 265,430 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 fewer than 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 48th most deprived district in England, mainly as a result of: poor health, recorded crime, worklessness and low levels of adult qualifications (this is despite positive performance in terms of attainment in Rotherham's schools).

Vision and Priorities

The Council Plan 2019/20 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

The Council remains committed to protecting the most vulnerable children and adults and to delivering improved value for money but has to ensure that social care services are delivered within the financial envelope set within this budget. The additional social care resources provided within the Finance Settlement for 2020/21 are welcome, as is the Government statement within the December 2019 Queens' Speech that these additional resources will be delivered across the life of this Parliament, but this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association. There is still therefore the need for the Council to transform the delivery of social care services in order to maintain effective service provision within the available funding.

Since the introduction of austerity measures in 2010, the Council has made savings in excess of £200m in response to the significant reductions in Central Government funding. This includes new savings of £16m to be delivered in 2020/21 which were agreed last year within the two-year budget for 2019/20 and 2020/21 approved by Council in February 2019.

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 2019-2020 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 2019/20. At the end of the fourth and final quarter (January to March 2020) 37 measures had either met or had exceeded the target set in the Council Plan. This represents 60% of the total number of measures where data is available or where targets have been set. The direction of travel is positive for 35 (56%) of the indicators measured in the final quarter.

Some of the Council's key achievements in 2019/20 were:

- A new **Adult Care Pathway** went live – focussed on providing the right support to vulnerable adults for the right amount of time.
- **Waleswood Caravan Site** was officially opened on 24th June 2019. In July 2019 the AA awarded the site 5 pennants plus a Gold Standard certification, highlighting Waleswood as one of the highest quality sites in the UK.

- Led the response and recovery to the significant **flooding** that hit the Borough on 7th November 2019 - 799 flooding related calls received, 67 people assisted who were stranded at Parkgate, 3,250 sandbags distributed; approx. 300 household/business claims received
- Signing a legal agreement with Muse, who were appointed as the Council's development partner for the leisure development on **Forge Island** and work commenced on site to develop the flood defences in October 2019
- The Bellows, Rotherham Council's shared ownership development at Rawmarsh, was named as the **Best Shared Ownership Development** (urban) at the prestigious Inside Housing Development Awards in November 2019. On winning the award, the Council was praised for using compulsory purchase order powers to buy what was a disused shopping centre and a multistorey car park which was once a hot-spot for antisocial behaviour.
- On 5th July 2019 the Council was notified that it had been selected as one of 50 areas shortlisted for Stage 2 of the bidding process for the national **Future High Street Fund**.
- Delivered a successful initial response to the **COVID-19 emergency** which included rapidly reshaping services and setting up a Community Hub to support the most vulnerable people in the Borough. This response is ongoing into the next financial year.

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 2020 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 2019/20 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:

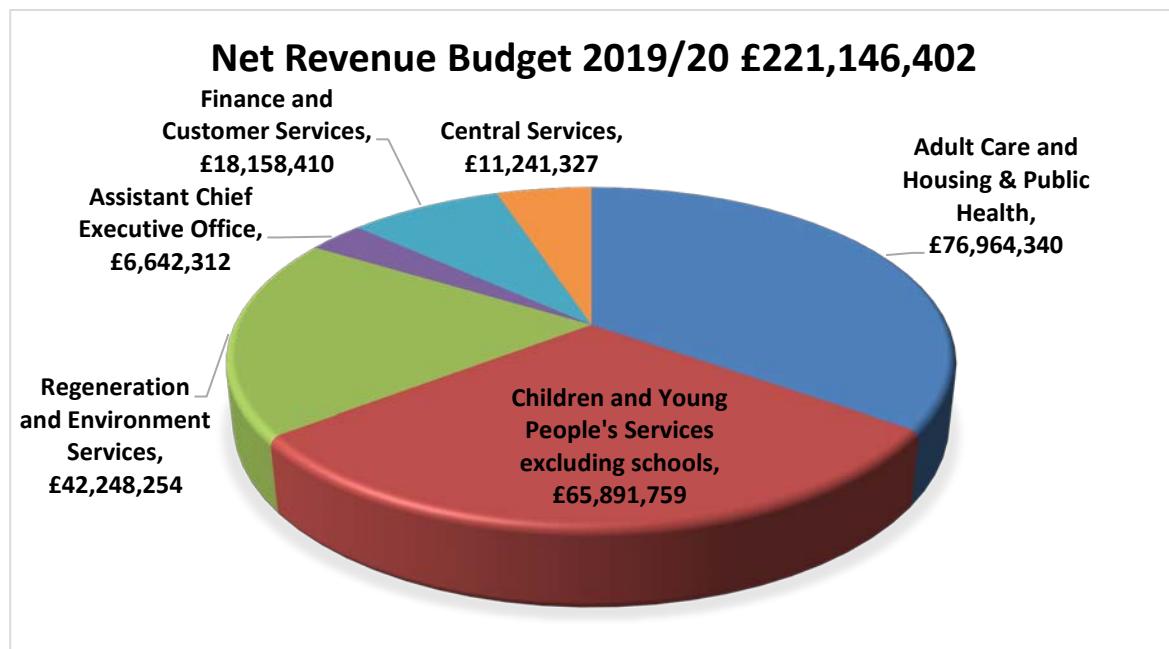
- *Statement of Responsibilities*
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*
This account summarises the revenue costs of providing all Council services and the income and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

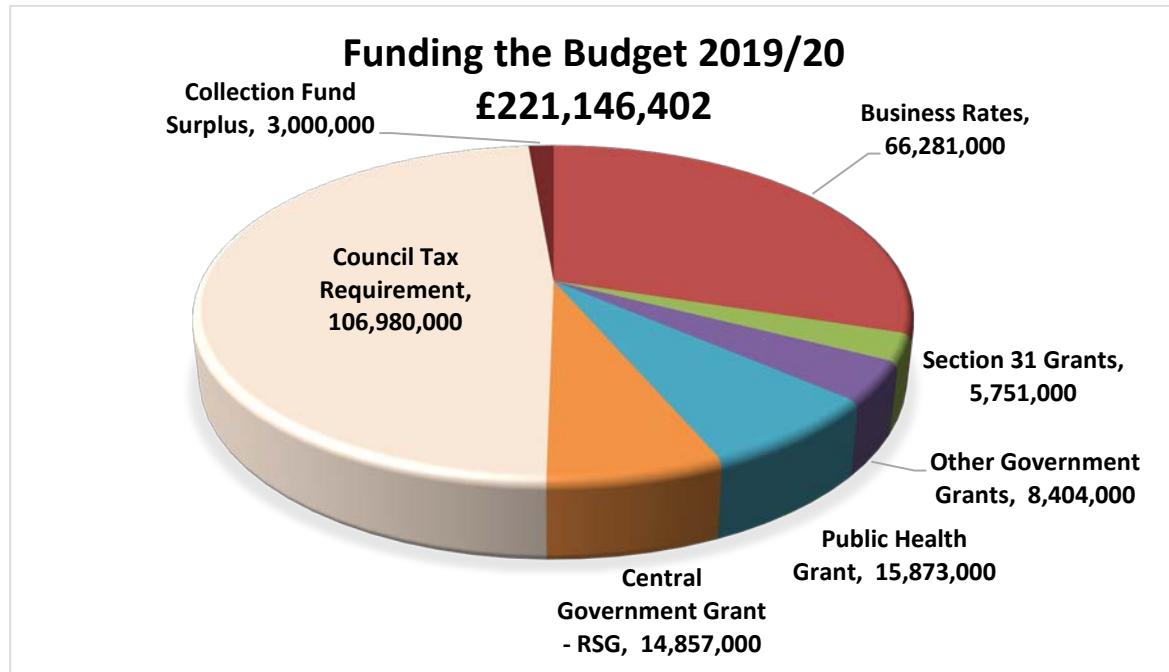
A summary of the Council's revenue and capital outturns for 2019/20 is included in the following paragraphs. Further details have been reported to Cabinet on the 20th July 2020. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

Revenue expenditure overview

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2019/20 was £221,146m (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 £221.1m as outlined above, together with planned use of £3.2m corporate reserves as part of the budget contingency. The final outturn position was a balanced budget which required £2.0m less use of corporate reserves than planned for. Additional funding received in year, use of earmarked reserves and flexible use of capital receipts has resulted in a reduced call on the reserves of £1.2m leaving a balance of £2.0m to support the budget in later years.

The key variances within the outturn position are summarised below;

- An overspend of £4.4m on Children and Young People's Services, which is largely due to demand for services outstripping budget capacity. This leads to pressures across residential placements, special guardianship placements, emergency placements and direct payments. The overall pressure faced by the service was mitigated to a degree due to £1.3m received from the DfE linked to Stovewood costs.
- A £0.7m 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;
- A £2.5m overspend 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, underachievement of income in Green Spaces (Rother Valley & Thrybergh Country Park).
- A £0.8m underspend within the Council's Finance & Customer Services and Assistant Chief Executive's Directorates, predominantly due to reduced demand on legal services and vacancy control;
- A £5.6m 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 savings from early payment of pension costs to SYPA.
- Use of the risk contingency of £1.2m

Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £2.524m relating to School Delegated Budgets. As can be seen below, this represents a decrease of £0.845m on the previous year.

2018/19 £m		2019/20 £m
3.369	Unspent Schools' Budgets	2.524m

Housing Revenue Account Income and Expenditure Account

For 2019/20, the Income and Expenditure Account shows a surplus on the provision of HRA services of £4.980m. 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 £14.404m and led to an overall deficit of £9.424m for 2019/20 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 2019/20 was £17.116m. 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.

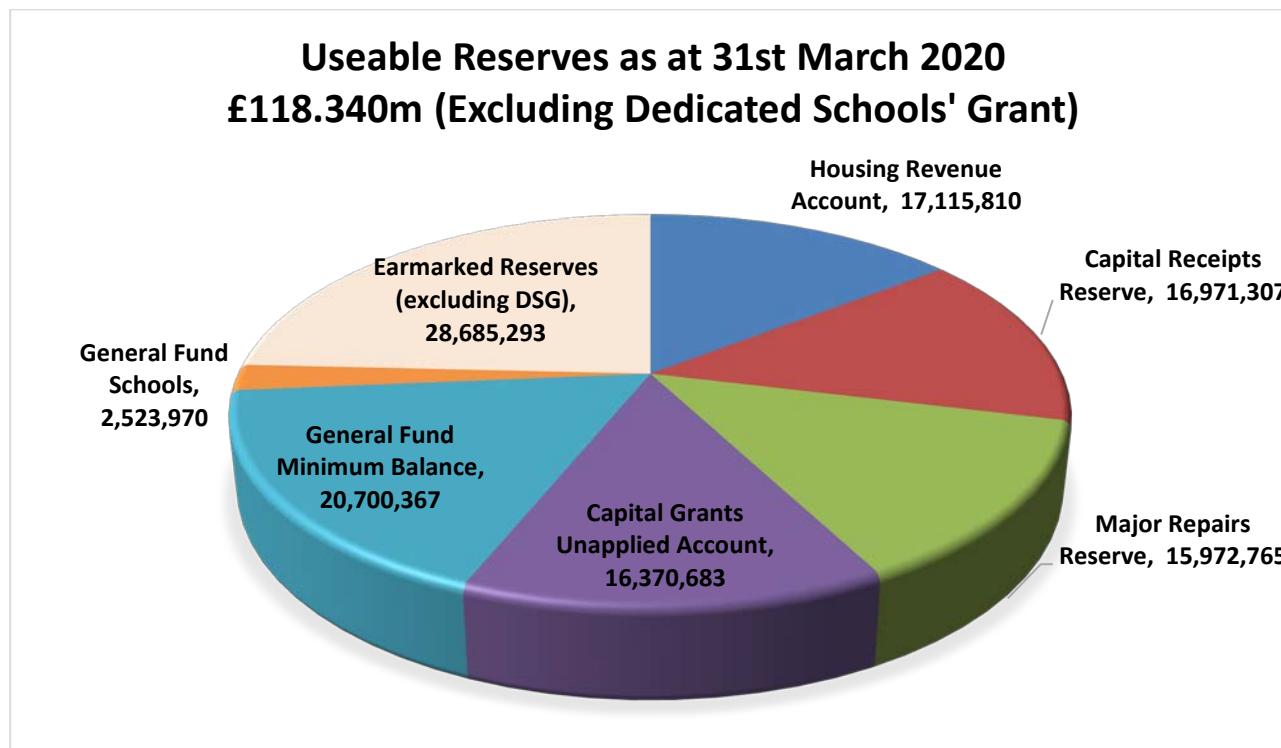
Usable reserves are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support revenue 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 2020, the Council held £118.340m of usable reserves (excluding Dedicated Schools Grant). Included within this balance are capital reserves of £49.315m, 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 £69.025m of revenue reserves and balances. However, most of these are ring-fenced (HRA and school balances) or are earmarked for specific purposes. This balance also includes £15.274m of emergency Covid-19 funding.



The uncommitted General Fund balance of £20.700m 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 2019/20 amounted to £96.985m and is analysed by Directorate as follows:

Directorate	2019/20 £m
Children and Young Peoples Services	8.831
Assistant Chief Executive	0.808
Adult Care & Housing	4.278
Finance & Customer Services	5.639

Regeneration & Environment	33.163
Housing Revenue Account	44.266
Total	96.985

The capital expenditure was financed as follows:

Funding Stream	2019/20 £m
Borrowing need	21.625
Major Repairs Allowance (MRA)	15.548
Grants & Other Contributions	25.972
Capital Receipts	18.973
Internal Funds (e.g. Reserves, etc)	14.867
Total	96.985

Major items of capital expenditure incurred are as follows:

Major Capital Expenditure	2019/20 £m
<u>Non Housing:</u>	
Waverley New Primary School	3.103
Beighton Link Project Growth Fund	5.204
Carriageway Resurfacing	3.212
Pothole Grant	1.649
Unclassified Roads	3.443
Parkway widening	3.457
College Road	2.728
<u>Housing Investment Programme:</u>	
Physically Handicapped Conversions / Improvements (Public)	2.826
Voids Programme	2.796
Refurbishment of Council Stock	10.164
Physically Handicapped Adaptations (Private)	2.143
Site Clusters	14.116
New Build Provision - Bellows Road	4.373
New Build Provision - Rothwell Grange	2.572

Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31st March 2020 is shown below. Further details of the Council's Treasury Management activities and prudential indicators were reported to the Cabinet Meeting on the 20th July 2020. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

The Council's borrowing levels are summarised below:

As At 31 March 2019 £m	Long Term Borrowing	As At 31 March 2020 £m
96.702	Public Works Loans Board (PWLB)	184.389
223.000	Market (e.g. Banks, Other Local Authorities)	213.000
	Short Term Borrowing	
167.000	Temporary Borrowing	239.000
	External Investments	
0.000	Debt Management Office	0.000
27.530	Money Market Funds	39.675
559.172	Net Borrowing	596.714

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 2019/20. The accounting policies adopted by the Council are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

There have been no Accounting Policy changes for 2019/20, 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, however due to Covid-19 implications the deadline for publication of unaudited accounts has been pushed back to 31st August 2020.

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. 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 2022/23 will be kept under review and updated as necessary following the release of future local authority funding information from the Government through the Spending Review in the Autumn 2020.

A proportion of the budget options for 2020/21 and 2021/22 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.

Covid-19 will add further complexity to the picture due to the significant challenges it presents, not just from additional costs and lost income but from the movement of staff away from the delivery of day to day services and savings delivery. It is likely that Covid-19 will impact the planned delivery of savings in 2020/21 that will ultimately impact 2021/22 as it will create a greater delivery challenge in that year.

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.

Since 2011, the Council has had to make savings of over £200m, including the savings for 2020/21, and has reduced its headcount by approximately 1,800 staff (over 1,100 full time equivalent staff), whilst minimising the tax burden on households as much as possible when real term incomes for Rotherham residents have not been increasing.

In the last three 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 2020/21 to 2022/23 financial years. The Council set a two-year budget for 2019/20 and 2020/21 at the Council Budget meeting in February 2019. The two-year budget included savings to address a funding gap of £30m over those two years, those savings included £16m of Service Directorate savings to be delivered in 2020/21.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £233m in 2020/21 together with capital expenditure of £147m, the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region. 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 2023. The updated Capital Programme includes a total of £611m of planned capital investment across the current year and up to 2023/24.

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 2023 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

Covid-19 has generated a significant amount of uncertainty in both national and local context and the financial challenges it presents are significant, though at the time of producing the accounts the true impact is unclear. The Council will continue to work closely with government to report on the financial implications of Covid-19 to help ensure that the emergency funding support provided is adequate to mitigate the impact on the Councils financial position.



Signed

Judith Badger CPFA

Strategic Director of Finance and Customer Services
Finance and Customer Services Directorate
Riverside House
Main Street
Rotherham
S60 1AE

Date 31 July 2020

Draft Statement of Accounts 2019/20 – Financial Highlights Report

This financial highlights report draws Members attention to key financial disclosures reported in the 2019/20 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 110, 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 118 of the accounts which shows separately the surplus or deficit to be distributed or recovered relating to council tax and retained business rates.

Draft

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2019/20

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AUDIT OF ACCOUNTS 2019/20

ROOTHERHAM METROPOLITAN BOROUGH COUNCIL

Statement of Accounts 2019/20 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 August 2020 and will conclude at 4pm on Monday 14 September 2020.

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 August 2020 and will conclude on Monday 14 September 2020 (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 2020, and all books, deeds, contracts, bills, vouchers and receipts relating thereto.
2. Notice is also given that on or after Monday 3 August 2020 until Monday 14 September 2020, 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 August 2020 until Monday 14 September 2020, 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 July 2020

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.
- Covid-19 – the impact of the Covid-19 pandemic is not considered at this time to be such as to change the authority's ability to continue as a going concern.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.



Judith Badger CPFA
Strategic Director - Finance and Customer Services
31 July 2020

Explanation of the Financial Statements

The Statement of Accounts summarises the Council's financial performance during the year ended 31 March 2020 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 2019/20 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 110) – 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 118) – 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 121) 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.

2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Cost £000		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Cost £000	
114,440	(47,309)	67,131	Adult Care and Housing	114,807	(48,276)	66,531	
68,419	(83,030)	(14,611)	Local Authority Housing (HRA)	67,564	(83,941)	(16,377)	
123,625	(37,526)	86,099	CYPS Excl Schools	120,843	(41,797)	79,046	
76,562	(79,812)	(3,250)	Schools	67,844	(64,329)	3,515	
82,959	(31,194)	51,765	Regeneration and Environment Services	84,121	(33,511)	50,610	
16,465	(16,439)	26	Public Health	16,037	(15,918)	119	
10,761	(3,355)	7,406	Assistant Chief Executive Office	10,665	(2,819)	7,846	
98,180	(81,586)	16,594	Finance and Customer Services	87,522	(66,806)	20,716	
8,261	(10,386)	(2,125)	Central Services	14,205	(22,510)	(8,305)	
599,672	(390,637)	209,035	Cost of Services	583,608	(379,907)	203,701	
35,208	(9)	35,199	Other Operating Expenditure	25,161	(0)	25,161	4
42,980	(1,976)	41,004	Financing and Investment Income and Expenditure	43,990	(1,920)	42,070	5
0	(235,082)	(235,082)	Taxation & Non-Specific Grant Income and expenditure	0	(245,273)	(245,273)	7
677,860	(627,704)	50,156	Deficit on Provision of Services	652,759	(627,100)	25,659	
		(34,222)	(Surplus) on Revaluation of Non Current Assets			(27,201)	
		(1,723)	Write down of Met Debt			(1,896)	
		52,055	Remeasurements of the Pensions Net Defined Benefit Liability (Asset)			(46,332)	
		16,110	Other Comprehensive Income & Expenditure			(75,429)	
		66,266	Total Comprehensive Income & Expenditure			(49,770)	

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.

2018/19	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 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	(53,373)	3,217	0	0	0	(50,156)	(16,110)	(66,266)	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	41,447	(14,313)	(3,469)	927	4,593	29,186	(29,186)	0	
Increase / (Decrease) in Year	(11,926)	(11,096)	(3,469)	927	4,593	(20,971)	(45,296)	(66,267)	
<i>Schools Balances transferred out on conversion to academy</i>	82					82		82	
Balance as at 31 March 19 carried forward	26,380	26,574	25,346	10,596	18,940	107,836	(95,159)	12,677	

2019/20	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 19	26,380	26,574	25,346	10,596	18,940	107,836	(95,159)	12,677	37/38
<i>Movement in reserves during the year:</i>									
Total Comprehensive Income and Expenditure Adjustments from income & expenditure charged under the accounting basis to the funding basis	(30,639) 37,141	4,980 (14,438)	0 (8,375)	0 5,378	0 (2,570)	(25,659) 17,136	75,429 (17,136)	49,770 0	
Increase / (Decrease) in Year	6,502	(9,458)	(8,375)	5,378	(2,570)	(8,523)	58,293	49,770	
<i>Schools Balances transferred out on conversion to academy</i>	(865)					(865)		(865)	
Balance as at 31 March 20 carried forward	32,017	17,116	16,971	15,974	16,370	98,448	(36,866)	61,582	

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".

2018/19 £000		2019/20 £000	Notes
1,155,828	Property, Plant and Equipment	1,197,214	19
8,721	Heritage Assets	9,083	23
27,573	Investment Property	32,578	20
3,034	Intangible Assets	7,151	21
190	Long Term Investments	190	30
3,791	Long Term Debtors	1,022	33
1,199,138	Long Term Assets	1,247,236	
34	Short Term Investments	34	24/29
180	Assets Held For Sale	3,019	22
659	Inventories (Stock)	761	31
51,592	Short Term Debtors	59,170	33
34,698	Cash and Bank Balances	59,106	34
87,163	Current Assets	122,091	
(11,920)	Bank Overdraft	(7,219)	34
(183,079)	Short Term Borrowing	(255,778)	24
(70,543)	Short Term Creditors	(76,052)	35
(4,940)	Short Term Provisions	(5,153)	36
(270,481)	Current Liabilities	(344,201)	
(5,000)	Long Term Provisions	(3,795)	36
(240)	Long Term Creditors	(1,550)	35
(407,389)	Long Term Borrowing	(385,069)	24
(588,621)	Other Long Term Liabilities	(566,165)	50
(1,892)	Capital Grants Received in Advance	(6,963)	8
(1,003,142)	Long Term Liabilities	(963,542)	
12,677	Net Assets	61,583	
(107,836)	Usable Reserves	(98,448)	37
95,159	Unusable Reserves	36,865	38
(12,677)	Total Reserves	(61,583)	

Cash Flow Statement

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

	2018/19 £000	2019/20 £000	Notes
Deficit on the provision of services	50,156	25,659	
Adjustments to net surplus or deficit on the provision of services for non-cash movements :			
Depreciation & Impairment	(36,877)	(40,344)	
Carrying Amount of Non- Current Assets Sold	(25,806)	(22,825)	
Pension Fund Adjustments	(36,010)	(29,386)	
(Increase)/Decrease in Provisions	409	992	
Increase/(Decrease) in Inventories	(33)	102	
Increase/(Decrease) in Debtors	(2,230)	7,712	
(Increase)/Decrease in Creditors	1,681	(9,017)	
Other Non Cash Adjustments	98	(264)	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37,128	40,210	39
Net cash inflows from Operating Activities	(11,484)	(27,161)	
Investing Activities	39,079	41,834	40
Financing Activities	(22,998)	(43,783)	41
Net decrease in cash and cash equivalents	4,597	(29,110)	
Cash and cash equivalents at the beginning of the reporting period	27,375	22,778	34
Cash and cash equivalents at the end of the reporting period	22,778	51,888	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 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 ("the Code"), supported by International Financial Reporting Standards (IFRS).

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

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

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

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

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

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

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

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

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

2 Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied unless the Code specifies that the change should be applied prospectively.

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

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

3 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

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

Revenue is recognised when the following conditions have been met:

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

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.

Interest payable on borrowings (other than that capitalised on qualifying assets) and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

4 Overheads and Support Services

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

5 Debtors

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

6 Creditors

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

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

Council Tax

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

National Non-Domestic Rates (NNDR)

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

8 Inventories

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

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

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

9 Work in Progress (Construction Contracts)

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

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

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

10 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

11 Provisions, Contingent Liabilities and Contingent Assets

Provisions

A provision is recognised when:

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

For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at each reporting date and adjusted to reflect current best estimates. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

If some or all of the expenditure required to settle a provision is expected to be reimbursed (e.g. an insurance claim), this is recognised when it is virtually certain that if the obligation is settled reimbursement will be received. The reimbursement is treated as an asset but the amount recognised does not exceed the amount of the provision.

Contingent Liability

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Asset

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

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

12 Reserves

The Council sets aside specific amounts as usable reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

Covid-19: The total cost to the Council of addressing the financial impact of Covid-19 in terms of expenditure, lost income and unachieved savings and the potential level of Government support available to the Council to address these impacts is not fully known at present. It is not therefore possible to determine whether an additional call on the Council's reserves will be necessary in 2020/21.

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.

Covid-19: A Review of 2019/20 grants has been undertaken to confirm that the impact of the pandemic has not prevented the Council meeting the grant terms and conditions.

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

Capital grants are credited to Taxation and Non-Specific Grant Income as general grant, but then reversed out of the General Fund Balance in the Movement in Reserves Statement. Where capital grant has been recognised but has yet to be used to finance capital expenditure, it is credited to the Capital Grants Unapplied Account within reserves. Capital grant that has been used for financing purposes is transferred to the Capital Adjustment Account.

14 Non-current Assets – Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition and creation of or which add to Property, Plant & Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price,
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and
- the initial estimate of the costs of dismantling, removing or restoring an asset where the Council has an obligation to do so and is required to make provision for these costs.

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

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets – depreciated historical cost,
- property, plant and equipment and intangible assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.
- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as a Asset Held for Sale, it will be measured 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 is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of Non-Current Assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives, the depreciable amount being an asset's depreciated historic cost or fair value at the start of the financial year. No depreciation is charged in the year in which an asset is first made ready for use. A charge is made in the year in which an asset is derecognised or classified as held for sale. An exception is made for assets without a determinable finite useful life (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

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

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

Revaluation gains/losses are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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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. Whilst 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 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 it 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 loans with three 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.

Covid-19: Although as at 31 March 2020 some of the potential financial impacts of the Covid-19 pandemic were known and some actions to address the pandemic were in place by the 2019/20 reporting date, the larger part of the financial impact of Covid-19 will fall into the 2020/21 financial year (where significant levels of emergency Covid funding has been provided to Councils) and beyond. It is recognised that the pandemic is potentially an Adjusting Balance Sheet Event in the content of the 2019/20 Financial Statements, however there is still considerable uncertainty with respect to the progress of the pandemic and of the national recovery and final levels of national support available to mitigate any financial impact. The 2019/20 Financial Statements have been reviewed in light of the pandemic, however it is still too early for the Council to accurately estimate any significant financial implications to the accounts, therefore establishing accurate/required material adjustments has not been possible. Detailed notes are included where appropriate within the statements identifying the impact of Covid-19 in 2019/20.

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 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

Implementation of IFRS16 Leases was due to be included in the CIPFA Code of Practice on Local Authority Accounting for 2020/21. Implementation has been delayed until 2021/22. Work is ongoing to assess whether IFRS16 will have any material impact on the statement of accounts.

Short term leases and leases where the underlying asset is of low value are exempt. Any other lease will result in a right of use asset being carried in the balance sheet together with a liability for the payments.

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 2019/20 was £7.120m, 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 £40.879m, of which the Council was allocated and recognised in its accounts £29.808m of income and £29.248m of expenditure, resulting in an underspend of £0.561m 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 2019/20 which may have to be refunded as a result of outstanding appeals as at 31 March 2020. 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 subsequent years has been calculated as a percentage of the amount billed. The Council's share of the provision for appeals £4.539m is shown as a provision in Note 36.

Covid-19: The Financial Statements for 2019/20 have been reviewed and assessments of the impact of Covid-19 on elements of the reported accounts undertaken. The pandemic is expected to have had a very limited impact on 2019/20. Where the effects of the emergency were identified, the uncertainty surrounding the progress of pandemic and the responses to it both locally and by national government have meant that it has not been possible to produce robust estimates of these financial effects.

Careful consideration has been given as to whether material adjustments were required to the figures being reported given the limited effects in 2019/20, the uncertainty in quantifying these effects and the robust procedures and provisions already included in the Financial Statements. Based on the reviews undertaken, the uncertainty that still remains and the levels of government support provided to Local Authorities to manage the financial implications of Covid-19, no material adjustments were judged to be necessary. Details of specific assessments can be found within individual notes to the accounts

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 2020 is an estimated pensions liability of £443m. This compares to £460m at 31 March 2019 and £371m at 31 March 2018. 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.

2018/19				2019/20		
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
61,952	5,179	67,131	Adult Care and Housing	62,539	3,992	66,531
10,969	(25,580)	(14,611)	Local Authority Housing (HRA)	9,458	(25,835)	(16,377)
79,831	6,268	86,099	Children and Young People's Services excluding schools	74,731	4,315	79,046
(953)	(2,297)	(3,250)	Schools	299	3,216	3,515
44,404	7,361	51,765	Regeneration and Environment Services	44,692	5,918	50,610
16,330	(16,304)	26	Public Health	15,986	(15,867)	119
6,253	1,153	7,406	Assistant Chief Executive Office	6,764	1,082	7,846
(2,904)	19,498	16,594	Finance and Customer Services	17,615	3,101	20,716
(192,860)	190,735	(2,125)	Central Services	(229,128)	220,823	(8,305)
23,022	186,013	209,035	Net Cost of Services	2,956	200,745	203,701
0	35,199	35,199	Other Operating Expenditure	0	25,161	25,161
0	41,004	41,004	Financing and Investment Income and Expenditure	0	42,070	42,070
0	(235,082)	(235,082)	Taxation & Non-Specific Grant Income and expenditure	0	(245,273)	(245,273)
23,022	27,134	50,156	(Surplus) / Deficit	2,956	22,703	25,659
		(75,894)	Opening General Fund and HRA Balance as at 1 April			(52,954)
		23,022	Less (Surplus) / Deficit on General Fund Balance in year			2,956
		(82)	Transfer from/to reserves to/from Academies			865
		(52,954)	Closing General Fund and HRA Balance at 31 March			(49,133)

Note 1a Adjustments in Expenditure and Funding Analysis

2018/19					2019/20			
Capital Adjustment £000	Pension Adjustment £000	Other Adjustment £000	Total £000		Capital Adjustment £000	Pension Adjustment £000	Other Adjustment £000	Total £000
2,145	4,159	(1,126)	5,178	Adult Care and Housing	2,426	2,753	(1,187)	3,992
216	1,259	(27,055)	(25,580)	Local Authority Housing (HRA)	807	973	(27,615)	(25,835)
395	5,943	(69)	6,269	Children and Young People's Services excluding schools	584	3,823	(92)	4,315
802	(2,324)	(775)	(2,297)	Schools	6,372	(3,691)	535	3,216
8,716	6,263	(7,619)	7,360	Regeneration and Environment Services	9,628	4,342	(8,052)	5,918
0	0	(16,304)	(16,304)	Public Health	0	0	(15,867)	(15,867)
123	1,022	8	1,153	Assistant Chief Executive Office	186	904	(8)	1,082
617	2,560	16,321	19,498	Finance and Customer Services	1,340	1,766	(5)	3,101
2,324	0	188,411	190,735	Central Services	1,713	0	219,110	220,823
18,497	0	16,702	35,199	Other Operating Expenditure	8,892	0	16,269	25,161
403	9,797	30,805	41,005	Financing and Investment Income and Expenditure	361	11,317	30,392	42,070
5,139	0	(240,221)	(235,082)	Taxation & Non-Specific Grant Income and expenditure	2,794	0	(248,067)	(245,273)
39,377	28,679	(40,922)	27,134		35,103	22,187	(34,587)	22,703

Notes:

1. Capital Adjustments - This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:
 - Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
 - Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
 - Taxation and non-specific grant income and expenditure – capital grants are adjusted for as it is income that is not chargeable under generally accepted accounting practices. Revenue grants receivable in the year are adjusted to take out any grants that have conditions that have not been met in the year. This line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
2. Pensions Adjustments - Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:
 - For services -- this is the removal of the employer pension contributions made by the authority as allowed by statute and replaced with current and past service costs.
 - For Financing and investment income and expenditure -- the net interest on the defined benefit liability is charged to the CIES.
3. Other Adjustments i.e. between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute:
 - For Financing and investment income and expenditure -- this column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
 - The charge under Taxation and non-specific grant income and expenditure -- represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Note 1b Income and Expenditure Analysed by Nature

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

Expenditure/Income	2018/19 £000	2019/20 £000
Expenditure		
Employee benefits expenses	221,560	204,927
Other services expenses	352,357	355,715
Depreciation, amortisation, impairment	36,599	35,009
Interest payments	32,278	31,947
Precepts and levies	15,710	15,710
Payments to Housing Capital Receipts Pool	1,906	1,906
Loss on the disposal of assets	17,450	7,545
Total expenditure	677,860	652,759
Income		
Fees, charges and other service income	(191,190)	(191,223)
Interest and investment income	(315)	(320)
Income from council tax and non domestic rates	(144,564)	(149,288)
Government grants and contributions	(291,635)	(286,269)
Total income	(627,704)	(627,100)
Deficit on the Provision of Services	50,156	25,659

Note 1c Income Analysed by Segment

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

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

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

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

2018/19 Income from contracts with service recipients £000	2018/19 Other income £000	2018/19 Total income £000		2019/20 Income from contracts with service recipients £000	2019/20 Other income £000	2019/20 Total income £000
(15,020)	(29,099)	(44,119)	Adult Care and Housing	(15,602)	(29,258)	(44,860)
(82,131)	(899)	(83,030)	Local Authority Housing (HRA)	(82,998)	(944)	(83,942)
(2,745)	(1,772)	(4,517)	Children and Young People's Services excluding schools	(2,426)	(1,353)	(3,779)
(3,073)	(4,017)	(7,090)	Schools	(2,568)	(2,581)	(5,149)
(28,212)	(1,825)	(30,037)	Regeneration and Environment Services	(30,650)	(1,106)	(31,756)
0	0	0	Public Health	(2)	(20)	(22)
(2,556)	(2)	(2,558)	Assistant Chief Executive Office	(2,374)	(25)	(2,399)
(1,696)	(1,808)	(3,504)	Finance and Customer Services	(733)	(1,434)	(2,167)
0	(14,665)	(14,665)	Central Services	0	(15,549)	(15,549)
0	(1,670)	(1,670)	Other income below Cost of Service	0	(1,600)	(1,600)
(135,433)	(55,757)	(191,190)	Total Income analysed on a segmental basis	(137,353)	(53,870)	(191,223)

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, Licensing, 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 2018/19					
	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 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	(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)	8,599 642	0	0	(25,806)
Debt Repayment	0	0	0	0	0	(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 the Capital Receipts Reserve 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>						
Reversal of Major Repairs Allowance credited to the HRA	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 £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)	51,055	3,031	0	0	0	(54,086)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,127)	(1,279)	0	0	0	25,406
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	81	0	0	0	0	(81)
<u>Adjustment primarily involving the Accumulated Absences Account:</u> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	23	8	0	0	0	(31)
Total Adjustments	41,446	(14,313)	(3,469)	927	4,593	(29,184)

Movements in Usable Reserves 2019/20						
	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 Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	17,335	0	0	0	0	(17,335)
Amortisation of intangible assets	1,003	188	0	0	0	(1,191)
Revaluation losses on Property, Plant and Equipment & Investment Properties	373	4,004	0	0	0	(4,377)
Capital grants and contributions applied	(20,574)	(1,329)	0	0	(2,570)	24,473
Revenue expenditure funded from capital under statute	6,570	742	0	0	0	(7,312)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	8,531	(1,310)	15,604 2,749	0	0	(22,825) (2,749)
Debt Repayment	(16)	0	(3,100)	0	0	3,116
Statutory provision for the financing of capital investment	0	(14,867)	0	0	0	14,867
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(18,973)	0	0	18,973
Use of receipts to repay debt	0	0	(2,749)	0	0	2,749
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	(3,484)	0	3,484	0	0
HRA depreciation to capital adjustment account	0	0	0	17,442	0	(17,442)
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(15,548)	0	15,548
<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	(115)	(5)	0	0	0	120

Movements in Usable Reserves 2019/20 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)	44,883	3,116	0	0	0	(47,999)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,323)	(1,490)	0	0	0	25,813
<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	1,010	0	0	0	0	(1,010)
<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	558	(3)	0	0	0	(555)
Total Adjustments	37,141	(14,438)	(8,375)	5,378	(2,570)	(17,136)

Note 3Transfers to and from Earmarked Reserves

	Bal at	Trans between Reserves	Trans out	Trans in	Bal at	Trans between Reserves	Trans out	Trans in	Bal at
	1 Apr 18	2018/19	2018/19	2018/19	31 Mar 19	2019/20	2019/20	2019/20	31 Mar 20
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<u>General Fund</u>									
Transformation	2,733	0	0	0	2,733	1,387	0	0	4,120
Furnished Homes	3,050	(3,050)	0	0	0	0	0	0	0
Insurance Fund	350	0	0	0	350	(350)	0	0	0
Business Rates	4,000	0	0	0	4,000	0	0	0	4,000
Pensions	4,925	0	0	0	4,925	(4,925)	0	0	0
PFI - Waste	234	(234)	0	0	0	0	0	0	0
PFI - Leisure	2,393	(2,393)	0	0	0	0	0	0	0
PFI - Education (Schools)	8,161	(3,541)	(1,480)	0	3,140	0	(1,711)	0	1,429
Looked After Children	1,000	0	(1,000)	0	0	0	0	0	0
Corporate Revenue Grants Reserve	5,827	(1,008)	(2,583)	0	2,236	0	(1,124)	0	1,112
Budget Contingency	0	5,200	(2,018)	0	3,182	0	(1,174)	0	2,008
Corporate Reserves Earmarked to Directorates	2,619	0	(2,742)	123	0	0	0	0	0
Academy Conversion Reserve	29	0	(29)	0	0	0	0	0	0
Housing Transformation Fund	0	0	0	702	702	0	(104)	87	685
Area Assembly Ward	13	0	0	1	14	0	(11)	0	3
Memb Comm Leadership Fund	31	0	(35)	26	22	0	(18)	1	5
Rotherham Partnership	37	0	0	6	43	0	0	6	49
Total	35,402	(5,026)	(9,887)	858	21,347	(3,888)	(4,142)	94	13,411
Total HRA (within grant reserve)	163	0	(128)	0	35	0	(35)	0	0
Total General Fund	35,239	(5,026)	(9,759)	858	21,312	(3,888)	(4,107)	94	13,411
Covid-19 Grants Reserve	0	0	0	0	0	0	0	15,274	15,274
DSG Grant Reserve	(9,687)	(1,194)	(169)	(4,064)	(15,114)	0	(10)	(4,768)	(19,892)
Total Earmarked Reserves	25,715	(6,220)	(10,056)	(3,206)	6,233	(3,888)	(4,152)	(4,674)	8,793

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 2019/20. A brief description of the purpose of each reserve is provided as follows:

(i) Transformation Reserve

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

(ii) Furnished Homes Reserve

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

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

(iii) Insurance Fund Reserve

This reserve was set up to cover claims incurred but not yet reported to the Council and not taken account of in the Insurance Provision. The reserve is no longer needed and has therefore been cleared.

(iv) Business Rates Reserve

This reserve is to cover residual risks relating to appeals.

(v) Pension Reserve

The Pension Reserve was to be used to meet the Council's pension obligations across the medium term. The reserve is no longer needed and has therefore been cleared.

(vi) PFI – Waste

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

(vii) PFI – Leisure

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

(viii) PFI – Schools

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

(ix) Looked-After Children

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

(xiii) Academy Conversion

This reserve has been created to manage the potential financial impact of schools converting to Academy status. This reserve had a nil balance at the 31 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 start to recover the deficit, however this is dependent in part on future levels of government funding and approval of disapplication requests.

(xvii) Covid 19 Grant Reserve

Government allocated the Council a payment of £8.9m to support with the financial pressures as a result of the Covid-19 response and to support local authority cashflows the payment of NNDR Section 31 grants was made as a prepayment, £6.4m. These payments were made to the Council in 2019/20 but are for use in 2020/21 budget planning/management. A reserve has therefore been created to hold these balances until they are deployed. The Council has received a further payment of grant support for Covid-19 in 2020/21 of £7.3m and is due to receive a further £2.6m giving a total grant support of £18.8m confirmed as at 31 July 2020.

Note 4 Other Operating Expenditure

2018/19 £000		2019/20 £000	
2,748	Parish Council precepts	2,977	49 22
12,961	Levies payable	12,733	
1,906	Payments to the Government Housing Capital Receipts Pool	1,906	
17,142	Loss on disposal of non current assets	7,545	
442	Loss on revaluation & disposal of Assets Held for Sale	0	
35,199	Total	25,161	

Note 5 Financing and Investment Income and Expenditure

2018/19 £000		2019/20 £000	
32,278	Interest payable and similar charges	31,947	26 18 26 20
9,796	Net interest on the net defined benefit liability (asset)	11,317	
(315)	Interest receivable and similar income	(320)	
(755)	Income and expenditure relating to Investment Properties and changes in their fair value	(874)	
41,004	Total	42,070	

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:

2018/19				2019/20		
Expenditure £000	Income £000	(Surplus) / Deficit £000		Expenditure £000	Income £000	(Surplus) / Deficit £000
21,252	(21,266)	(14)	Construction, Street Cleansing and Landscaping	15,199	(14,990)	209
1,106	(1,280)	(174)	Vehicle Maintenance	961	(888)	73
1,741	(3,508)	(1,767)	Property Services – Fee-billing	1,599	(2,684)	(1,085)
844	(696)	148	Engineering – Fee-billing	827	(710)	117
6,551	(5,146)	1,405	Cleaning of buildings	6,419	(5,263)	1,156
1,878	(726)	1,152	Markets	1,207	(757)	450
407	(388)	19	Building Regulations Control	431	(400)	31
9,416	(8,443)	973	School Support Services	8,533	(7,873)	660
216	(216)	0	Dispersed & Furnished Units	282	(512)	(230)
43,411	(41,669)	1,742	(Surplus) / Deficit		(34,077)	1,381

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.

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

2018/19 £000		2019/20 £000	Notes
107,502	Council Tax Income	112,486	
37,062	Non Domestic Rates	36,802	
33,003	Business Rates grants	41,149	
34,768	Non Ring-fenced government grants	35,727	8
22,747	Capital Grants and Contributions	19,109	8
235,082	Total	245,273	

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:

2018/19 £000		2019/20 £000
21,923	Revenue Support Grant	14,857
9,822	PFI Grant	9,822
0	Covid19 Funding	8,922
3,023	Other Non Specific Revenue Grants	2,126
34,768	Total	35,727

Capital Grants Credited to Taxation and Non Specific Grant Income

2018/19		2019/20
£000		£000
10,530	Department for Transport	10,335
301	Environment Agency	152
1,020	Education Funding Agency: LA Maintained Maintenance Grant	735
4,522	Education Funding Agency: Basic Need Pupil Places	443
749	Education Funding Agency: LA Maintained Devolved Formula	17
0	Education Funding Agency: Targeted Basic Need	146
(10)	Early Years Capital and Entitlement for 2 year olds	0
84	Healthy Pupils Capital Grant	0
0	Department of Health	14
824	S106 Contributions	3,229
1,066	Ministry of Housing, Communities & Local Government	882
1,197	SOAHP Grant Housing England	323
279	Other Local Authorities and Partners	169
864	Priority School Building Programme	0
421	Sheffield City Region	96
0	Department of the Environment	1,013
0	European Development Fund	245
0	Forestry Commission	9
900	CIL Contributions	1,302

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:

2018/19 £000		2019/20 £000
92,539	Dedicated Schools Grant (Note 16)	84,341
74,262	Housing and Council Tax Benefit: subsidy	62,758
0	Covid 19 Grants	12,752
0	Flood Grant	587
1,768	Sixth Form Funding	121
1,218	Troubled Families & Troubled Families Co-ordinator	1,338
5,391	Pupil Premium	4,739
1,411	Housing Benefit and Council Tax Benefit Administration	1,266
432	Youth Offending Teams Grant	430
419	Rotherham Music Hub	422
1,351	Universal Free School Meals	1,289
142	SEND Implementation Grant (New Burdens)	0
6,166	Social Care Funding	6,166
16,173	Other NHS Funding (including Better Care Fund)	19,641
155	Local Reform & Community Voices Grant	193
1,487	Independent Living Fund	1,442
16,304	Public Health Funding	15,873
362	Police and Crime Commission	213
774	Discretionary Housing Payments (DHPs)	641
343	Adoption Support Fund	478
500	Fusion Funding	500
399	Elections Grant	916
311	Local Sustainable Transport Fund	262
234	Home Office Trusted Relationship Fund	210
255	Asylum Seekers	351
652	Building Stronger Communities (Controlling Migration Fund)	208
105	LA EU Exit preparation	163
1,345	Winter Pressures	1,270
705	PE & Sport Grant	653
139	Home to School Transport	63
48	House Project	193
0	Towns Fund	124
150	School Improvement Monitoring	142
303	Teachers Pay Grant	554
0	Teachers Pensions Employer Contributions Grant	1,097
0	Section 14 Grant	1,302
240	Flexible Homelessness Support	178
300	New Burdens	305
0	Early Outcomes Grant	179
141	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 19		31 Mar 20
£000		£000
1,725	Section 106 Developer Contributions	6,589
167	CIL Contributions	374

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	2018/19 £000		Income £000	Expenditure £000	2019/20 £000
(5)	5	0	F&CS/ACE - General Fund	(34)	13	(21)
(299)	29	(1,095)	Regeneration & Environment – General Fund	(265)	216	(1,144)
0	791	(234)	CYPS - General Fund	(7,838)	3,104	(4,967)
0	0	(396)	HRA	(60)	0	(455)
(303)	824	(1,725)	Total	(8,196)	3,332	(6,588)

Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in 2019/20.

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

Note 10 Agency Services

NHS 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:

2018/19 £000		2019/20 £000
(1,915)	Gross income	(2,018)
1,915	Gross expenditure	2,018
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 £29.809m, 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 £11.070m which supports Adult Mental Health Liaison, 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:

2018/19 £000	Better Care Fund - Pool 1 RMBC	2019/20 £000
(10,435)	Rotherham CCG	(10,812)
(2,502)	Rotherham MBC - Capital	(2,700)
(11,821)	Rotherham MBC - Revenue	(16,297)
(24,758)	Total Gross Income	(29,809)
2,502	Capital Expenditure	2,700
21,641	Revenue Expenditure	26,704
24,143	Total Gross Expenditure	29,404
(615)	Overspend / (Underspend)	(405)
106	Use of balances	(156)
(509)	Net Balance as at 31 March	(561)

2018/19 £000	Better Care Fund - Pool 2 RCCG	2019/20 £000
(10,791)	Rotherham CCG	(11,020)
(50)	Rotherham MBC	(50)
(10,841)	Total Gross Income	(11,070)
10,947	Revenue Expenditure	10,914
10,947	Total Gross Expenditure	10,914
106	Overspend / (Underspend)	(156)
(106)	Transfer of balances	156
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 CAFCASS.

2018/19 £000	YOS Pooled Budget	2019/20 £000
(70)	Rotherham CCG	(70)
(153)	South Yorkshire Police & Crime Commissioner	(153)
(5)	National Probation Service	(5)
(234)	Rotherham MBC - Revenue	(215)
(462)	Total Gross Income	(443)
0	Capital Expenditure	0
462	Revenue Expenditure	443
462	Total Gross Expenditure	443
0	Underspend/Overspend	0
0	Use of balances	0
0	Net Balance as at 31 March	0

2018/19 £000	Rotherham Safeguarding Board	2019/20 £000
(102)	Rotherham CCG	(83)
(45)	South Yorkshire Police & Crime Commissioner	(52)
(2)	Other Income	(2)
(180)	Rotherham MBC - Revenue	(204)
(329)	Total Gross Income	(341)
329	Revenue Expenditure	341
329	Total Gross Expenditure	341
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 £926,133 excluding Joint Council allowances (2018/19 £924,962).

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.

2018/19 £000	Members Allowances	2019/20 £000
723	Basic allowance	723
202	Special responsibility allowances	203
0	Travel	0
925	Total Members' Allowances and Expenses	926
925	Total	926

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 2019/20 payroll information, expressed in bands of £5,000 is as follows:

2018/19			2019/20	
Officers Total	Teachers Total		Officers Total	Teachers Total
35	10	50,000.00 to 54,999.99	34	8
29	8	55,000.00 to 59,999.99	29	17
19	9	60,000.00 to 64,999.99	15	2
6	10	65,00.00 to 69,999.99	11	5
1	6	70,000.00 to 74,999.99	4	8
3	2	75,000.00 to 79,999.99	3	2
1	1	80,000.00 to 84,999.99	2	1
8	0	85,000.00 to 89,999.99	11	1
1	0	90,000.00 to 94,999.99	1	0
1	0	95,000.00 to 99,999.99	1	0
0	0	100,000.00 to 104,999.99	1	0
0	0	105,000.00 to 109,999.99	0	0
0	0	110,000.00 to 114,999.99	0	0
0	0	115,000.00 to 119,999.99	0	0
0	0	120,000.00 to 124,999.99	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 2019/20, the number of such employees was 1 (1 officer and 0 teachers).

The number of officers and teachers whose remuneration fell between £50,000 - £124,999, has increased year on year by 6 overall, in the main, due to officers moving up into the next pay bracket. There has also been some conversion of Schools to Academies which has reduced the Teachers total.

The above table excludes senior employees whose remuneration for 2018/19 and 2019/20 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 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 or Regeneration & Environment - Refer to Note (iv)	74,390.40	0.00	0.00	74,390.40	11,084.17
New Strategic Director or 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

Job Title/Employee	Salary 2019/20 £	Additional Payments 2019/20 £	Compensation & Ex-gratia 2019/20 £	Total remuneration excluding employer pension contributions 2019/20 £	Pension employer contribution 2019/20 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive - Refer to Note (i)	168,129.00	0.00	0.00	168,129.00	24,763.32
Assistant Chief Executive - Refer to Note (ii)	102,948.00	0.00	0.00	102,948.00	15,339.24
Former Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	135,575.00	0.00	0.00	135,575.00	19,968.52
Interim Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	57,516.67	0.00	0.00	57,516.67	8,471.49
Strategic Director or Regeneration & Environment - Refer to Note (iv)	120,336.00	0.00	0.00	120,336.00	17,930.04
Strategic Director of Adult Care and Housing - Refer to Note (v)	130,176.00	0.00	0.00	130,176.00	19,396.20
Strategic Director of Finance & Customer Services - Refer to Note (vi)	120,336.00	0.00	0.00	120,336.00	17,930.04
Former Assistant Director of Legal Services - Refer to Note (vii)	11,693.45	0.00	26,968.05	38,661.50	1,090.07
Head of Legal Services - Refer to Note (vii)	64,289.68	9,579.13	0.00	73,868.81	11,006.44
Total	910,999.80	9,579.13	26,968.05	947,546.98	135,895.36

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 officially left the authority on 29 February 2020, from 11 November 2019, the post has been covered via an interim arrangement whilst a full recruitment process is undertaken.
- (iv) The Strategic Director of Regeneration and Environment commenced their employment on 28 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 previous post holder of Assistant Director of Legal Services left the authority on 30 April 2019, with the role of Monitoring Officer being covered by the Head of Legal Services, on an interim basis, until a full recruitment process could be completed.
- (viii) The LGPS Employer Pension contributions disclosed in 2018/19 and 2019/20 are based on the common rate of contribution set by the Actuary of 14.9 percent.

Senior Officer salary costs for 2019/20 have not materially increased or decreased compared to 2018/19.

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 2019/20. 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.

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 2018/19 but who were paid in 2019/20 and those staff whose severance was approved and agreed and to which the Council was committed at 31 March 2020 but who are planned to leave in 2020/21.

In 2019/20 no provision was made in respect of severance costs associated with the major restructuring of services (in 2018/19 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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £000	2019/20 £000
Non Schools								
£0 - £20,000	8	16	48	75	56	91	284	489
£20,001 - £40,000	6	2	5	10	11	12	316	325
£40,001 - £60,000	0	1	0	0	0	1	0	43
£60,001 - £80,000	0	0	1	3	1	3	71	202
£80,001 - £100,000	0	0	0	1	0	1	0	90
£100,001 - £150,000	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
Total	14	19	54	89	68	108	671	1149

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	
Schools	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£000	£000
£0 - £20,000	11	16	19	20	30	36	187	104
£20,001 - £40,000	0	0	1	1	1	1	27	24
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	1	0	0	0	1	0	81
Total	11	17	20	21	31	38	214	209

N.B. The above figures include 10 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 2019/20 146 employees (2018/19, 99) 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 2019/20 totalled £1.359m (2018/19 £0.885m) - composed of severance payments of £0.820m (2018/19 £0.713m) and £0.538m in pensions strain costs (2018/19 £0.172m).

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:

2018/19 £000		2019/20 £000
108	Fees payable for external audit services carried out by the appointed auditor	138
25	Fees payable for the certification of grant claims and returns.	33
0	Non-audit services	0
133	Total	171

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 2019/20 and the comparative year are as follows:

2018/19				2019/20		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		235,646 (143,418)	Final DSG before Academy recoupment Less Academy figure recouped			239,945 (155,744)
		92,228 (9,687)	Total DSG after Academy recoupment Brought forward from previous year			84,201 (15,114)
13,045	69,496	82,541	Agreed initial Budgeted Distribution	9,824	59,263	69,087
0	310	310	In Year Adjustments	0	140	140
13,045	69,806	82,851	Final Budgeted Distribution	9,824	59,403	69,227
(28,484)	0	(28,484)	Less actual Central expenditure	(29,752)	0	(29,752)
0	(69,481)	(69,481)	Less actual ISB deployed to schools	0	(59,367)	(59,367)
(15,439)	325	(15,114)	Carry forward to next year	(19,928)	36	(19,892)

During recent years Rotherham has faced growing pressure on the High Needs Budget which has resulted in year on year deficits. In 2015/16 the High Needs in-year deficit was £1m, in the last three financial years the annual HNB deficit has been £5m, with a further deficit in 2019/20 of £4.6m which has contributed to a net deficit in the DSG Central Reserve of £19.9m after taking into account of DSG balances in other DSG funding blocks.

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

The Department for Education (DFE) announced in July 2018 that from 2019-20 local authorities would be required to submit a recovery plan to the Department if they have a cumulative deficit of 1% or more of their Dedicated Schools Grant (DSG). A recovery plan was duly submitted by the Local Authority to the DFE. The plan explained in detail how the Local Authority intended to bring the DSG account back into balance. Officers met with DFE colleagues in February 2020 to discuss the plan in detail with a further meeting planned in Autumn 2020.

The DSG deficit recovery plan is predominantly linked to resolving the budget pressures in the High Needs Block which had a £4.634m overspend in 2019/20. As part of the short term strategy to address the annual pressures a disapplication request was submitted to the Secretary of State to transfer £2.9m from the Schools Block to the High Needs Block in 2020/21. This request was approved.

A Social and Emotional Mental Health (SEMH) Strategy for Rotherham (to deliver 125 places) is now nearing completion with most provisions now operating, and sets out a number of partnership activities to address the needs of children with SEMH effectively and dampen the demand for higher tier services, including alternative provision. Following on from the SEMH strategy, the Special Educational Needs Sufficiency Strategy was agreed by Cabinet in May 2019, the Sufficiency Strategy

aims to further increase the number of schools places in Rotherham for children with SEND (111 places) and reduce the need for high cost placements. Other aspects of the Sufficiency Strategy will concentrate on supporting mainstream schools and academies to become increasingly more inclusive and thus reduce pressures on special school places.

As part of the Government spending review it announced additional funding for schools and high needs, compared to 2019/20 funding will rise by £2.6 billion for 2020/21, £4.8 billion for 2021/22 and £7.1 billion for 2022/23. In 2020/21 the £2.6 billion is split £1.9 billion to the Schools Block and £0.7 billion to the High Needs Block; the funding split for future years is still to be determined. For Rotherham this is an additional £6.2m for schools and £4.8m in the High Needs Block for the 2020/21 financial year.

Note 17 Related Party Transactions

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

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

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

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

Joint Ventures and Associates

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

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

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

The share capital of the company is as follows:

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

- a) For voting purposes – the Company's shares are divided into 'A' shares and 'B' Shares. The 1,998 'A' shares comprise 20% of the total voting shares. One third of these 'A' shares are held by the Council (666 shares costing £6.66). Barnsley and Doncaster Metropolitan Borough Councils have similar share holdings, so that collectively the Councils hold 20% of the total voting shares. These are non-equity shares.
- b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.

- c) For winding up purposes – the Council holds 12,500 £1 deferred shares which is one third of the total. These shares are ranked after the other 3 classes of shares (A, B and C) and payment will only be made should funds remain available for distribution after meeting the entitlements of the other groups of shareholders. No voting rights are attached to these shares.

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

31 Dec 17 £000		31 Dec 18 £000
139	Turnover	6
(2,950)	Profit / (Loss) before taxation	(464)
(2,950)	Profit / (Loss) after taxation	(464)
1,736	Net Assets	1,272

(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 2019 were available and the details are follow:

31 Mar 18 Restated £000		31 Mar 19 £000
1,183	Turnover	1,487
(456)	(Deficit) for the year	(50)
421	Net Assets	372

Rotherham Metropolitan Borough Council's made no contribution to the company during 2019/20 (2018/19 nil).

During the financial year ended 31 March 2020, Creswell Groundwork Trust provided no services to the Council (2018/19 nil) and incurred no charges from the Council (2018/19 nil).

A copy of the accounts of the company may be obtained from Creswell Groundwork Trust, 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 2019 were available and the details are as follows:

29 Mar 18 £000		29 Mar 19 £000
1,827	Turnover	2,065
(1,074)	(Deficit) for the year	(1,054)
9,181	Net Assets	8,127

During the financial year ended 31 March 2020, the company provided services to the Council to the value of £39,400.65 (2018/19 £40,706.50). Magna incurred charges from the Council of £1,113 (2018/19 £312).

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 2020. The Council issued to Magna a short term loan of £250,000 during 2014/15. This was outstanding as at the 31 March 2020. 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.

2018/19 £ Related Parties	Nature of Transactions	2019/20 £
Assisted Organisations:		
159,540 Rotherham Ethnic Minority Alliance Ltd	Grants and Fees	99,354
4,071 United Multicultural Centre Ltd	Grants and Fees	11,100
309,286 Voluntary Action Rotherham	Grants and Fees	303,279
103,230 Speak Up	Commissioned Services	75,000
314,161 Healthwatch Rotherham	Commissioned Services and fees	136,735
287,556 Rotherham Sight and Sound	Commissioned Services	125,000
Member Related:		
541,167 Rotherham RISE	Fees & Commissioned Services	512,804
2,101 Swinton Lock Activity Centre	Grants and Fees	14,323
16,719 Turner Hire & Sales Ltd	Fees and Charges	5,846
- Richmond Park Tenants and Residents Association	Fees & Charges	1,300
- Cortonwood Comeback Centre	Fees & Charges	1,835
Officer Related:		
62,334 The Source (Meadowhall Education Centre)	Fees	69,156
Other Related Organisations:		
10,545,330 Sheffield City Region Combined Authority	Transport Levy	10,275,527
1,103,873 Sheffield City Region Combined Authority	Contribution	952,315

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 2019/20 the Council paid employer's contributions calculated at 23.68%, amounting in total to £4.320m (2018/19 £4.329m). Following a valuation by the Government Actuary's Department (GAD) the employer's contribution rate for the Teachers' Pension Scheme increased from 16.48% to 23.68% September 2019. The combination of the rate increase and the number of schools converting to academies during 2019/20 resulted in the total value of contributions reducing slightly. The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2021 is £3.651m.

(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 2019/20 are tiered from 5% to 14.5% based on salary.

During 2019/20 the Council paid employer’s contributions calculated at 16.88% (including 0.08% in respect of administration costs) amounting in total to £0.037m (£0.061m 2018/19).

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. In 2020/21 the employers contribution will increase to 20.68%, the total contributions expected to be made to the new NHS Pension Scheme by the Council in the year to 31 March 2021 is £0.037m.

(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 2019/20 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 £16.869m (2018/19 £16.621m 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 £7.200m relates to 2019/20.

Total ongoing contributions of £18.404m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 based on an ongoing service contribution rate of 17.2%.

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. In addition the actuarial assessment included provision for the resolution of issues arising from the McCloud/Sargent case.

The contribution rates also reflect the most recent triennial actuarial valuation in March 2019 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 £133 million at the previous actuarial valuation in 2016 to virtually fully funded. The next triennial valuation will reflect the fund position as at 31 March 2022.

As a result of this valuation revised contribution rates were determined by the actuaries – with the effect from April 2020 employers' contributions were set at 17.2% for Rotherham MBC.

Covid-19 It has been confirmed by the SYPA that the contribution rates applicable from 1 April 2020 will not be revised until the next valuation in 2022. Action to reflect market fluctuations and uncertainty arising from the effects of Covid-19 are considered to be unnecessary by the Pensions Authority at this time.

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 16 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.

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 2018/19 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2018/19 £000		Total Funded & Unfunded Local Government Pension Scheme 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000
(34,777)	0	Net Cost of Services	(38,360)	0
(15,656)	0	- Current Service Cost	(4,319)	0
6,144	0	- Past Service	5,997	0
(9,797)	(568)	- Gain / (loss) from settlements		
		Financing and Investment Income and Expenditure		
		- Net Interest Expense	(11,317)	(524)
(54,086)	(568)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(47,999)	(524)
		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	16,651	1,567
33,674	0	- Return on plan assets (excluding the amount included in the net interest expense)	(57,599)	0
0	0	- Actuarial gains and (losses) arising on changes in demographic assumptions	59,050	616
(85,729)	(753)	- Actuarial gains and (losses) arising on changes to financial assumptions	28,230	238
(52,055)	(753)	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	46,332	2,421
28,680	(751)	Movement in Reserves Statement		
		- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	22,186	(788)
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(25,406)	0	- Employer's contributions payable to Scheme	(25,813)	0
0	(1,319)	- Rechargeable Pensions	0	(1,312)

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 £0.564m administrative expenses in relation to investments during 2019/20 (2018/19 £0.446m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial gain of £46.332m (£52.055m loss in 2018/19), 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 19 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 20 £000
Fair Value of Scheme Assets	1,194,074	1,137,479
Present value of Funded Liabilities	(1,631,179)	(1,560,847)
Net (under) funding in Funded Plans	(437,105)	(423,368)
Present Value of Unfunded Discretionary Liabilities	(22,515)	(19,306)
Per Mercers Report	(459,620)	(442,674)
<u>Amount in the Balance sheet:</u>		
Liabilities - funded and unfunded	(1,653,694)	(1,580,153)
Assets - funded and unfunded	1,194,074	1,137,479
Add back Employer Contributions Prepayment for 2019/20	(7,200)	
Pensions Reserve	(466,820)	(442,674)

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

Total Funded & Unfunded Local Government Pension Scheme 2018/19 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2018/19 £000		Total Funded & Unfunded Local Government Pension Scheme 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000
1,151,589	0	Fair Value of Plan Assets at beginning of period	1,194,074	0
29,679	0	Interest on plan assets	28,366	0
		Remeasurement gain / (loss):		
33,674	0	- The return on plan assets, excluding the amount included in interest expense	(57,599)	0
(446)	0	- Administrative expenses	(564)	0
(3,981)	0	- Settlements	(9,849)	0
18,075	1,319	- Employer contributions	18,613	1,312
7,132	0	- Member contributions	7,227	0
(41,648)	(1,319)	- Benefits/transfers paid	(42,789)	(1,312)
1,194,074	0	Fair Value of Scheme Assets at end of period	1,137,479	0

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

Total Funded & Unfunded Local Government Pension Scheme 2018/19 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2018/19 £000		Total Funded & Unfunded Local Government Pension Scheme 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000
(1,523,143)	(22,513)	Benefit Obligation at beginning of period	(1,653,694)	(22,515)
(34,777)	0	Current Service Cost	(38,360)	0
(39,030)	(568)	Interest Cost	(39,119)	(524)
(7,132)	0	Member Contributions	(7,227)	0
		Remeasurement gains and (losses):		
0	0	- Experience gain / (loss)	16,651	1,567
0	0	- Actuarial Gain / (loss) arising from changes in demographic assumptions	59,050	616
(85,729)	(753)	- Actuarial Gain / (loss) arising from changes in financial assumptions	28,230	238
0	0	- Past Service Cost	0	0
(15,656)	0	- (Loss) / gain on Curtailments	(4,319)	0
10,125	0	- Liabilities extinguished on Settlements	15,846	0
41,648	1,319	- Benefits/Transfers paid	42,789	1,312
(1,653,694)	(22,515)	Benefit Obligation at end of period	(1,580,153)	(19,306)

Analysis of the Fair Value of Plan Assets:

		Total Funded & Unfunded Local Government Pension Scheme 31 Mar 19	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 20
	Quoted (Y/N)	£000	£000
Cash & cash equivalents:		39,524	34,238
Equity Investments:			
- UK quoted	Y	170,274	168,803
- UK unquoted	N	0	114
- Overseas quoted	Y	436,912	419,957
Bonds:			
- UK Government fixed	Y	0	0
- UK Government indexed	Y	154,871	122,961
- Overseas Government fixed	Y	32,479	30,029
- Overseas other	Y	31,643	26,617
- UK other	Y	57,077	56,419
Property:			
- UK direct	Y	104,362	91,567
-Property Funds	Y	11,105	10,351
Alternatvies:			
- Pooled Investment Vehicles	N	155,827	176,423
		1,194,074	1,137,479

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 2019.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2018/19	Discretionary Benefits 2018/19		Local Government Pension Scheme 2019/20	Discretionary Benefits 2019/20
		Mortality assumptions: Longevity at 65 for current pensioners: Men		
23.1 years	23.1 years	Women	22.4 years	22.4 years
25.9 years	25.9 years	Longevity at 65 for future pensioners: Men (in 20 years time)	25.2 years	25.2 years
25.3 years	25.3 years	Women (in 20 years time)	23.9 years	23.9 years
28.3 years	28.3 years	Rate of CPI inflation	27.1 years	27.1 years
2.2%	2.2%	Rate of increase in salaries	2.1%	2.1%
3.45%	-	Rate of increase in pensions	3.35%	-
2.3%	2.3%	Rate for discounting scheme liabilities	2.2%	2.3%
2.4%	2.4%		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 £37m 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 £37m 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 £36m 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 £35m 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 19Property, Plant and Equipment

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 as restated	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	1,284,281
Depreciation and Impairment								
At 1 Apr 18	(29,735)	(38,448)	(39,712)	(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 - as restated	(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

2019/20	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 19	638,672	291,473	67,768	215,219	8,543	46,614	15,994	1,284,283
Additions	21,244	8,656	6,343	11,966	16	24,124	7,683	80,032
Accumulated Depreciation and Impairment written out to gross cost/valuation	(13,355)	(8,870)	(29)	0	0	0	(9)	(22,264)
Revaluation increases/decreases to Revaluation Reserve	16,369	12,371	0	0	0	0	(834)	27,905
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,008)	481	(44)	0	0	0	(406)	(3,978)
Derecognition - Disposals	(5,192)	(8,627)	(1,378)	0	0	0	(8,468)	(23,665)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	(10)	(280)	0	0	0	0	(2,834)	(3,124)
Reclassified to/from Investment Properties	0	0	0	0	0	0	357	357
Other Movements in cost valuation	4,564	5,160	377	6,081	(1)	(17,759)	91	(1,486)
At 31 Mar 20	658,281	300,365	73,038	233,266	8,558	52,979	11,574	1,338,060
Depreciation and Impairment								
At 1 Apr 19	(2)	(25,027)	(42,189)	(52,220)	(7,472)	(59)	(1,480)	(128,450)
Accumulated Depreciation and Impairment written out to gross cost/valuation	13,355	8,870	29	0	0	0	9	22,264
Depreciation Charge	(16,770)	(7,542)	(5,085)	(4,694)	(3)	0	(4)	(34,097)
Impairment losses/reversals to Revaluation Reserve	0	(1,066)	0	0	0	0	(0)	(1,066)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(586)	0	(50)	(16)	0	(66)	(719)
Derecognition - Disposals	64	367	727	0	0	0	65	1,223
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	(10)	3	4	(1)	1	0	4	1
At 31 Mar 20	(3,360)	(24,981)	(46,515)	(56,965)	(7,490)	(59)	(1,474)	(140,845)
Net Book Value								
At 31 Mar 20	654,921	275,384	26,523	176,301	1,068	52,920	10,101	1,197,215
At 31 Mar 19	638,670	266,446	25,579	162,999	1,071	46,555	14,513	1,155,830

(a) Carrying Value of PFI Assets

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

2018/19 £000		2019/20 £000
57,594	Cost or Valuation:	
(2,969)	At 1 April	61,172
573	Accumulated Depreciation and Impairment written out to gross cost/valuation	(708)
995	Additions	153
4,979	Revaluation Increases / (Decreases) taken to Revaluation Reserve	822
0	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	(539)
	Derecognition - Disposals	(4,291)
61,172	Cost or Valuation at 31 March	56,609
5,235	Depreciation & Impairment:	
(2,970)	At 1 April	4,709
1,885	Adjustments between cost / value & depreciation/impairment	(708)
0	Depreciation Charge	1,395
0	Depreciation written out on Revaluation Reserve	0
209	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	0
350	Impairment Losses Recognised in the Revaluation Reserve	42
0	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	106
	Derecognitions - Disposals	(350)
4,709	Depreciation and impairment at 31 March	5,194
56,463	Net Book Value	
	At 31 March	51,415

2018/19 £000		2019/20 £000
54,142	Land and buildings	49,453
2,321	Vehicles, Plant, Furniture and Equipment	1,962
0	Assets under Construction	0
56,463	Total	51,415

(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 2019/20 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 been processed against those assets not revalued in year to ensure the accounts are not materially misstated. In addition a detailed assessment of the movement of asset value in year has taken place, ie from the 1 April 2019 to the 31 March 2020, again where applicable, adjustments have been processed.

The Council's valuers provided within their valuation report the following viewpoint on the potential impact of Covid-19 on the valuations "The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. The Council's valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global."

Consequently, less certainty and a higher degree of caution should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of [this property] under frequent review".

d) Revaluations and Impairment

In 2019/20 there was a net valuation increase of £22.143m. Contained within the net figure is a £23.928m revaluation increase, mainly due to valuation increases across Council Dwellings and Schools. This was offset by (£1.785m) of impairment losses.

	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	5,708	44,514	73,039	233,266	7,148	1,470	52,979	418,124
<u>Valued at fair value as at:</u>								
31 Mar 20	652,573	108,769	0	0	0	10,104	0	771,446
31 Mar 19	0	98,318	0	0	18	0	0	98,336
31 Mar 18	0	5,909	0	0	0	0	0	5,909
31 Mar 17	0	31,894	0	0	2	0	0	31,896
31 Mar 16	0	10,962	0	0	1390	0	0	12,352
Total Cost or Valuation	658,281	300,365	73,039	233,266	8,558	11,574	52,979	1,338,062

e) Capital commitments

At 31 March 2020 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20. The Council had significant commitments of £1 million or more budgeted to cost £13.811m (£47.314m at 31 March 2019).

	Cost £000
<u>Neighbourhood and Adult Services:</u>	
New Build	4,558
<u>Regeneration & Environment</u>	
Forge Island Flood Defence	2,259
<u>Children & Young People</u>	
New Primary School	6,994
Total	13,811

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:

2019/20 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 2020
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Land and Buildings	0	10,101	0	10,101
Total	0	10,101	0	10,101

2018/19 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 2019
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Land and Buildings	0	14,516	0	14,516
Total	0	14,516	0	14,516

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 £10.101m (£14.516m as at 31 March 2019) 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:

2018/19 £000		2019/20 £000
(1,662)	Rental income from investment property	(1,600)
503	Direct operating expenses arising from investment property	365
(1,159)	Net income	(1,235)
387	Net gains / (loss) from fair value adjustments	361
16	Gain/(loss) on disposal	0
(756)	Total included in Finance & Investment Income	(874)

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

2018/19 £000		2019/20 £000
27,827	Balance at 1 April	27,573
2	Subsequent expenditure	5,824
(448)	Disposals	0
192	Net gains / (loss) from fair value adjustments	(360)
0	Net gain / (loss) through Revaluation Reserve	0
0	Transfers from Property, Plant & Equipment	(461)
27,573	Balance 31 March	32,576

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:

2019/20 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 2020
				£000
Land and Buildings	0	32,578	0	32,578
Total	0	32,578	0	32,578

2018/19 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 2019
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Land and Buildings	0	27,575	0	27,575
Total	0	27,575	0	27,575

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 £32.578m (£27.575m as at 31 March 2019) 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 2020 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.

2018/19 £000		2019/20 £000
	Balance at 1 April:	
7,073	- Gross carrying amount	8,295
(4,496)	- Accumulated amortisation	(5,260)
2,577	Net carrying amount at 1 April	3,034
	Additions:	
1,009	- Purchases	5,308
212	- Reclassified from PP&E under Construction	0
(764)	Amortisation	(1,191)
3,034	Net carrying amount at 31 March	7,151
	Comprising:	
8,295	Gross carrying amounts	13,602
(5,260)	Accumulated amortisation	(6,451)
3,034	Balance at 31 March	7,151

Note 22 Assets Held for Sale

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Balance at 1 April	649	180	0	0
<u>Assets newly classified as held for sale:</u>				
- Property, Plant and Equipment	0	0	0	0
- Revaluation losses	(134)	0	0	0
- Revaluation gain	382	0	0	0
<u>Assets declassified as held for sale:</u>				
- Reclassified to Property, Plant and Equipment	0	3,219	0	0
- Assets sold	(716)	(380)	0	0
Balance at 31 March	180	3,019	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 and 2019/20 by an external valuer (Tennants). Though the asset class is not required to be valued every 5 years like more other categories it is felt best practice to do so and as such a further revaluation will take place 2024/25.

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 were 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 remaining assets were revalued in 2019/20.

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 were 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 the remaining items were revalued in 2019/20.

Historic Buildings

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

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

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

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

Heritage Assets Values

As per the CIPFA Code of Practice 2019, heritage assets are carried at valuation rather than current or fair value, reflecting the fact that sales and exchanges of heritage assets are uncommon. Valuations may be made by any method that is appropriate and relevant. There is no requirement for valuations to be carried out or verified by external valuers, nor is there any prescribed minimum period between valuations.

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

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

	Museum Exhibits held at valuation £000	Civic Regalia & Plate held at valuation £000	Archives held at valuation £000	Total £000
<u>Cost or Valuation</u>				
1 Apr 19	6,717	1,746	258	8,721
Additions	0	0	0	0
Revaluation increases/decreases to Revaluation Reserve	362	0	0	362
31 Mar 20	7,079	1,746	258	9,083
31 Mar 19	6,717	1,746	258	8,721

Disposal of Heritage Assets in 2019/20

There have been no Heritage Asset disposals in 2019/20.

Additions of Heritage Assets in 2019/20

There have been no Heritage Asset purchases in 2019/20.

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	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Borrowings	407,389	385,069	179,313	251,320
Plus Accrued Interest	0	0	3,766	4,458
Plus Creditors	240	1,550	70,543	76,052
Plus bank overdraft	0	0	11,839	7,157
Plus(+)Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	407,629	386,619	265,460	338,986
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	407,629	386,619	265,460	338,986
Non Financial Liabilities	5,000	3,795	4,790	5,153
Total	412,629	390,414	270,250	344,139
Investments	3,780	1,058	383	392
Plus Accrued Interest	0	0	71	44
Plus Debtors	8	150	35,474	42,406
Plus Cash & Cash Equivalents	0	0	34,617	59,044
Plus(+)Less(-) Other accounting adjustments	0	0	0	0
Financial Assets				
at Amortised Cost	3,788	1,208	70,544	101,885
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	3,978	1,398	70,544	101,885
Non-Financial Assets			15,676	16,339
Total	3,978	1,398	86,220	118,224

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.

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.

Covid-19 As stated, Council risk management procedures are intended to minimise and mitigate the uncertainties of financial markets. Covid-19 is recognised as having increased market uncertainty, however it is not currently possible to quantify this increase in either the medium or longer term.

A review of the investments held under the Treasury Management Strategy has been undertaken and there is no evidence that these income streams are materially impaired as a result of the Covid-19 pandemic, therefore, no restatement of the 2019/20 year-end position is required.

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 31 Mar 20 £000 (a)	Historical experience of default %	Adjustment for market conditions at 31 Mar 20 %	Estimated maximum exposure to defaults
				£000 (a*c)
<u>Deposits with banks and financial institutions – excluding Heritable Bank</u>				
AAA rated counterparties	39,675	0.000%	0.000%	0
AA rated counterparties	0	0.030%	0.030%	0
A rated counterparties	14,150	0.080%	0.080%	11
Bonds	0	0.000%	0.000%	0
Banks and Financial Institutions	53,825			11
<u>Debtors</u>				
Long Term Debtors	150	19.946%	19.946%	30
Loans to Third Parties	1,493	39.578%	39.578%	591
Sundry Debtors	13,526	6.750%	6.750%	913
Housing Tenants	8,819	59.057%	59.057%	5,208
Other Short-Term Debtors	20,051	5.905%	5.905%	1,175
Debtors	44,040			7,918

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, historical default rates are maintained 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 £7.918m 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.

Covid-19 A review of the investments held under the Treasury Management Strategy has been undertaken and there is no evidence that these are materially impaired as a result of the Covid-19 pandemic, therefore, no restatement of the 2019/20 year-end position is required.

External loan repayments have been reviewed and as these have been maintained as agreed to date in 2020/21 it is not considered that there has been any impairment arising from the pandemic.

HRA As levels of tenant debt have reduced and as robust and prudent levels of bad debt provision were included in the 2019/20 HRA accounts, it is considered that the 2019/20 debtor balances have not been impaired as a result of the pandemic and that no material restatement is required for the 2019/20 Financial Statements.

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 19 £000		31 Mar 20 £000
7,928	Less than three months	7,839
405	Three to six months	1,272
267	Six months to one year	1,993
1,755	More than one year	2,422
10,354		13,526

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 2020 was £0.774m (£0.729m as at 31 March 2019).

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 19 £000		31 Mar 20 £000
183,079	Less than one year	251,320
12,320	Between one and two years	25,328
60,069	Between two and seven years	34,982
22,234	Between seven and fifteen years	12,326
312,766	More than fifteen years	312,433
590,468		636,389

The maturity analysis of financial assets is as follows:

31 Mar 19 £000		31 Mar 20 £000
27,564	Less than one year	53,825
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
27,564		53,825

All Sundry Debtors and other payables are due to be paid in less than one year. These Sundry Debtors of £13.526m 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:

2018/19 £000		2019/20 £000
0	Impact on Surplus or Deficit on the Provision of Services	0
0	Share of overall impact debited to the HRA	0
(147,490)	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)	(192,422)

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 2020 are as follows:

2018/19		Financial Liabilities	Financial Assets			2019/20
			Liabilities measured at amortised cost	amortised cost	fair value through profit or loss	
Total						Total
£000		£000	£000	£000	£000	£000
18,998	Interest expense	18,976	0	0	0	18,976
0	Impairment (gain)	0	0	0	0	0
0	Premium/discounts	104	0	0	0	104
13,280	Finance Lease Interest	12,867	0	0	0	12,867
32,278	Interest payable and similar Charges	31,947	0	0	0	31,947
(315)	Interest income	0	(320)	0	0	(320)
31,963	Net gain (-) / loss (+) for the year	31,947	(320)	0	0	31,627

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 2020 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 31/3/19 £000	As at 31/3/20 £000
Fair Value through Other Comprehensive Income				
Equity shareholding in BDR Property Ltd	Level 3	Discounted cash flow	190	190
Total			190	190

Equity shareholding in BDR Property Ltd

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

Transfers between Levels of the Fair Value Hierarchy

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

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

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

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

The fair values calculated are as follows:

31 Mar 19			31 Mar 20	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
198,010	302,493	<u>Long and Short-term</u>		
225,133	457,964	PWLB debt	185,737	324,394
167,325	167,325	Non-PWLB debt	215,134	566,064
		Temporary Borrowing	239,976	239,976
590,468	927,781	Total Debt	640,847	1,130,433
(52,127)	(52,127)	Trade Creditors	(50,006)	(50,006)
538,341	875,654	Total Financial Liabilities	590,841	1,080,428

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 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £324.394m 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 (£138.657m) 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 £185.737m would be valued at £239.476m. 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 (£138.657m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £324.394m.

31 Mar 19			31 Mar 20	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
27,564	27,564	Money Market loans less than one year	53,825	53,825
4,233	4,233	Third Party Loans	1,493	1,493
85	85	Long-term Debtors	150	150
10,354	10,354	Sundry Debtors	13,526	13,526
8,587	8,587	Housing Rents	8,819	8,819
16,703	16,703	Other Short-Term :	20,051	20,051
(7,334)	(7,334)	Bad Debts Provision	(7,918)	(7,918)

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 2020 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 2020 the Council had no material financial guarantees requiring disclosure within the Balance Sheet.

Note 29 Impairment adjustment – Heritable Bank

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

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

The Council has recouped almost all of the original investment (£1.767m / 98.21%) with an outstanding balance as at 31 March 2020 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 2019/20.

Recognition in the CIES

There has been no impairment gain recognised in the Comprehensive Income and Expenditure Statement in 2019/20 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

2018/19 £000		2019/20 £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

The Council's shareholdings in BDR Property Limited (formerly known as Arpley Gas Limited) were estimated at £0.190m.

Note 31 Inventories

2018/19 £000		2019/20 £000
692	Balance at 1 April	659
5,037	Purchases	3,644
(5,024)	Recognised in year as an expense	(3,530)
(46)	Written on / (off) in year	(12)
659	Balance at 31 March	761

Covid-19 - Inventories have been reviewed and it has been determined that no material impairment has occurred as a result of the Covid-19 pandemic.

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 2020 (Nil 2018/19).

Note 33 Debtors

	Short Term		Long Term	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Central Government Bodies	8,710	14,306	0	0
Other Local Authorities	3,702	4,258	0	0
NHS Bodies	4,570	4,778	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	34,611	35,829	3,791	1,022
Total	51,592	59,170	3,791	1,022

Covid-19

The Sundry Debtor balances within the 2019/20 Financial Statements have been reviewed to assess the impact upon them of the Covid-19 pandemic and no material impairment has been identified. As the Council has already made robust and prudent bad debt provision further adjustment to the 2019/20 accounts is not considered necessary.

As there is still considerable uncertainty about the impact of Covid-19 on collection rates for Business Rates and Council Tax including arrears in 2020/21. Experience so far in 2020/21 has not suggested that the collection of prior year arrears has been significantly impacted by Covid-19. In light of this, the high level of uncertainty and as the robust and prudent bad debt provision, an impairment adjustment to the council Tax and Business Rates debtor balances as at 31 March 2020 is not deemed feasible or necessary at present.

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 19 £000		31 Mar 20 £000
34,698	Cash and Bank balances	59,106
(11,920)	Bank Overdraft	(7,219)
22,778	Total Cash and Cash Equivalents	51,888

Note 35 Creditors

	Short Term		Long Term	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Central Government Bodies	(7,688)	(8,645)	0	0
Other Local Authorities	(1,566)	(1,176)	0	(1,532)
NHS Bodies	(1,109)	(7,265)	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	(60,179)	(58,967)	(240)	(18)
Total	(70,542)	(76,052)	(240)	(1,550)

Note 36 Provisions

Current Year	Balance as at 1 Apr 19 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 20 £000
Insurance Claims	(4,878)	0	0	0	(4,878)
Compensation Payments	(679)	0	0	0	(679)
Business Rates Appeals	(4,326)	(588)	375	0	(4,539)
Other	(56)	0	0	0	(56)
Total	(9,939)	(588)	375	0	(10,152)
Current Provisions	(4,940)	(588)	375	0	(5,153)
Long Term Provisions	(5,000)	0	1,205	0	(3,795)
Total	(9,940)	(588)	1,580	0	(8,948)

Comparative Year	Balance as at 1 Apr 18 £000	Increase in provision during £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)

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.

The Council's Reserves Strategy included a significant increase in the General Fund Minimum Balance in 2019/20 to £20.7m. The total cost to the Council of addressing Covid-19 in terms of expenditure, lost income and unachieved savings and the potential level of Government support available to the Council to address these costs is not fully known at present. It is not therefore possible to determine whether an additional call on the Council's reserves will be necessary in 2020/21.

31 Mar 19 £000		31 Mar 20 £000
	CAPITAL RESERVES	
(25,347)	Capital Receipts Reserve	(16,971)
(10,596)	Major Repairs Reserve	(15,974)
(18,939)	Capital Grants Unapplied Account	(16,370)
(54,882)	Sub-Total Capital Reserves	(49,315)
	REVENUE RESERVES	
(16,812)	General Fund Minimum Balance – Council	(20,700)
(21,312)	Earmarked Reserves excluding DSG and Covid-19	(13,411)
(38,124)	Sub-Total General Fund Council and Earmarked Reserves excluding DSG/Covid-19	(34,111)
(3,369)	General Fund - Schools	(2,524)
0	Earmarked Reserve Covid-19 Grant	(15,274)
15,114	Earmarked Reserve DSG	19,892
(26,575)	HRA	(17,116)
(14,830)	Sub-Total Other Reserves	(15,022)
(107,836)	TOTAL USABLE RESERVES	(98,448)

(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.

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(f) Covid-19 Reserve

The new Covid-19 reserve has been established following the early payment of two grants in order to support local authorities with cash flow difficulties during the Covid-19 response and recovery periods. The amounts held relate to the first tranche of the Council's grant towards meeting the additional cost of Covid-19 and an early payment of 2020/21 section 31 grants.

(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 19 £000		31 Mar 20 £000
	CAPITAL RESERVES	
(203,094)	Capital Adjustment Account	(219,413)
(166,745)	Revaluation Reserve	(186,020)
(98)	Deferred Capital Receipts	(98)
	REVENUE RESERVES	
466,819	Pensions Reserve	442,674
3,869	Short term accumulating absences account	4,424
426	Financial instruments adjustment account	305
(6,018)	Collection Fund adjustment account	(5,008)
95,159	TOTAL UNUSABLE RESERVES	36,865

(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.

2018/19 £000		2019/20 £000
(189,331)	Balance 1 April	(203,095)
645	Debt Repayment	2,749
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
764	Amortisation of Intangible Assets	1,191
17,498	Charges for depreciation and impairment of non-current assets	21,712
8,420	Revenue expenditure funded from capital under statute	7,312
25,806	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	22,825
18,615	Depreciation - Major Repairs Reserve	17,442
(1,723)	Write down of Met Debt deferred Liability	(1,896)
	Adjusting amounts written out to Revaluation Reserve:	
(7,626)	Disposal	(2,928)
(4,575)	Excess of current cost depreciation over historic cost depreciation	(4,998)
	Capital Financing Applied in the year:	
(10,162)	Use of Capital Receipts Reserve to finance capital expenditure	(18,973)
(645)	Use of Capital Receipts Reserve to repay debt	(2,749)
(19,665)	Use of Major Repairs Reserve to finance capital expenditure	(15,548)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(23,293)	Application of grants to capital financing from the Capital Grants Unapplied Account	(24,473)
(5,873)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,028)
5,873	MRP holiday	2,913
(17,822)	Capital expenditure charged against the General Fund and HRA balances	(14,867)
(203,095)	TOTAL	(219,412)

(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.

2018/19 £000		2019/20 £000
(144,724)	Balance 1 April	(166,745)
(38,083) 3,861	Net revaluation gains/losses not charged to the Surplus / (Deficit) on Provision of Services Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	(28,267) 1,066
(34,222)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(27,201)
7,626 4,575	Accumulated Gains on assets sold or scrapped Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	2,928 4,998
(166,745)	Balance at 31 March	(186,020)

(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.

2018/19 £000		2019/20 £000
(98) 0	Balance 1 April Transfer to the Capital Receipts Reserve of cash received	(98) 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 2020 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.

2018/19 £000		2019/20 £000
386,085	Balance 1 April	466,820
52,055	Remeasurements of the net defined benefit liability/(asset)	(46,332)
54,086	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	47,999
(25,406)	Employer's pensions contributions and direct payments to pensioners payable in the year	(25,813)
466,820	Balance 31 March	442,674

(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.

2018/19			2019/20	
£000	£000		£000	£000
(3,838)	3,838	Balance 1 April Settlement or cancellation of accrual made at the end of the preceding year	(3,869)	3,869
3,869		Amounts accrued at the end of the current year	4,234	
	31	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		555
	3,869	Balance at 31 March		4,424

(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.

2018/19 £000		2019/20 £000
194	Balance at 1 April	425
	Movement in year:	
10	Premium and discounts	69
221	Soft Loans	(189)
425	Balance carried forward at 31 March	305

(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.

Covid-19 Due to current uncertainty with respect to the progress of the Covid-19 pandemic and national recovery and in light of the proposed government measures being developed in relation to the Collection Fund, it is not considered that the 2019/20 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2020/21.

2018/19 CTAX £000	2018/19 NNDR £000	2018/19 Total £000		2019/20 CTAX £000	2019/20 NNDR £000	2019/20 Total £000
(5,508)	(591)	(6,099)	Balance 1 April Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(4,923)	(1,095)	(6,018)
585	(504)	81		471	539	1,010
(4,923)	(1,095)	(6,018)	Balance at 31 March	(4,452)	(556)	(5,008)

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

2018/19 £000		2019/20 £000
	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
27,887	Capital Grants credited to surplus or deficit on the provision of services	21,858
0	Net adjustment from sale of long term investments	0
9,241	Proceeds from the sale of property plant and equipment, investment property and intangible assets & other capital receipts	18,352
37,128		40,210
(171)	Interest received (cash basis)	(243)
35,512	Interest paid (cash basis)	31,289

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

2018/19 £000		2019/20 £000
76,674	Purchase of property, plant and equipment, investment property, heritage and intangible assets	91,690
0	Long term loans granted	0
0	Purchase of short term investments	0
0	Purchase of Long term investments	0
0	Capital Grants and Contributions Repaid	71
(9,241)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets & other capital receipts	(15,604)
(27,689)	Capital Grants and Contributions Received	(28,843)
(665)	Other receipts from investing activities	(5,480)
39,079	Net cash outflow from Investing Activities	41,834

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

2018/19 £000		2019/20 £000
(253,360)	Cash receipts of short- and long-term borrowing	(297,500)
220	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	148
228,306	Repayments of short- and long-term borrowing	247,813
1,836	Other payments for financing activities	5,756
(22,998)	Net cash outflow from Financing Activities	(43,783)

Note 41b Reconciliation of Liabilities Arising from Financing Activities

	2019/20 01 Apr 19 £000	Cash Flow £000	Non Cash Change £000	2019/20 31 Mar 20 £000
Long Term Borrowing	(407,389)		22,320	(385,069)
Short Term Borrowing	(183,079)	(49,687)	(23,012)	(255,778)
PFI & Lease Liabilities Short Term	(2,760)	2,759	(3,425)	(3,426)
PFI & Lease Liabilities Long Term	(126,917)		3,426	(123,491)
NNDR & CTAX		3,145		
	(720,145)	(43,783)	(691)	(767,764)

	2018/19 1 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)

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.

2018/19 £000		2019/20 £000
798,012	Opening Capital Financing Requirement Capital Investment	825,589
82,212	Property, Plant and Equipment	78,541
2	Investment Properties	5,824
1,009	Intangible Assets	5,308
0	Heritage Asset	0
8,419	Revenue Expenditure funded from Capital under Statute	7,312
889,655	Sources of finance:	922,574
(10,162)	Capital receipts to finance new capital expenditure	(18,973)
(23,293)	Government grants and other contributions	(24,473)
(19,665)	Major Repairs Allowance	(15,548)
	Sums set aside from revenue	
0	Direct revenue contributions:	
(17,822)	General Fund	0
(6,551)	Housing Revenue Account	(14,867)
5,873	Minimum Revenue Provision	(6,838)
10,673	MRP holiday	2,913
(3,117)	Historical correction to reflect MRP reprofiling on finance leases	2,072
	Write down of finance lease liability	(3,157)
(64,064)		(78,872)
825,589	Closing Capital Financing Requirement	843,702

2018/19 £000	Explanation of movements in year	2019/20 £000
16,899	Increase in underlying need to borrowing (unsupported by government financial assistance)	18,113
0	Assets acquired under finance leases	0
16,899	Increase in Capital Financing Requirement	18,113

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

Covid-19 There is no evidence at present that suggests any capital projects in 2019/20 continuing into 2020/21 will be abortive or suffer from removed grant funding and no issues arising in 2020/21 have been identified that will require the capital expenditure included in 2019/20 to be revised.

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 19 £000	31 Mar 20 £000
Finance Lease Liability outstanding at start of year	(28,252)	(28,032)
Principal repaid in year	220	148
Less: Schools converting to academies Finance Lease Liability written off	0	0
New Liabilities arising in year	0	0
Balance outstanding at year end	(28,032)	(27,884)
Short Term Creditors	(148)	(145)
Long Term Liabilities	(27,884)	(27,739)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000
Not later than one year	(2,741)	(2,801)	(148)	(145)
Later than one year and not later than five years	(11,565)	(11,874)	(627)	(674)
Later than five years	(131,660)	(128,926)	(27,257)	(27,064)

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

2018/19 £000		2019/20 £000
26,597	Land and buildings	25,774
84	Vehicles, Plant, Furniture and Equipment	62
26,681	Total	25,836

(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:

2018/19 £000		2019/20 £000
997	Within one year	833
1,462	Between one year and five years	1,451
5,692	After more than five years	5,574

The expenditure charged to service in 2019/20 in the Comprehensive Income and Expenditure statement in relation to these leases was £1.149m (£1.164m 2018/19).

(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 2020, 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 £16.272m 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 £4.595m. 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 2019/20. Payments during the year totalled £6.730m.

(e) Movements in Finance Liabilities

The Table below shows the movements in the Finance Liabilities during 2019/20:

	31 Mar 19 £000	31 Mar 20 £000
Balance outstanding at start of year	(104,539)	(101,645)
Principal repaid in year	2,894	2,612
Balance outstanding at year end	(101,645)	(99,033)
Short Term Creditors	(2,612)	(3,281)
Long Term Liabilities	(99,033)	(95,752)

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	15,874	3,281	10,121	29,276
Two to five years	71,154	13,626	37,787	122,567
Six to ten years	99,236	25,965	41,886	167,087
Eleven to Fifteen years	100,251	34,960	31,877	167,088
Sixteen to twenty years	81,042	15,210	13,702	109,954
Twenty one to twenty five years	22,509	5,989	5,453	33,951

Note 45 Capitalised borrowing costs

The Council had £132,602 of capitalised borrowing costs during 2019/20 (£146,943 in 2018/19) the capitalisation rate used in 2019/20 was 4% (3.85% in 2018/19).

Note 46 Contingent LiabilitiesRecovery of tax

The Council is currently working with HM Revenue and Customs regarding the VAT liability of services provided to Academy PFI schools. The Council will put in place SMART conditions that will mitigate the risk of any potential future issues in this area.

Rother Valley

Litigation case being dealt with by the Council's representative Berrymans Lace Mawer LLP.

Woodhall Lane

Investigation being carried out by the Council's legal representative Plexus Law, regarding motor accident in Harthill.

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

As part of a national initiative protective VAT claims have been submitted to HMRC to recover VAT on Landfill Tax and Postal charges. Further, a submission for Local Authority circumstances to be heard for excess payments on off street parking has been made. There is also a claim for damages filed at the High Court against Royal Mail. 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 2019 £	Income £	Expenditure £	Balance as at 31 Mar 20 £
Treeton Council School War Memorial	801	30	0	831
EJ Butland, Treeton Infants	707	30	0	737
Whiston Two Wars Memorial	941	121	0	1062
Total	2,449	181	0	2,630

Trust Funds – Balance Sheet

2018/19 £		2019/20 £
58	<u>Assets</u> Investments - Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
42	- Debtors	44
2,407	- Cash	2,587
2,799	Total Assets	2,981
	<u>Financed by:</u> - Fund Balance	350
2,449	- Accumulated Investment Interest	2,630
2,799	Total Equity	2,980

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, £5.997m 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 shown in Note 42 of the accounts, the final £2.913m of the overcharge has been recovered in 2019/20.

Loss on disposal of non-current assets

The loss on disposal of non-current assets reported in Note 4 of £7.545m includes £8.657m 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 £12.549m was also made in April 2019, this being 80% of the estimated employers ongoing service contributions for the financial year 2019/20.

Note 50 Other Long-term Liabilities

31 Mar 19 £000		31 Mar 20 £000	Notes
(99,032)	PFI Liability	(95,752)	44
(27,884)	Finance Lease Liability	(27,739)	43
(459,620)	Pension Liability	(442,674)	18
(2,085)	Deferred Liabilities	0	50
(588,621)	Total	(566,164)	

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 2020 the deferred liabilities of Rotherham MBC arising out of the Metropolitan Debt Administration amounted to £2,085,455 maturing within one year (short term).

Note 51 Events after the Balance Sheet date

The draft Statement of Accounts was authorised for issue by the Judith Badger, Strategic Director of Finance and Customer Services on 29 May 2020. 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 2020, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

Covid-19 Although as at 31 March 2020 some of the financial implications of the Covid-19 pandemic were known and some actions to address the pandemic were in place by the 2019/20 reporting date, the larger part of the effects of Covid-19 is not fully known, with the bulk of costs and income losses hitting the 2020/21 financial year and beyond. It is recognised that the pandemic is potentially an Adjusting Post Balance Sheet Event in the context of the 2019/20 Financial Statements, however there is still considerable uncertainty with respect to the progress of the pandemic and of the national recovery. The 2019/20 Financial Statements have been reviewed in light of the pandemic, the expectation is that the bulk of the financial impact of Covid-19 will hit 2020/21 onwards however, as the full impact of Covid-19 and the level of government support available is not fully known it is too early to say what the impact on the Council's accounts will be.

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. Format of this account has been slightly changed from CIPFA code format to make it easier for the reader to compare to the Comprehensive Income and Expenditure Statement.

2018/19 £000		2019/20 £000	Notes
	<u>Expenditure</u>		
19,981	Repairs and maintenance	20,123	
21,609	Supervision and management	23,896	
215	Rents, rates, taxes and other charges	248	
23,727	Depreciation and impairment of Non Current Assets	21,630	
176	Debt management costs	229	
894	Provision for bad or doubtful debts	792	8
370	HRA services share of Corporate and Democratic Core	499	
	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	147	
1,447			
68,419	Total Expenditure	67,564	
	<u>Income</u>		
76,628	Dwelling rents	77,036	
789	Non-dwelling rents	765	
5,613	Charges for services and facilities	6,140	
83,030	Total Income	83,941	
(14,611)	Net Cost of HRA Services	(16,377)	
	<u>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</u>		
(1,147)	Gain on sale of HRA Non Current Assets	(1,310)	
13,350	Interest Payable and similar charges	13,576	9
(240)	Interest receivable	(315)	
493	Pensions interest cost and expected return on pension assets	653	10
(1,327)	Capital grants and contributions receivable	(1,329)	
130	HRA Cap grant	122	
135	Revaluation of Assets held for sale	0	
(3,217)	Surplus for the year on HRA services	(4,980)	

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 or the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2018/19			2019/20	
£000	£000		£000	£000
	(37,508)	Balance on the HRA at the end of the previous year		(26,540)
(3,217)		Surplus for the year on HRA Income and Expenditure Account	(4,980)	
14,313		Adjustments between accounting basis and funding basis under statute	14,439	
11,096		Net increase before transfers to or from reserves	9,459	
(128)	10,968	Transfers to(from) reserves	(35)	
		Decrease in year on the HRA		9,424
	(26,540)	Balance on the HRA at the end of the current year		(17,116)

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.

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>	5,818	0	5,818
Charges for impairment of non current assets (Council dwellings only)	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>			
Reversal of Major Repairs Allowance credited to the HRA	(1,977)	1,977	0
HRA Depreciation to the Capital Adjustment Account	0	18,615	18,615
Use of the Major Repairs Reserve to finance new capital expenditure	0	(19,665)	(19,665)
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>			
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	36	0	36
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,031	0	3,031
Employer's pension contributions and direct payments to pensioners payable in the year	(1,279)	0	(1,279)
Short-term Accumulated Absences Account	8	0	8
Total Adjustments	(14,313)	927	(13,386)

Note 1 continued

2019/20	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	4,004	0	4,004
Amortisation of Intangible Assets	188		188
Capital grants and contributions applied	(1,329)	0	(1,329)
Revenue Expenditure Funded from capital under statute	742		742
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	(1,310)	0	(1,310)
<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	(14,867)	0	(14,867)
<u>Adjustments primarily involving the Major Repairs Reserve:</u>			
Transfer from HRA to Major Repairs Reserve re notional MRA	(3,484)	3,484	0
HRA Depreciation to the Capital Adjustment Account	0	17,442	17,442
Use of the Major Repairs Reserve to finance new capital expenditure	0	(15,548)	(15,548)
<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	(5)	0	(5)
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,116	0	3,116
Employer's pension contributions and direct payments to pensioners payable in the year	(1,490)	0	(1,490)
Short-term Accumulated Absences Account	(3)	0	(3)
Total Adjustments	(14,438)	5,378	(9,060)

Note 2 Housing Stock at 31 March 2020

	Houses	Flats	Bungalows	Total
1 Bedroom	4	2,209	2,783	4,996
2 Bedroom	1,931	2,793	1,930	6,654
3 Bedroom	7,917	297	50	8,264
4+ Bedroom	263	8	0	271
Total	10,115	5,307	4,763	20,185

Note 3 Housing Stock Valuations(a) Property, Plant and Equipment

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	(5,308)	(52)	0	0	(417)	(5,778)
Assets reclassified (to) / from Investment Property	0	0	0	0	0	0
Other Movements in cost valuation	2,837	(1,159)	0	(1,470)	(69)	139
At 31 Mar 19	638,675	12,653	491	24,668	10,264	686,751
Depreciation and Impairment						
At 1 Apr 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	(5)
At 31 Mar 19	(7)	(1,112)	(419)	0	(0)	(1,539)
Net Book Value						
At 31 Mar 19	638,668	11,541	72	24,668	10,264	685,213
At 31 Mar 18	618,077	12,695	143	5,647	13,694	650,257

2019/20	Dwellings £000	Council Buildings £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 19	638,675	12,653	491	24,668	10,264	686,751	
Additions	21,244	5,471	0	8,855	7,625	43,194	
Accumulated Depreciation and Impairment written out to gross cost/valuation	(13,355)	(863)	0	0	(0)	(14,219)	
Revaluation increases/decreases to Revaluation Reserve	16,369	1,079	0	0	(795)	16,652	
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,008)	43	0	0	1	(3,965)	
Derecognition - Disposals	(5,192)	(48)	0	0	(8,402)	(13,642)	
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	0	0	
Other Movements in cost valuation	4,551	(211)	0	(4,339)	(1,286)	(1,284)	
At 31 Mar 20	658,282	18,124	491	29,183	7,406	713,488	
Depreciation and Impairment							
At 1 Apr 19	(7)	(1,112)	(419)	0	(0)	(1,539)	
Accumulated Depreciation written out to gross cost/valuation	13,355	554	0	0	0	13,910	
Accumulated Impairment written out to gross cost/valuation	0	310	0	0	0	310	
Depreciation Charge	(16,770)	(599)	(71)	0	(2)	(17,442)	
Impairment losses/reversals to Revaluation Reserve	0	(273)	0	0	0	(273)	
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(38)	0	0	(1)	(39)	
Derecognition - Disposals	64	0	0	0	0	64	
Other movements in depreciation and impairment	(7)	7	0	0	0	0	
At 31 Mar 20	(3,364)	(1,151)	(491)	0	(3)	(5,009)	
Net Book Value							
At 31 Mar 20	654,917	16,973	1	29,183	7,403	708,478	
At 31 Mar 19	638,668	11,541	72	24,668	10,264	685,213	

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 19	1,570

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.

2018/19 £000		2019/20 £000
9,669	Balance as at 1 April	10,596
18,615	Depreciation in the year	17,442
1,977	Transfer to MRR	3,484
(19,665)	Financing of Capital Expenditure	(15,548)
10,596	Balance as at 31 March	15,974

Note 5 Financing of Capital Expenditure

Capital expenditure on Land, Houses and Other Property within the HRA was financed as follows:

	2019/20 £000
Borrowing Need	0
Capital Receipts	12,565
Revenue Contributions	14,692
Government Grants/Other Capital Income	1461
Major Repairs Reserve	15,548
Total	44,266

During the year total capital receipts of £15.309m were received by the HRA, of which £12.984m 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 2019 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 2019 and has been calculated using the 'straight line' method over 15 years.

Note 7 Impairment

A net impairment charge of (£3.965m) has been included in the HRA Income and Expenditure Account (£4.950m in 2018/19). 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

2018/19 £000	Rent Arrears	2019/20 £000
4,109	Current Tenants	3,601
4,246	Former Tenants	4,876
8,355	As at 31 March	8,477

As at 31 March 2020, the level of rent arrears for current tenants as a proportion of gross rent income was 4.25% (2018/19 4.89%).

2018/19 £000	Bad Debt Provision in respect of rent income	2019/20 £000
3,855	As at 1 April	4,632
851	Increase in Provision	610
(74)	Utilised in year	(34)
4,632	As at 31 March	5,208

Provision has also been made in the accounts for write-offs in respect of tenants' and former tenants' rechargeable repairs are as follows:

2018/19 £000	Bad Debt Provision in respect of the rechargeable repairs	2019/20 £000
531	As at 1 April	455
42	Increase in Provision	182
(118)	Utilised in year	(18)
455	As at 31 March	619

Covid-19 As levels of tenant debt have reduced and as robust and prudent levels of bad debt provision were included in the 2019/20 HRA accounts, it is considered that the 2019/20 debtor balances have not been impaired as a result of the pandemic and that no material restatement is required for the 2019/20 Financial Statements.

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

2018/19				2019/20			Note
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000	
125,950	76,422	125,950	Council Tax Receivable	132,534	77,665	132,534	2
	(2,773)	76,422	National Non-Domestic Rates (excluding write-offs)		(2,164)	77,665	
125,950	73,649	199,599	NNDR Transitional Payments	132,534	75,501	208,035	
			Total Income				
			Precepts:				
105,086	34,411	139,497	Rotherham Metropolitan Borough Council	109,957	35,439	145,396	
	34,890	34,890	Central Government		35,744	35,744	
11,782		11,782	- South Yorkshire Police and Crime Commissioner	13,645		13,645	
4,917	700	5,617	South Yorkshire Fire & Civil Defence	5,140	719	5,859	
121,785	70,001	191,786		128,742	71,902	200,644	
			Distribution of previous years surplus(deficit):				
3,000	323	3,323	Rotherham Metropolitan Borough Council	3,000	1,044	4,044	
	329	329	Central Government		1,065	1,065	
298		298	- South Yorkshire Police and Crime Commissioner	354		354	
130	7	137	South Yorkshire Fire & Civil Defence Authority	148	21	169	
3,428	659	4,087		3,502	2,130	5,632	
			Charges to Collection Fund:				
383	362	745	Write off of uncollectable amounts	715	812	1,527	
983	359	1,342	Increase/(Decrease) in bad debt provision	116	91	207	
	19	19	Increase in provision for appeals		434	434	
	300	300	Cost of Collection		297	297	
	540	540	Disregarded amounts		617	617	
1,366	1,580	2,946		831	2,251	3,082	
126,579	72,240	198,819	Total amounts charged to the Collection Fund	133,075	76,283	209,358	
(629)	1,409	780	Surplus/(Deficit) arising during the year	(541)	(782)	(1,323)	
			Collection Fund Balance				
(629)	1,409	780	Surplus/(Deficit) arising during the year	(541)	(782)	(1,323)	
5,941	684	6,625	Surplus brought forward	5,312	2,093	7,405	
5,312	2,093	7,405	Surplus carried forward	4,771	1,311	6,082	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 2019/20 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	28,051	6:9	27,209
B	15,059	7:9	14,607
C	12,049	8:9	11,687
D	8,414	9:9	8,162
E	5,283	11:9	5,125
F	2,393	13:9	2,321
G	1144	15:9	1110
H	61	18:9	59
	72,454		70,280

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 2019/20 was 50.4 pence in the pound and a small business rating multiplier of 49.1 pence in the pound (49.3 pence and 48.0 pence respectively in 2018/19).

The NNDR income in 2019/20 after allowing for mandatory and discretionary reliefs of £76.665m (76.422m 2018/19) was based on a total rateable value of £190.2m as at 31 March 2020 (£189.3m as at 31 March 2019).

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 2020 is a surplus of £6.082m (£7.405m surplus 2018/19) and consists of a £1.311m surplus (£2.093m surplus 2018/19) 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 £4.771m surplus (£5.312m surplus 2018/19) 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:

2018/19 Council Tax £000	2018/19 NNDR £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 NNDR £000	2019/20 Total £000
4,924 0	1,026 1,047	5,950 1,047	Billing Authority – Rotherham MBC Central Government Major Precepting Authorities:	4,453 0	643 656	5,096 656
274 114	0 20	274 134	- South Yorkshire Police and Crime Commissioner - South Yorkshire Fire and Civil Defence Authority	234 84	0 12	234 96
5,312	2,093	7,405	Total	4,771	1,311	6,082

Covid-19 Due to current uncertainty with respect to the progress of the Covid-19 pandemic and national recovery and in light of the proposed government measures being developed in relation to the Collection Fund, it is not considered that the 2019/20 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2020.

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.

2018/19 £000	Capital Account	2019/20 £000
(3,012)	Cash at bank 1 April	(12,700)
0	Transfer (from) Financial Instruments Adjustments Account	0
0	Adjustment to loans outstanding for interest accruals	0
811	Add: Expenditure in the year – Loans repaid	16,500
(2,201)		3,800
0	Less Income:	
10,499	Loans raised	0
	Repayments by Relevant Authorities	11,204
(12,700)	Cash at bank 31 March	(7,404)

2018/19 £000	Revenue Account	2019/20 £000
1,859	Interest Paid on Outstanding Loans	1,059
13	Management and other expenses	13
1,872		1,072
47	Less Income:	
	Notional Interest	13
1,825		1,059
1,825	Recharge to Relevant Authorities	1,059
0		0

2018/19 £000	Balance Sheet as at 31 March	2019/20 £000
36,998	Capital Liabilities	
(12,700)	Loans Outstanding	20,131
24,298	Cash at bank	(7,404)
		12,727
24,298	Capital Assets	
0	Advances Outstanding	12,727
	Reserves	
24,298	Financial Instruments Adjustments Account (FIAA)	0
		12,727

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 19 £000	31 Mar 20 £000	31 Mar 19 £000	31 Mar 20 £000
Financial liabilities (principal amount) - PWLB	19,689	0	16,500	19,689
Financial liabilities at amortised cost - PWLB	19,689	0	17,309	20,132
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 19 £000		31 Mar 20 £000
17,309	Less than one year	19,689
19,689	Between one and two years	0
0	Between two and five years	0
36,998		19,689

Note 3**Financial Instruments – Fair Values****Fair Value of Financial Assets**

At 31 March 2020 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 2019). 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 £20.194m 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 (£0.505m) 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 £19.689m would be valued at £20.132. 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 (£0.505m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £20.194m.

The fair values of the financial instruments are as follows:

31 Mar 19			31 Mar 20	
Carrying amount £000	Fair Value at Redemption rate £000		Carrying amount £000	Fair Value at Redemption rate £000
36,998	37,996	Financial Liabilities – Debt	20,131	20,194
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 2020) arising from a commitment to pay interest to lenders above current market rates.

Note 4 Authorised Limit and Operational Boundary

For the former SYCC, the Council's operational boundary for external debt for the year was £20m and its Authorised Limit for External Debt, the statutory limit determined under section 3(i) of the Local Government Act 2003, was £20m.

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Page blank – for audit opinion

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.

A summary of this document can be made available in your language and in alternative formats such as Braille, large print, electronic and audio-tape versions. Contact us at:

Email: central.finance@rotherham.gov.uk

“If you or someone you know needs help to understand or read this document, please contact us”:

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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.

Slovensky**Kurdish Sorani****کوردی سۆرانی**

ئەگەر تو يان كەسىك كە تو دەيناسى پىويستى بەيارمەتى ھەبىت يق ئەوهى لەم بەلگەنامە يە تىيىگات يان بىخۇنىتەوهە، تکايە پەيوەندىيمان پىوه بىكە لەسەر نەو ژمارەيەى سەرەوەدا يان بەم ئىمەيلە.

Arabic**عربى**

إذا كنت أنت أو أي 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 جانبے 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۔

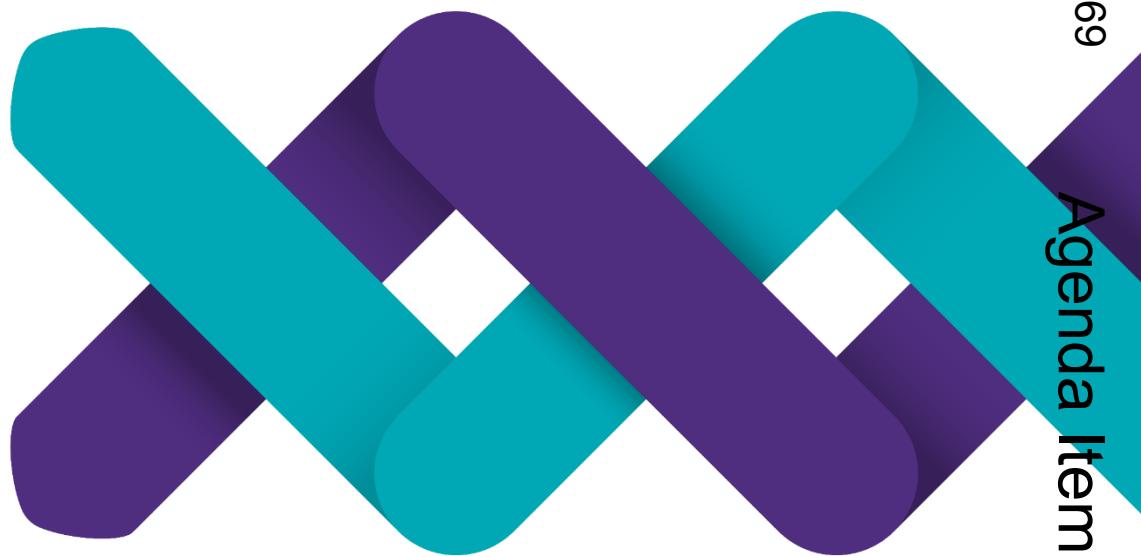
Farsi**فارسي**

اگر جناب عالی یا شخص دیگری کہ شما اورا می شناسید برای خواندن یا فهمیدن این مدارک نیاز به کمک دارد لطفاً با ما بوسیله شمارہ بالا یا ایمیل تماس حاصل فرمایید.

Audit Progress Report

**Rotherham Metropolitan Borough Council
Year ending 31 March 2020**

7 August 2020



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Gareth or Thilina.

Progress as at 7 August 2020

Financial Statements Audit

We undertook our initial planning for the 2019-20 audit in January 2020, and our interim audit was performed in February to March 2020.

In line with our discussions with the senior finance team regarding the year-end audit, we received the Council's draft accounts on 31 July and commenced our audit work on 3 August as planned.

In January we issued a detailed Audit Plan, setting out our proposed approach to the audit of the Council's 2019-20 financial statements.

We will report our work in the Audit Findings (ISA260) Report and aim to give our opinion on the Statement of Accounts in November 2020.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 4 February 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money approach to reflect the unprecedented global response.

On 21 April we issued an addendum to our Audit Plan, setting out a new significant financial statement risk in relation to Covid-19. We presented this to the Audit Committee in May.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our value for money initial risk assessment with significant risks were reported to those charged with governance in our Audit Plan on 22 January 2020. Our VFM work has two key areas of focus:

1. The financial standing of the Council, including delivery of the 2019-20 budget and savings plan, and looking ahead to the medium term financial plan
2. The Council's Dedicated Schools Grant deficit position and recovery plan.

We will report our work on these issues in the Audit Findings (ISA260) Report and aim to give our Value For Money Conclusion in November 2020.

Progress as at 7 August 2020 (Cont.)

Other areas

Certification of claims and returns

We are currently in discussion with the senior finance team regarding our appointment to certify a number of claims and returns for 2019-20, including the Housing Benefit claim, the Teachers' Pension Return and the Pooling of Housing Capital Receipts Return.

In response to the impact of the Covid-19 pandemic, the DwP has moved the Housing Benefit Return reporting deadline back to 31 January 2021 from 30 November 2020.

The Ministry of Housing, Communities & Local Government (MHCLG) has yet to confirm the guidance and timings for the certification of the 2019-20 PHCR return.

We recently certified a Section 14 CYPS grant expenditure, received from Department for Education during 2019-20, in relation to the costs of Operation Stovewood during 2019-20. This work was completed and certified on 30 July 2020 with an associated certification fee of £5k.

Meetings

Despite the lockdown, we have continued to meet on a regular basis with a number of senior officers of the Council, including Chief Executive, Strategic Director of Finance and Customer Services and her senior team.

These meetings have been very useful and informative, covering various topics including challenges arising from Covid-19 pandemic and other Council priorities. We will continue to have this dialogue with senior management during these unprecedent times. We continue to liaise with finance staff regarding emerging accounting developments and to ensure the audit process is smooth and effective, despite the challenges of remote working.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

New Audit Code for 2020-21 onwards:

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020-21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agm-03-vfm-consultation/>

We will provide further details of the impact of these changes once the consultation has finished and revised guidance has been issued. We will discuss this initially with Officers and then provide an update to Members at the Audit Committee later in 2020-21.

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we expect to be working remotely most parts during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely.
- Our experience from year-end NHS audits (which concluded at the end of June) was that it is possible to delivery complex, large public sector audits remotely, however, the audit process clearly takes longer than under normal circumstances. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which we would continually consider as part of the year end audit, currently on going:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to Going Concern or asset valuations
- valuation of Land and Buildings and assumptions made by valuers, particularly in respect of carrying value to current value assessment as part of the 5 year rolling valuation methodology
- impact on collectability of debts outside the public sector and assumptions made in bad debt provisions.
- valuation of pension fund assets, including when pension fund holds investment properties
- impact on post-balance sheets events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed
- disclosure of impact in the Narrative Report
- disclosure of critical judgements and material estimation uncertainties
- Impact on Council's MTFP and 2020-21 budget delivery
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation
- considerations in respect of service continuity and disaster planning arrangements
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019-20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- The Council provided us with their draft accounts on 31 July 2020 and our audit commenced on 3 August 2020 as planned.
- The revised target date for audited financial statements is now 30 November 2020 and we aim to complete and conclude our audit by this date.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021-22.

Audit Deliverables

2019-20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019-20.	April 2019	Complete
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.	February 2020	Complete
Audit Plan Addendum We issued an updated Audit Plan to highlight the impact of Covid-19 on our audit approach. This was presented to the Audit Committee on 26 May 2020	May 2020	Complete
Audit Findings (ISA260) Report The Audit Findings Report is expected to be shared with management and members of the Audit Committee in October.	24 November 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	By 30 November 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	December 2020	Not yet due

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**Public Report
Audit Committee**

Committee Name and Date of Committee Meeting

Audit Committee – 18th August, 2020

Report Title

Annual Treasury Management Report and Actual Prudential Indicators 2019/20

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

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Rob Mahon, Head of Corporate Finance

01709 254518 or rob.mahon@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

At the Cabinet Meeting on 20th July 2020, Members agreed to recommend that Audit Committee receive the Financial Outturn 2019/20 – Treasury Management and Prudential Indicators report. The report considered by the Cabinet is appended to this covering paper in order to comply with the recommendation to forward the Annual Treasury Management Report and Actual Prudential Indicators 2019/20 for information.

Recommendations

1. That the Financial Outturn 2019/20 – Treasury Management and Prudential Indicators be noted for information.

List of Appendices Included

Appendix 1 Report to Cabinet 20th July 2020 – “Annual Treasury Management Report and Actual Prudential Indicators 2019/20.”

Background Papers

Treasury Management Strategy and Prudential Indicators report to Council on 27th February 2019

CIPFA – Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated)

CIPFA – Prudential Code (as updated)

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No

Exempt from the Press and Public
No

Public Report
Cabinet

Committee Name and Date of Committee Meeting

Cabinet – 20 July 2020

Report Title

Annual Treasury Management Report and Actual Prudential Indicators 2019/20

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

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Rob Mahon, Head of Corporate Finance

01709 254518 or rob.mahon@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

The Council received an annual treasury strategy report in advance of the 2019/20 financial year at its meeting on 27th February 2019 and Audit Committee received a mid-year report at its meeting on 26th November 2019, representing a mid-year review of treasury activity during 2019/20.

The annual treasury management report is the final treasury report for 2019/20. Its purpose is to review the treasury activity for 2019/20 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2019/20 in accordance with the requirements of the Prudential Code.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Recommendations

1. That the Treasury Management Prudential Indicators outturn position as set out in section 3 and Appendices A and B of the Annual Treasury Management Report for 2019/20 be noted.

2. That the report be forwarded to Audit Committee for information.

List of Appendices Included

Appendix 1 Summary Prudential Indicators for Rotherham MBC
Appendix 2 Summary Prudential Indicators for the Former South Yorkshire County Council

Background Papers

Treasury Management Strategy and Prudential Indicators report to cabinet on 17th February 2019

CIPFA – Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated)

CIPFA – Prudential Code (as updated)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No

Exempt from the Press and Public

No.

Annual Treasury Management Report and Actual Prudential Indicators 2019/20

1. Background

- 1.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
 - The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2019/20);
 - Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
 - The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
 - The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
 - Under the Act the MHCLG has issued Investment Guidance to structure and regulate council's investment activities; and
 - Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 (revised) the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.
- 1.2 The Council complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular, the adoption and implementation of the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable. Treasury investment practices are governed by the primary objectives of security ahead of liquidity and then yield.
- 1.3 The Council's treasury management functions have been operating within unprecedented times of uncertainty, this uncertainty impacts forecasts on borrowing and lending rates, availability of borrowing and investment options and capital programme projections. The uncertainty was initially from the outcome of EU exit but this has now transitioned to the pressures and uncertainty brought about by the UK's reaction to the Covid-19 outbreak.
- 1.4 At present the Council has been able to manage cashflow levels for the majority of the lockdown period without much difficulty. This has been due to government providing significant grants for the management of covid-19 and support to businesses, providing the Council with significant cash balances, limiting the Council's need to borrow during this period. The downturn in the UK economy and the cutting of the Bank Of England Base Rate to 0.1% actually has a beneficial outcome to the Council's treasury strategy as it reduces the cost of our short term borrowing, thus enabling interest savings to be generated against plan.

However, due to the significant level of cash balances that the Council held at various points during the lockdown period, the Council's Natwest reserve account was utilised to deposit funds rather than establish new Money Market Fund accounts, which there was no time to do. This was not felt to be a significant breach of the Council's annual investment strategy (investments with banks are limited to £5m per bank for a period not exceeding 6 months), due to the low risk involved and circumstances that lead to the need to temporarily deposit funds above this amount with the Council's own bankers.

2. Key Issues

- 2.1 Indicators are set prior to the start of the financial year and reflect the known position at that time. Approved changes to the capital programme and its funding throughout the financial year, together with variations in treasury management activity, mean that actual indicators for the year may vary from the projections made prior to the start of the financial year. However, by regular monitoring and reporting revised estimates of these indicators the Council is able to ensure the impact is known and managed through the Medium Term Financial Strategy.

The actual prudential indicators for 2019/20 for Rotherham MBC, with comparators, are shown in the attached Appendix 1. Background to these is provided in the following paragraphs.

- 2.2 **Impact of the Council's Capital Expenditure and Financing 2019/20** - the Council expends capital expenditure on long term assets. This may either be:

- Financed immediately through capital receipts, capital grants etc.; or
- Financed over the life of the asset by use of Prudential Borrowing

Part of the Council's Treasury activities is to address this borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activities also include managing the Council's cash flows, its previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then optimise performance. The primary objective is security ahead of liquidity and then yield or return.

- 2.3 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. It represents 2019/20 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. Following changes to accounting regulations in 2009/10, the CFR also includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets.

The Non-HRA element of the CFR (excluding PFI schemes and finance lease assets) is reduced each year by a statutory revenue charge (the Minimum Revenue Provision - MRP). The CFR can also be reduced by:

- the application of additional capital resources (such as unapplied capital receipts); or

- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

At the end of the financial year 2019/20 the closing CFR is £16.470m less than that approved in the revised indicator, via the Mid-Year report. The reduction is due to slippage on a number of capital schemes, that in turn reduces the Council's need to borrow at this point in time and has the knock on effect of generating savings against the treasury budget for 2020/21 as planned interest payments and minimum revenue provision payments will reduce.

2.4 Treasury Position at 31 March 2020 - whilst the Council's gauge of its underlying need to borrow is the CFR, the Strategic Director of Finance and Customer Services and the Treasury function can manage the Council's actual borrowing position by either:

- borrowing to the CFR (excluding the impact of PFI and similar contracts); or
- choosing to utilise some temporary internal cash flow funds instead of borrowing (under-borrowing); or
- borrowing for future increases in the CFR (borrowing in advance of need).

For 2019/20 provision was made for the estimated borrowing need for the year to partly reduce the Council's 31 March 2019 under-borrowed position. However, the Council has continued to take advantage of the current availability of short-term cash loans at very favourable rates and did not take out any new long-term loans in 2019/20.

There is minimal risk to the Council in following this strategy, as long-terms loans can be taken out immediately at any point in time that the financial markets start to change and make long-term loans a more cost-effective option. Due to the current economic downturn the long-term borrowing rates have significantly dropped, whilst this does mean that long-term borrowing is cheaper at present, it also means the Council is able to continue to make use of short term loan benefits before moving some of its debt portfolio to longer term deals, as the longer term rates will likely stay low for some time.

Thus, at 31 March 20120, the Council's borrowing (excluding PFI and similar schemes) and investments were as follows:

2.5 Table 1 Council's Treasury Position 2019/2020

Net Borrowing	As At 31 March 2019 £m	As At 31 March 2020 £m
External Borrowing		
Public Works Loans Board (PWLB)	196.702	184.389
Market (e.g. Banks, Other Local Authorities)	223.000	213.000
Temporary Borrowing	167.000	239.000
	586.702	636.389
External Investments		
Debt Management Office	0.000	0.000
Money Market Funds	27.530	39.675
	27.530	39.675
Net Borrowing	559.172	596.714
Net Borrowing - Excluding Temporary Borrowing	392.172	357.714
Capital Financing Requirement (exc Other Long Term Liabilities)	695.914	715.685
Net Under-Borrowed	303.742	357.971

- 2.6 Against the Council's Capital Financing Requirement of £715.685m (excluding PFI and similar arrangements totalling £126.518m), the Council's outstanding net borrowing of £357.714m (excluding temporary loans) is lower than this requirement by £357.971m due to the Council's approach of utilising temporary cash flow funds and short term borrowing rather than taking out any new long term borrowing.

Total savings in the Treasury Management budget for 2019/20, arising from all treasury activity including cash-flow management, were £3.3m. The treasury management and capital financing decisions taken at the year end will also enable a re-profiling of MRP and interest forecasts to allow for a further £0.7m saving to be contributed towards the 2020/21 treasury management budget in addition to the £3.15m saving included as part of setting the 2020/21 budget.

2.7 PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES

Some of the prudential indicators provide either an overview or specific limits on Treasury activity:

Net Borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing net of investments must only be used for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2019/20 plus the expected changes to the CFR for 2019/20 and 2020/21. The Council complied with this prudential indicator throughout 2019/20.

- 2.8 **The Authorised Limit** – the Authorised Limit is the “Affordable Borrowing Limit” required by S3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The Council maintained gross borrowing within its Authorised Limit, both excluding and including the impact of bringing PFI and similar arrangements on to the Council’s Balance Sheet.
- 2.9 **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The Council maintained its borrowing position around its Operational Boundary.
- 2.10 **Actual financing costs as a proportion of net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and the cost of other long term obligations but net of investment income) against the Council’s Budget Requirement (net revenue stream) for the General Fund and budgeted income for the HRA.

The General Fund shows a reduction in the actual financing costs as a proportion of net revenue stream. The General Fund ratio reduced from 6.85% (original budget) to 5.26% (actual out-turn). This was as a result of a combination of reduced borrowing costs for the year due to use of short term loans and the actual MRP charge being lower than the original budget. The HRA ratio increased from 15.75% (original budget) to 15.95% (actual out-turn). This was due increased interest costs charged to the HRA against the budgeted plan, the increase related to the spike during the year in PWLB rates.

- 2.11 **Incremental impact of Capital Investment Decisions** – these two indicators are used to highlight the trend in cost arising from changes to the Council’s capital investment plans:

- the impact on Council Tax Band D levels of changes to the General Fund capital programme, and
- the impact on weekly rent levels arising from changes in the housing capital programme

The incremental impact of capital investment decisions on the Band D Council Tax has reduced significantly from the original budget of £51.47 to £19.51. This is due to the actual borrowing required in the year (to fund capital expenditure) being substantially lower than anticipated. More capital grants have been available and these have been applied in funding the capital programme, thus replacing the need to borrow. Strategic capital financing decisions made at the financial year end also reduced borrowing by replacing planned prudential borrowing on short-life assets with use of capital receipts. The equivalent amount of prudential borrowing will then be utilised in later years on longer life assets.

None of the HRA capital investment was financed by borrowing in 2019/20 and therefore there was no incremental impact of capital investment on HRA rent levels.

2.12 TREASURY MANAGEMENT INDICATORS

2.13 Limits on Activity

Upper limits on fixed and variable interest rates as at 31 March 2019 – these indicators identify the maximum limits for fixed interest rate gross debt and for variable interest rates based upon the debt position, net of investments. The Council remained within the limits set throughout 2019/20.

Maturity structure of fixed rate borrowing during 2019/20 – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits. The Council breached the limit set for short term borrowing (less than 12 months), this was a necessary breach to allow the Council to continue to maximise savings being generated through this strategy that were vital to the Council's revenue outturn position. The treasury management strategy has increased this limit for 2020/21, though given the current economic climate it may be beneficial to review that position further.

Maximum funds invested for more than 364 days – This limit is set to reduce the need for early sale of an investment and is based on the availability of funds after each year end.

2.14 Borrowing

New and Replacement Borrowing – No new long term loans were taken up during the year as the Council continued with its strategy of utilising the temporary borrowing market to manage the cash flow position.

During the year, temporary borrowing was taken up on 54 occasions with a mix of terms (ranging from 3 months to 12 months) to manage the Council's cash flow position. Of these short-term loans, 22 have been fully repaid in the year; with 32 remaining outstanding at the year end. Included within these are four rolling deals, where the Council or lender can provide 1 month's notice, 14 days notice or 2 days notice to either change the rate or end the deal. The Council's level of short term borrowing, loans less than 365 days, has exceeded the prudential indicator, as shown in appendix 1, PI 12. The breach has enabled the Council to generate significant savings through its strategy of utilising short term borrowing rather than entering into long term loans, these savings were a crucial element of managing the Council's outturn position for 2019/20. The indicator has been increased for 2020/21 to allow the continued benefit from use of short term loans to be generated.

2.15 Table 2 Short Term Borrowing as at 31st March 2020

Start Date	Principal	Type	Term	Interest Rate %
29/09/2017	£20,000,000	Temp	1 month Notice	0.80
22/08/2018	£10,000,000	Temp	14 day Notice	0.55
18/01/2019	£10,000,000	Temp	14 day Notice	0.55
11/12/2019	£10,000,000	Temp	2 day Notice	0.75
29/11/2019	£2,000,000	Temp	5 Months	0.75
23/10/2019	£10,000,000	Temp	6 Months	0.78
02/12/2019	£5,000,000	Temp	6 Months	0.90
04/12/2019	£5,000,000	Temp	6 Months	0.90
16/12/2019	£5,000,000	Temp	6 Months	0.90
20/12/2019	£10,000,000	Temp	6 Months	0.87
12/12/2019	£5,000,000	Temp	6 Months	0.87
12/12/2019	£5,000,000	Temp	6 Months	0.85
24/01/2020	£5,000,000	Temp	6 Months	0.90
31/01/2020	£5,000,000	Temp	6 Months	0.90
20/03/2020	£5,000,000	Temp	6 Months	0.92
27/03/2020	£5,000,000	Temp	6 Months	0.90
23/08/2019	£15,000,000	Temp	8 Months	0.90
20/01/2020	£5,000,000	Temp	8 Months	0.90
05/07/2019	£8,000,000	Temp	9 Months	0.90
01/08/2019	£5,000,000	Temp	9 Months	0.90
20/08/2019	£5,000,000	Temp	9 Months	0.89
25/09/2019	£14,000,000	Temp	9 Months	0.85
23/09/2019	£5,000,000	Temp	9 Months	0.90
23/09/2019	£5,000,000	Temp	9 Months	0.90
01/10/2019	£5,000,000	Temp	9 Months	0.85
16/01/2020	£5,000,000	Temp	9 Months	0.89
20/03/2020	£5,000,000	Temp	9 Months	0.95
10/06/2019	£15,000,000	Temp	10 Months	0.90
19/07/2019	£10,000,000	Temp	10 Months	0.90
01/05/2019	£5,000,000	Temp	11 Months	1.00
01/11/2019	£5,000,000	Temp	11 Months	0.90
26/04/2019	£10,000,000	Temp	13 Months	1.10
Total Loans	£239,000,000			

- 2.16 Rescheduling – During 2019/20 the Council was offered an opportunity to repay early a bond held with Siemens, £10m. This opportunity was analysed in detail to ensure that the savings the Council could make from re-financing the debt with short term borrowing would outweigh the repayment premium charged. Officers worked with the Council’s treasury management advisors Link to arrange the repayment terms.**

Debt Repayment – Including the repayment above, loans totalling £20m matured during the year as shown in the table below. Part repayments of principal (£2.305m) continued on the Annuity and Equal Instalment of Principal (EIP) loans taken up in prior years.

2.17 Table 3 Debt Repayments 2019/20

Lender	Principal £m	Type	Interest Rate	Weighted Average rate of interest
Siemens	10.000	Fixed rate	2.66%	
PWLB	10.000	Fixed rate	3.01%	
PWLB EIP	2.000	Fixed rate	3.46%	
PWLB EIP	0.130	Fixed rate	1.89%	
PWLB Annuity	0.175	Annual repayment	Various	
Total:	£22.305			2.89%

2.18 Investments

The Council's investment policy is governed by MHCLG Guidance, which was implemented in the annual investment strategy approved by Council on 28th February 2019. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of £27.1m and received an average return of 0.69%. When compared to the local measure of performance the average return was higher than the average seven day LIBID rate for 2019/20 of 0.51%. This is due to the Council established use of Money Market Funds to utilise for short-term deposits. These Funds are AAA rated securities which pay a better rate of interest than the Government's Debt Management Office.

2.19 FORMER SOUTH YORKSHIRE COUNTY COUNCIL

No new borrowing or rescheduling took place during 2019/20, whilst one loan of £16.5m matured during the year. Thus, at 31 March 2020, external debt, all with the PWLB, totalled £19.7m. The average interest rate on the debt is now 5.10%.

The Former South Yorkshire County Council had no investments at 31 March 2020, the same as at 31 March 2019.

The actual prudential indicators for the Former South Yorkshire County Council are shown in the attached Appendix 2.

3. Options considered and recommended proposal

- 3.1 No options considered as the report outlines actual Treasury Management activity during 2019/20

4. Consultation on proposal

4.1 None required

5. Timetable and Accountability for Implementing this Decision

5.1 None required

6. Financial and Procurement Advice and Implications

6.1 Treasury Management forms an integral part of the Council's overall financial arrangements. This report provides an update on the performance of the treasury management functions for 2019/20 against the prudential indicators as outline in the Treasury Management Strategy for 2019/20. There were not significant breaches of prudential indicators to report and savings were generated from the treasury management strategy adopted that played vital role in enabling the Council to operate a balanced budget.

6.2 There are no direct procurement implications arising from the report.

7. Legal Advice and Implications

7.1 None, other than ensuring compliance with the Code of Practice for Treasury Management in the Public Services Local Government Act 2003 (as updated) and the Prudential Code (as updated).

8. Human Resources Advice and Implications

8.1 No direct implications.

9. Implications for Children and Young People and Vulnerable Adults

9.1 The report includes reference to the cost pressures on both Children's and Adult Social care budget.

10. Equalities and Human Rights Advice and Implications

10.1 No direct implications.

11. Implications for Partners

11.1 No direct implications.

12. Risks and Mitigation

12.1 Regular monitoring of treasury management activity throughout the financial year ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

13. Accountable Officers

Graham Saxton, Assistant Director – Financial Services
Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	26/06/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	25/06/20
Head of Legal Services (Monitoring Officer)	Stuart Fletcher	25/06/20

Report Author: *Rob Mahon, Head of Corporate Finance*

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

APPENDIX 1

Summary Prudential Indicators: Rotherham MBC

		Actual £m	Revised Estimate £m	Original Estimate £m
1	Capital Expenditure (excluding PFI & Finance lease liabilities)	96.985	123.729	110.902
2	Capital Financing Requirement (CFR) including PFI & similar liabilities:			
	General Fund	536.332	553.597	546.017
	HRA	305.870	305.075	304.125
	Total	842.202	858.672	850.142
3	Net Borrowing compared to CFR excluding PFI & similar liabilities:			
	Total Borrowing	636.389	676.290	681.524
	Total Investments	39.675	20.000	20.000
	Net Borrowing	596.714	656.290	661.524
	CFR (excluding PFI & Similar liabilities)	715.684	732.236	723.366
	Under-borrowing	118.970	75.946	61.842
4	Net Borrowing compared to CFR including PFI & similar liabilities:			
	Borrowing (from above)	636.389	676.290	681.524
	Borrowing (PFI etc.)	126.518	126.436	126.776
	Total Borrowing	762.907	802.726	808.300
	Total Investments	39.675	20.000	20.000
	Net Borrowing	723.232	782.726	788.300
	CFR	842.202	858.672	850.142
	Under-borrowing	118.970	75.946	61.842
5	Authorised Limit for external debt			
	Assumed Borrowing	759.534	759.534	759.534
	PFI & similar liabilities	126.518	126.436	126.776
	Authorised Limit	886.052	885.970	886.310
	Total Borrowing	762.907	802.726	808.300
	Borrowing Below Limit	123.145	83.244	78.010
6	Operational boundary for external debt			
	Assumed Borrowing	743.366	743.366	743.366
	PFI & similar liabilities	126.776	126.776	126.776
	Operational Boundary	870.142	870.142	870.142
	Total Borrowing	762.907	802.726	808.300
	Borrowing Below/(Above) Boundary	107.235	67.416	61.842
7	Maximum Funds invested > 364 days	10.000	10.000	10.000
		Actual	Revised Estimate	Original Estimate

		%	%	%
8	Ratio of financing costs to net revenue stream – Non HRA	5.26	5.79	6.85
9	Ratio of financing costs to net revenue stream – HRA	15.92	15.98	15.75
			£	£
10	Incremental impact of capital expenditure plans on the Band D Council Tax	19.51	51.47	51.47
11	Incremental impact of capital expenditure plans on housing rents levels	0	0	0

		Actual %	Revised Upper Limit %	Original Upper Limit %
12	Maturity Structure of Fixed Rate Borrowing			
	Under 12 months	47.27	35	35
	12 months to 2 years	4.54	45	45
	2 years to 5 years	6.01	45	45
	5 years to 10 years	0.23	45	45
	10 years to 20 years	7.29	45	45
	20 years to 30 years	0.90	50	50
	30 years to 40 years	19.07	50	50
	40 years to 50 years	5.74	55	55
	50 years and above	8.97	60	60

		Actual %	Revised Upper Limit %	Original Upper Limit %
13	Upper Limit on fixed interest rates based on fixed net debt			
		85.97	100	100

		Actual %	Revised Upper Limit %	Original Upper Limit %
14	Upper Limit on variable rates based on fixed net debt			
		14.03	30	30

APPENDIX 2**Summary Prudential Indicators: Former South Yorkshire County Council**

		Actual £m	Revised Estimate £m	Original Estimate £m
1	Authorised Limit for external debt			
	Authorised Limit	37.000	37.000	37.000
	Total Borrowing	37.000	37.000	37.000
2	Borrowing Below Limit	0.000	0.000	0.000
	Operational boundary for external debt			
	Operational Boundary	37.000	37.000	37.000
	Total Borrowing	37.000	37.000	37.000
	Borrowing Below Boundary	0.000	0.000	0.000

Committee Name and Date of Committee Meeting

Audit Committee - 18 August 2020

Report Title

Update Report on the Use of Surveillance and Acquisition of Community Data Powers

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(s)

Elizabeth Anderton, Service Manager – Adult Social Care and Litigation
01709 823736 – elizabeth.anderton@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

This is a report to update the Audit Committee in its oversight role on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA).

Recommendations

That the Audit Committee:

1. Notes that the Council has not made use of surveillance or acquisition of communication data powers under RIPA since it was last reported on the 26th September 2019.
2. Notes the outcome of the desktop inspection conducted by the Investigatory Powers Commissioners Office on the 2nd July 2020.
3. Accepts the minor changes and adopts the RIPA Policy 2020.

List of Appendices Included

Copy of the Annual Statistics Return 2019
Copy of the desktop inspection report – 7th July 2020
Copy of the RIPA policy 2020 showing amendments

Background Papers

Revised Code of Practice - Covert Surveillance and Property Interference [Home Office, 2018]

Revised Code of Practice - Covert Human Intelligence Sources [Home Office, 2018]

<https://www.gov.uk/government/publications/covert-surveillance-and-covert-human-intelligence-sources-codes-of-practice>

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

Update Report on the Use of Surveillance and Acquisition of Communications Data Powers

1. Background

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public bodies, such as local authorities, to use directed (i.e. covert) surveillance and covert human intelligence sources e.g. undercover officers and public informants for the purposes of the detection and prevention of crime. Any use of those powers has to be proportionate and necessary both in use and scope. The Council has a RIPA Policy that governs the use of those powers. The Policy was updated on 29th January 2019.
- 1.2 RIPA also provides a mechanism for public bodies, such as local authorities, to acquire communications data where it is proportionate and necessary to do so for the purposes of the detection and prevention of crime. The Council has a separate Acquisition and Disclosure of Communication Data Policy to cover this activity. Typically this activity might include acquiring mobile phone subscriber details and details of itemised calls, but not the content of calls.
- 1.3 The Council's corporate policies in this regard make provision for the Audit Committee to oversee the operation of these policies by receiving reports on a 6 monthly basis to ensure that RIPA powers are being used in a manner consistent with the policy. Due to the Council not having used the powers available, it was deemed appropriate at the last update to reduce the reporting to annually.

2. Key Issues

- 2.1 So far, since the last report, the Council has not used its powers under RIPA to use directed (i.e. covert) surveillance, covert human intelligence sources, e.g. undercover officers and informants or to acquire communications data. A statistical return was completed and sent to the Investigatory Powers Commissioners Office on the 1st April 2020.
- 2.2 On the 2nd July 2020 a desktop inspection by the Investigatory Powers Commissioners Office took place. This type of inspection now takes place where a local authority does not regularly use the powers available. The outcome of inspection was positive, as can be seen from the attached report. Within the report there is one item to address. The report states:

'Wider awareness for staff who do not necessarily encounter potential RIPA issues on a regular basis was identified as an area for which increased emphasis is desirable. Current efforts to remind and re-enforce RIPA issues is approached by issuing general reminders at Director meetings and cascading such messages. This is an area which the RIPA Co-ordinator agreed to focus on, as online activity and the use of social networking sites has increased this risk in several organisations. It is positive

that RMBC has recognised the need for increased communication in this area.'

- 2.3 Efforts will be focussed in this area with an explanation of the RIPA legislation being cascade to all the individual Directorates to reduce any potential risk arising from any unauthorised activity.
- 2.4 The revised Home Office Codes of Practice advise that the elected members of a local authority should:
 - 2.4.1 Review the authority's use of RIPA and set the policy at least once a year; and
 - 2.4.2 Consider internal reports on use of RIPA on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose.
- 2.5 The RIPA Policy was reviewed by this Committee at its meeting on 29th January 2019 and were re-adopted with minor amendments. The RIPA Policy has been reviewed and there are no major changes required. Minor amendments to contact details due to a change in personnel and to typos have been made and can be seen in the attached Policy.

3. Options considered and recommended proposal

The recommended proposal(s) is that the Audit Committee:

- 3.1 Notes that the Council has not made use of surveillance or acquisition of communication data powers under RIPA since it was last reported on the 26th September 2019.
- 3.2 Notes the outcome of the desktop inspection conducted by the Investigatory Powers Commissioners Office on the 2nd July 2020.
- 3.3 Accepts the minor changes and adopts the RIPA Policy 2020.

4. Consultation on Proposal

- 4.1 Not Applicable.

5. Timetable and Accountability for Implementing this Decision

- 5.1 None.

6. Financial and Procurement Advice and Implications

- 6.1 There are no Financial and Procurement implications.

7. Legal Advice and Implications

- 7.1 Legal implications are considered in the main body of this report.

8. Human Resources Advice and Implications

8.1 There are no Human Resources implications.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for children and young people and vulnerable adults.

10. Equalities and Human Rights Advice and Implications

10.1 Adherence to the Council's policies and the statutory guidance in relation to the use of RIPA and the Acquisition of Communication Data powers should ensure that the any actions taken are in accordance with human rights.

11. Implications for Partners

11.1 There are no direct implications for partners or other directorates.

12. Risks and Mitigation

12.1 As above at paragraph 2.2 the statutory guidance requires oversight by elected members on the use of RIPA powers and to ensure policies remain fit for purpose. A failure to follow this guidance would increase the risk of misuse of RIPA powers and intervention by the Investigatory Powers Commissioner.

13. Accountable Officer(s)

Elizabeth Anderton, Service Manager – Adult Social Care and Litigation
Bal Nahal, Head of Legal Services

Report Author: Elizabeth Anderton, Service Manager – Adult Social Care and Litigation
01709 823736 – elizabeth.anderton@rotherham.gov.uk

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

	Return n
052 - The number of applications made for a CHIS authorisation?	0
053 - Of these, the number of applications made for a Juvenile CHIS authorisation?	0
054 - The number of CHIS authorisations successfully granted?	0
055 - Of these, the number of Juvenile CHIS authorisations successfully granted?	0
056 - The number of urgent applications made for a CHIS warrant?	0
057 - Of these, the number of urgent applications made for a Juvenile CHIS authorisations?	0
058 - The number of CHIS authorisations granted in an urgent case?	0
059 - Of these, the number of Juvenile CHIS authorisations granted in an urgent case?	0
060 - The number of CHIS authorisations that were renewed?	0
061 - The number of CHIS authorisations that were cancelled?	0
062 - The number of CHIS authorisations extant at the end of the year?	0
064 - Juvenile CHIS age at application	0
065 - Quantity	0
099 - The number of applications made for a Directed Surveillance authorisation?	0
100 - The number of Directed Surveillance authorisations successfully granted?	0
101 - The number of urgent applications made for a Directed Surveillance authorisation?	0
102 - The number of Directed Surveillance authorisation granted in an urgent case?	0
103 - The number of Directed Surveillance authorisations that were cancelled?	0
104 - The number of Directed Surveillance authorisations extant at the end of the year?	0
	0



Investigatory Powers
Commissioner's Office

PO Box 29105, London
SW1V 1ZU

Sharon Kemp
Chief Executive
Rotherham Metropolitan Borough Council
Riverside House
Main Street
Rotherham
S60 1AE

7 July 2020

Dear Ms Kemp,

Inspection of Rotherham Metropolitan Borough Council

Please be aware that IPCO is not a “public authority” for the purpose of the Freedom of Information Act (FOIA) and therefore falls outside the reach of the FOIA. It is appreciated that local authorities are subject to the FOIA and that they may receive requests for disclosure of our reports. In the first instance the SRO should bring the matter to the attention of the IPCO Data Protection Officer (at: info@ipco.org.uk), before making any disclosure. This is also the case if you wish to make the content of this letter publicly available.

Rotherham Metropolitan Borough Council (RMBC) was recently the subject of a telephone and desktop-based inspection by one of my Inspectors, Nicholas Fletcher. This was facilitated through Ms Elizabeth Anderson the RIPA Co-ordinator, who has day to day responsibility for RIPA issues on behalf of the Senior Responsible Officer. Relevant information was provided during professional discussion on 2nd July.

The information provided has demonstrated an appropriate level of compliance that removes, for the present, the requirement for a physical inspection.

A summary of key findings from the inspection are detailed below:

- The three recommendations made during the previous inspection in January 2016 have been fully addressed and are discharged.
- Since the last inspection in 2016, carried out by the then Office of Surveillance Commissioners, RMBC has not granted any directed surveillance or CHIS authorisations.

- The RMBC RIPA Policy was reviewed following a recommendation made during the 2016 inspection. A more recent review of the policy was undertaken in January 2019 to ensure that any changes arising from the 2018 Codes of Practice were included.
- Activity for which a RIPA authorisation may not be available, such as Test Purchase or Social Services conducting surveillance of social networking sites for civil proceedings in the family courts, is not undertaken by RMBC.
- It is assessed that appropriate training has been provided to the CEO, Authorising Officers and other staff who work in areas in which RIPA considerations may be appropriate. This includes those who need to understand the legislation to avoid inadvertently conducting activity for which a RIPA authorisation should have been sought.
- Wider awareness for staff who do not necessarily encounter potential RIPA issues on a regular basis was identified as an area for which increased emphasis is desirable. Current efforts to remind and re-enforce RIPA issues is approached by issuing general reminders at Director meetings and cascading such messages. This is an area which the RIPA Co-ordinator agreed to focus on, as online activity and the use of social networking sites has increased this risk in several organisations. It is positive that RMBC has recognised the need for increased communication in this area.
- RMBC operates overt camera systems and adheres to the Surveillance Camera Commissioner's Code of Practice. A process is in place to ensure that the parameters of an authorisation are understood should Council assistance be sought by the Police or other investigatory body.
- RMBC is aware that Elected Members of a local authority should review the Council's use of covert investigative techniques, and a report is made to the Cabinet annually to discharge that responsibility.
- Data assurance was discussed, and in respect of retention, review and destruction, RMBC records all material gathered on a case management system and the process operated incorporates a quarterly review.

I am pleased to note that this has been a positive inspection, although it must be emphasised that whilst RMBC is a minimal user of RIPA powers, it is vital that it continues with the good practice of ensuring that relevant staff are appropriately trained, should the need arise to increase the use and authorisation of covert activity. It is also important that officers engaged in investigatory or enforcement areas where RIPA considerations are not so immediately apparent, maintain their levels of knowledge and know whom to approach for guidance. Elizabeth Anderson has given assurances to Mr Fletcher that the integrity of RMBC's processes and governance procedures will be maintained to ensure compliance with the Act and relevant codes of practice.

My Office is available to you should you have any queries following the recent inspection, or at any point in the future. Contact details are provided at the foot of this letter. My Inspector would like to thank Ms Anderson for her positive and helpful engagement with the inspection process.

Yours sincerely,

Brian Leveson



The Rt. Hon. Sir Brian Leveson
The Investigatory Powers Commissioner

ROOTHERHAM BOROUGH COUNCIL

RIPA Policy

AUGUST 2020

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Appendix 1: **Non-RIPA Surveillance**
Sample Form for Non-RIPA Surveillance

Appendix 2: **Forms**

ROTHERHAM BOROUGH COUNCIL

1. COVERT SURVEILLANCE POLICY STATEMENT

Introduction

1. Rotherham Borough Council (“the Council”) is committed to building a fair and safe community for all by ensuring the effectiveness of laws designed to protect individuals, businesses, the environment and public resources.
2. The Council recognises that most organisations and individuals appreciate the importance of these laws and abide by them. The Council will use its best endeavours to help them meet their legal obligations without unnecessary expense and bureaucracy.
3. At the same time the Council has a legal responsibility to ensure that those who seek to flout the law are the subject of firm but fair enforcement action. Before taking such action, the Council may need to undertake covert surveillance of individuals and/or premises to gather evidence of illegal activity.

Procedure

4. All covert surveillance shall be undertaken in accordance with the procedures set out in this document.
5. The Council shall ensure that covert surveillance is only undertaken where it complies fully with all applicable laws in particular the:
 - Human Rights Act 1998
 - Regulation of Investigatory Powers Act 2000 (“RIPA”)
 - Protection of Freedoms Act 2012
 - Data Protection Act 2018
6. The Council shall, in addition, have due regard to all official guidance and codes of practice particularly those issued by the Home Office, the Investigatory Powers Commissioner’s Office, the Security Camera Commissioner and the Information Commissioner.
7. In particular the following guiding principles shall form the basis of all covert surveillance activity undertaken by the Council:
 - Covert surveillance shall only be undertaken where it is absolutely necessary to achieve the desired aims.
 - Covert surveillance shall only be undertaken where it is proportionate to do so and in a manner that it is proportionate.
 - Adequate regard shall be had to the rights and freedoms of those who are not the target of the covert surveillance.

- All authorisations to carry out covert surveillance shall be granted by appropriately trained and designated authorising officers. A list of those authorising officers who have been nominated by their Directorate and have undertaken appropriate training is held by the Senior Responsible Officer (SRO).
- Covert surveillance which is regulated by RIPA shall only be undertaken after obtaining judicial approval.
- The operation of this Policy and Procedure will be overseen by the SRO, whose role is described later in this document.

Training and Review

8. All Council officers undertaking and authorising covert surveillance shall be appropriately trained to ensure that they understand their legal and moral obligations.
9. Quality Assurance checks shall be carried out by the Solicitor with conduct of a specific case and the RIPA Co-ordinator to ensure that officers are complying with this policy when the authorisation forms are forwarded to Legal Services for the Judicial Approval applications. All other forms – Renewals, Review, and Cancellation forms are submitted to the RIPA Co-ordinator who will collate the forms for the Central Record.
10. This policy shall be reviewed at least once a year in the light of the latest legal developments and changes to official guidance and codes of practice.
11. The operation of this policy shall be overseen by the Council's Audit Committee by receiving reports on a 6 monthly basis to ensure that the RIPA powers are being used consistently with this policy.

Conclusion

12. All citizens will reap the benefits of this policy, through effective enforcement of criminal and regulatory legislation and the protection that it provides.
13. Adherence to this policy will minimise intrusion into citizens' lives and will avoid any legal challenge to the Council's covert surveillance activities.
14. An electronic copy of this Policy can be found on the Council's Intranet on the Key Documents section of the Legal Services page.
15. Any questions relating to this policy should be addressed to:

Contact: Elizabeth Anderton, Service Manager [Adult Social Care and Litigation], Legal Services - Extension 23736
Bal Nahal, Head of Legal Services – Extension 01709 823661

2. GUIDE TO SURVEILLANCE REGULATED BY PART 2 OF RIPA

Part 2 of RIPA sets out a regulatory framework for the use of covert investigatory techniques by public authorities to ensure that they are compatible with the European Convention of Human Rights (ECHR), particularly Article 8, the right to respect for private and family life. The purpose of this part of the procedure is to help you decide what type of surveillance you are doing and whether it is regulated by Part 2.

The Law

- The Regulation of Investigatory Powers Act 2000
<http://www.legislation.gov.uk/ukpga/2000/23/contents>
- RIPA Explanatory Notes
<http://www.legislation.gov.uk/ukpga/2000/23/notes/contents>
- RIPA Statutory Codes of Practice (Revised August 2018)
<https://www.gov.uk/government/publications/covert-surveillance-and-covert-human-intelligence-sources-codes-of-practice>
 - Covert Surveillance and Property Interference
 - Covert Human Intelligence Sources
- SI 2010 N0.521 - Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010
http://www.legislation.gov.uk/uksi/2010/521/pdfs/uksi_20100521_en.pdf
- SI 2012 No.1500 (The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012)
http://www.legislation.gov.uk/uksi/2012/1500/pdfs/uksi_20121500_en.pdf

The Surveillance Techniques which Local Authorities may authorise

Part 2 of RIPA allows local authorities to authorise two out of the three techniques it regulates i.e. the use of directed surveillance and covert human intelligence sources. The first issue for any local authority officer, considering undertaking covert surveillance is: **is it something that can be authorised under RIPA?**

Let us consider the definitions of the different types of surveillance regulated by Part 2 of RIPA:

1. Directed Surveillance
2. Intrusive Surveillance
3. Covert Human Intelligence Source (CHIS)

i) **Directed Surveillance:** This is defined in S.26(2) of the Act:

"Subject to subsection (6), surveillance is directed for the purposes of this Part if it is covert but not intrusive and is undertaken –

- (a) *for the purposes of a specific investigation or a specific operation;*
- (b) *in such a manner as is likely to result in the obtaining of private information about a person (whether or not one specifically identified for the purposes of the investigation or operation); and*
- (c) *otherwise than by way of an immediate response to events or circumstances the nature of which is such that it would not be reasonably practicable for an authorisation under this Part to be sought for the carrying out of the surveillance."*

Typically local authorities may use Directed Surveillance when investigating benefit fraud, trading standards offences or serious environmental crime or antisocial behaviour. This may involve covertly filming or following an individual or monitoring their activity in other ways.

Before undertaking any covert surveillance activity an investigating officer must ask (and have an affirmative answer to) six questions before the activity can be classed as Directed Surveillance:

- Is the surveillance, actually “surveillance” as defined by the Act?
- Will it be done covertly?
- Is it for a specific investigation or a specific operation?
- Is it likely to result in the obtaining of private information about a person?
- Will it be done, otherwise than an immediate response to events?

Please consult Flowchart 1 when deciding if your surveillance is Directed.

Key Points to Note

1. General observations do not constitute Directed Surveillance. The Covert Surveillance Code (para 3.33) states:

"The general observation duties of many law enforcement officers and other public authorities do not require authorisation under the 2000 Act, whether covert or overt. Such general observation duties frequently form part of the legislative functions of public authorities, as opposed to the pre-planned surveillance of a specific person or group of people."

2. Surveillance is only Directed if it is covert. S.26(9)(a) states:

"Surveillance is covert if, and only if, it is carried out in a manner that is calculated to ensure that persons who are subject to the surveillance are unaware that it is or may be taking place;"

This requires investigating officers to consider the manner in which the surveillance is going to be undertaken. If it is done openly, without making any attempt to conceal it or a warning letter is served on the target before the surveillance is done, then it will not be covert.

3. The definition of “private information” is very wide. The Covert Surveillance and Property Interference Code at paragraphs 3.3 to 3.6 states:
 - 3.3 *The 2000 Act states that private information includes any information relating to a person's private or family life.¹⁰ As a result, private information is capable of including any aspect of a person's private or personal relationship with others, such as family¹¹ and professional or business relationships. Information which is non-private may include publicly available information such as books, newspapers, journals, TV and radio broadcasts, newswires, web sites, mapping imagery, academic articles, conference proceedings, business reports, and more. Such information may also include commercially available data where a fee may be charged, and any data which is available on request or made available at a meeting to a member of the public. Non-private data will also include the attributes of inanimate objects such as the class to which a cargo ship belongs.*
 - 3.4 *Whilst a person may have a reduced expectation of privacy when in a public place, covert surveillance of that person's activities in public may still result in the obtaining of private information. This is likely to be the case where that person has a reasonable expectation of privacy even though acting in public and where a record is being made by a public authority of that person's activities for future consideration or analysis.¹² Surveillance of publicly accessible areas of the internet should be treated in a similar way, recognising that there may be an expectation of privacy over information which is on the internet, particularly where accessing information on social media websites. See paragraphs 3.10 to 3.17 below for further guidance about the use of the internet as a surveillance tool.*
 - 3.5 *Private life considerations are particularly likely to arise if several records are to be analysed together in order to establish, for example, a pattern of behaviour, or if one or more pieces of information (whether or not available in the public domain) are covertly (or in some cases overtly) obtained for the purpose of making a permanent record about a person or for subsequent data processing to generate further information. In such circumstances, the totality of information gleaned may constitute private information even if individual records do not. Where such conduct includes covert surveillance, a directed surveillance authorisation may be considered appropriate.*
 - 3.6 *Private information may include personal data, such as names, telephone numbers and address details. Where such information is acquired by means of covert surveillance of a person having a reasonable expectation of privacy, a directed surveillance authorisation is appropriate.*

4. Where covert surveillance needs to be done in an emergency and there is no time (or no Authorising Officer available) to authorise the activity, the surveillance can still be done. It will not constitute Directed Surveillance. The Covert Surveillance Code (para 3.32) states:

"Covert surveillance that is likely to reveal private information about a person but is carried out by way of an immediate response to events such that it is not reasonably practicable to obtain an authorisation under the 2000 Act, would not require a directed surveillance authorisation. The 2000 Act is not intended to prevent law enforcement officers fulfilling their legislative functions. To this end section 26(2)(c) of the 2000 Act provides that surveillance is not directed surveillance when it is carried out by way of an immediate response to events or circumstances the nature of which is such that it is not reasonably practicable for an authorisation to be sought for the carrying out of the surveillance."
5. If the Council authorises a non-employee (e.g. an enquiry agent) to conduct covert surveillance then that person/company is acting as an agent for the Council. The Authorising Officer must ensure that the person/company is competent and they have provided a written acknowledgment that they are an agent of the Council and will comply with the authorisation.
6. The revised Code of Practice for Covert Surveillance and Property Interference at paragraphs 3.10 to 3.17 clarifies the position on the use of social media for surveillance and provides examples:
 - 3.10 *The growth of the internet, and the extent of the information that is now available online, presents new opportunities for public authorities to view or gather information which may assist them in preventing or detecting crime or carrying out other statutory functions, as well as in understanding and engaging with the public they serve. It is important that public authorities are able to make full and lawful use of this information for their statutory purposes. Much of it can be accessed without the need for RIPA authorisation; use of the internet prior to an investigation should not normally engage privacy considerations. But if the study of an individual's online presence becomes persistent, or where material obtained from any check is to be extracted and recorded and may engage privacy considerations, RIPA authorisations may need to be considered. The following guidance is intended to assist public authorities in identifying when such authorisations may be appropriate.*
 - 3.11 *The internet may be used for intelligence gathering and/or as a surveillance tool. Where online monitoring or investigation is conducted covertly for the purpose of a specific investigation or operation and is likely to result in the obtaining of private*

information about a person or group, an authorisation for directed surveillance should be considered, as set out elsewhere in this code. Where a person acting on behalf of a public authority is intending to engage with others online without disclosing his or her identity, a CHIS authorisation may be needed (paragraphs 4.10 to 4.16 of the Covert Human Intelligence Sources code of practice provide detail on where a CHIS authorisation may be available for online activity)

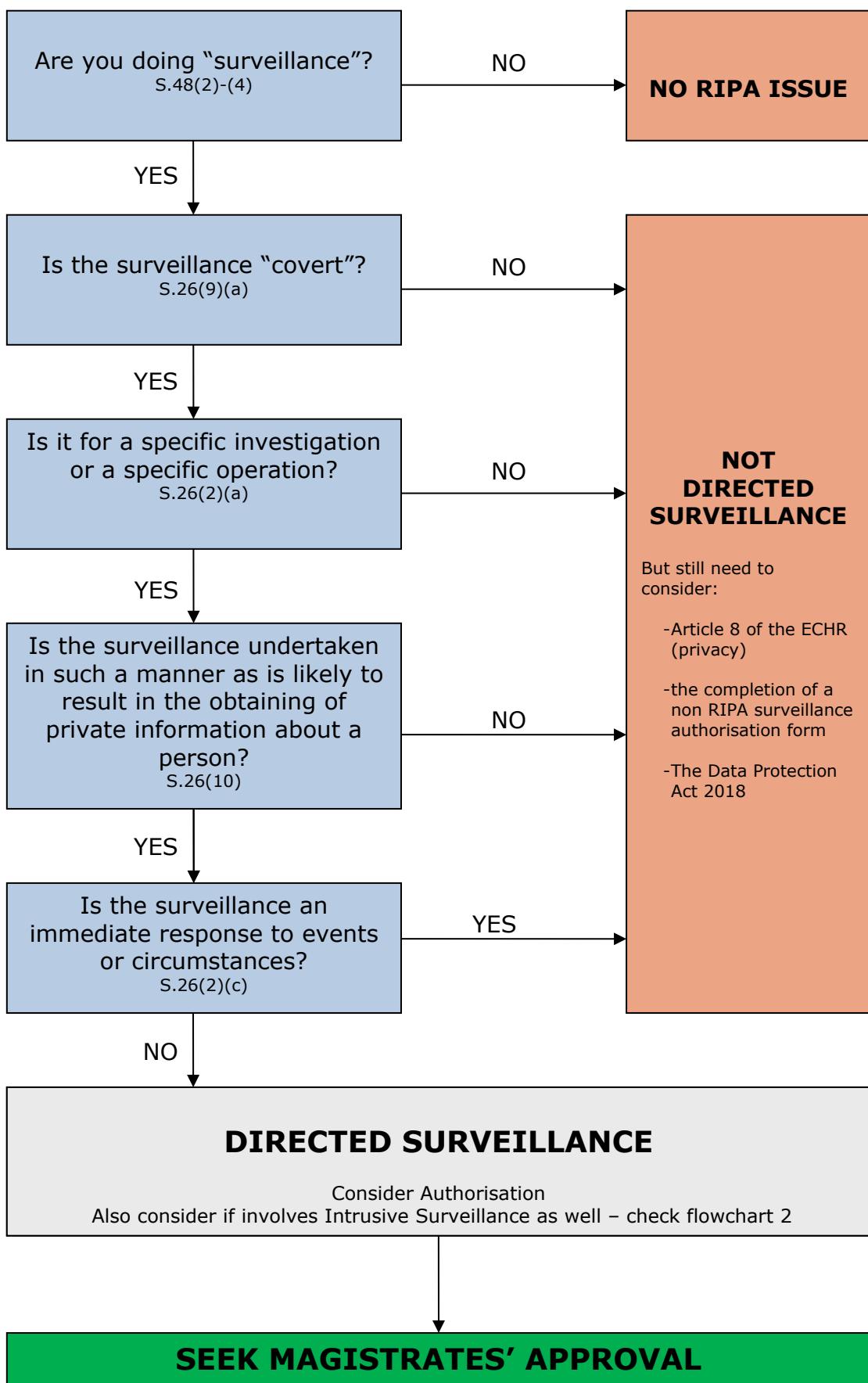
- 3.12 *In deciding whether online surveillance should be regarded as covert, consideration should be given to the likelihood of the subject(s) knowing that the surveillance is or may be taking place. Use of the internet itself may be considered as adopting a surveillance technique calculated to ensure that the subject is unaware of it, even if no further steps are taken to conceal the activity. Conversely, where a public authority has taken reasonable steps to inform the public or particular individuals that the surveillance is or may be taking place, the activity may be regarded as overt and a directed surveillance authorisation will not normally be available.*
- 3.13 *As set out in paragraph 3.14 below, depending on the nature of the online platform, there may be a reduced expectation of privacy where information relating to a person or group of people is made openly available within the public domain, however in some circumstances privacy implications still apply. This is because the intention when making such information available was not for it to be used for a covert purpose such as investigative activity. This is regardless of whether a user of a website or social media platform has sought to protect such information by restricting its access by activating privacy settings.*
- 3.14 *Where information about an individual is placed on a publicly accessible database, for example the telephone directory or Companies House, which is commonly used and known to be accessible to all, they are unlikely to have any reasonable expectation of privacy over the monitoring by public authorities of that information. Individuals who post information on social media networks and other websites whose purpose is to communicate messages to a wide audience are also less likely to hold a reasonable expectation of privacy in relation to that information.*
- 3.15 *Whether a public authority interferes with a person's private life includes a consideration of the nature of the public authority's activity in relation to that information. Simple reconnaissance of such sites (i.e. preliminary examination with a view to establishing whether the site or its contents are of interest) is unlikely to interfere with a person's reasonably held expectation*

of privacy and therefore is not likely to require a directed surveillance authorisation. But where a public authority is systematically collecting and recording information about a particular person or group, a directed surveillance authorisation should be considered. These considerations apply regardless of when the information was shared online. See also paragraph 3.

- 3.16 *In order to determine whether a directed surveillance authorisation should be sought for accessing information on a website as part of a covert investigation or operation, it is necessary to look at the intended purpose and scope of the online activity it is proposed to undertake. Factors that should be considered in establishing whether a directed surveillance authorisation is required include:*
- *Whether the investigation or research is directed towards an individual or organisation;*
 - *Whether it is likely to result in obtaining private information about a person or group of people (taking account of the guidance at paragraph 3.6 above);*
 - *Whether it is likely to involve visiting internet sites to build up an intelligence picture or profile;*
 - *Whether the information obtained will be recorded and retained;*
 - *Whether the information is likely to provide an observer with a pattern of lifestyle;*
 - *Whether the information is being combined with other sources of information or intelligence, which amounts to information relating to a person's private life;*
 - *Whether the investigation or research is part of an ongoing piece of work involving repeated viewing of the subject(s);*
 - *Whether it is likely to involve identifying and recording information about third parties, such as friends and family members of the subject of interest, or information posted by third parties, that may include private information and therefore constitute collateral intrusion into the privacy of these third parties.*
- 3.17 *Internet searches carried out by a third party on behalf of a public authority, or with the use of a search tool, may still require a directed surveillance authorisation (see paragraph 4.32).*

No officer should make repeated visits to the same open source social media site as part of an investigation unless they have first spoken to the Council's RIPA Co-ordinator (Elizabeth Anderton 01709 823736) or the Head of Legal Services (Bal Nahal 01709 823661) to ensure that it is lawful to do so.

7. Flowchart 1 - Are you conducting Directed Surveillance?



ii) **Intrusive Surveillance:** S.26(3) states:

"Subject to subsections (4) to (6), surveillance is intrusive for the purposes of this Part if, and only if, it is covert surveillance that—

- (a) *is carried out in relation to anything taking place on any residential premises or in any private vehicle; and*
- (b) *involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device. "*

As the name suggests, this type of surveillance is much more intrusive and so the legislation is framed in a way as to give greater protection to the citizen when it is used. Applications to carry out Intrusive Surveillance can only be made by the senior Authorising Officer of those public authorities listed in or added to S.32(6) of the Act or by a member or official of those public authorities listed in or added to section 41(l). **Local authorities are not listed therein and so cannot authorise such Intrusive Surveillance.**

It is still important for investigating officers to understand the definition of Intrusive Surveillance in order for them to be able to ensure that Directed Surveillance does not inadvertently extend into Intrusive Surveillance. The following issues should be considered in each case:

- Is it Covert Surveillance as defined by the Act?
- Is it being carried out in relation to anything taking place on any residential premises or in any private vehicle?
- Does it involve the presence of an individual on the premises or in the vehicle?
- Is it being carried out by means of a surveillance device on the premises or in the vehicle?

Please consult Flowchart 2 when deciding if your surveillance is Intrusive.

Key Points to Note

1. When doing covert surveillance of premises it can only be Intrusive if it is carried out in relation to anything taking place on residential premises. This is defined in S.48(1):

"residential premises" means (subject to subsection (7)(b)) so much of any premises as is for the time being occupied or used by any person, however temporarily, for residential purposes or otherwise as living accommodation (including hotel or prison accommodation that is so occupied or used);"

Environmental health officers doing covert surveillance of takeaways, restaurants and shops will not be doing Intrusive Surveillance. Care must be taken though where a shop also contains living quarters and covert filming may capture images of people in those quarters. Other examples of residential premises include flats, hotel rooms, caravans and even boats, which are used as living quarters. Care must be taken in such situations to avoid the accusation that unauthorised Intrusive Surveillance was carried out.

2. Not all surveillance of vehicles is Intrusive; the target has to be a private vehicle as defined in S.48(1):

“private vehicle” means (subject to subsection (7)(a)) any vehicle which is used primarily for the private purposes of the person who owns it or of a person otherwise having the right to use it;”

The vehicle can be owned, borrowed, rented or leased. However (by virtue of S.48 (7) (a)) surveillance is not Intrusive where the target vehicle is a taxi or a chauffeur driven vehicle such as a public coach service.

3. For the surveillance to be Intrusive rather than just Directed it has got to be undertaken in such a manner as to involve the presence of an individual on the premises or inside the vehicle.

It is extremely unlikely that local authorities would allow their staff to undertake surveillance by getting inside a private vehicle covertly. This could only be conceivably done if the investigating officer hides in the boot of the target vehicle!

However, it may be that an officer is stationed inside residential premises to covertly observe drug dealing or anti social behaviour. Whilst normally this kind of conduct is the realm of the police, care must be taken. For example a keen investigator taking covert pictures from outside a house may decide to jump over the fence and hide in the garden to obtain clearer images.

4. Surveillance can still be Intrusive even if the investigating officer is not on or inside the premises or vehicle but is using a surveillance device such a camera, listening device, recorder or even binoculars.

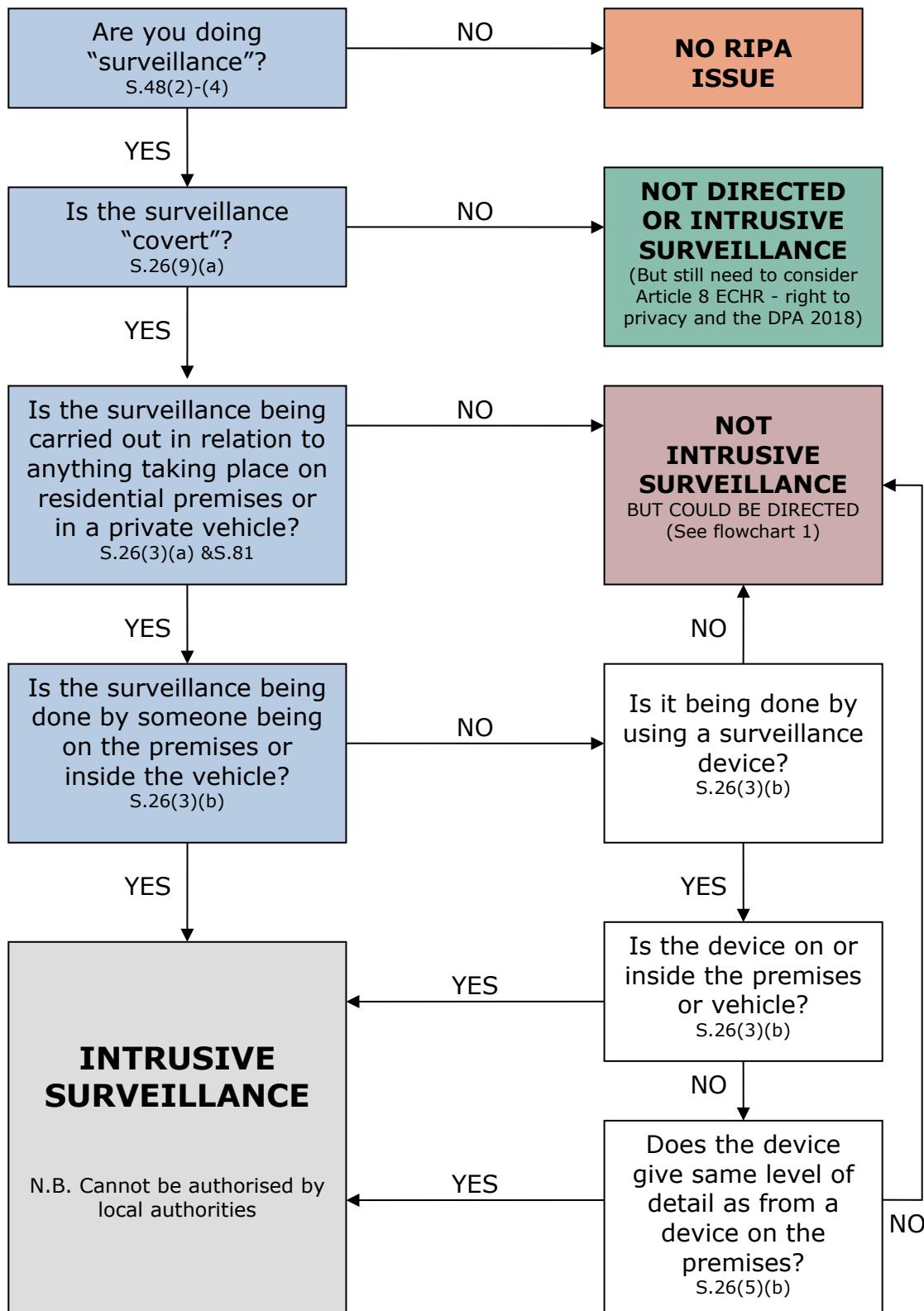
However, the words of S.26 (5) should be noted:

For the purposes of this Part surveillance which—

- (a) *is carried out by means of a surveillance device in relation to anything taking place on any residential premises or in any private vehicle, but*
- (b) *is carried out without that device being present on the premises or in the vehicle,*

is not intrusive unless the device is such that it consistently provides information of the same quality and detail as might be expected to be obtained from a device actually present on the premises or in the vehicle.

Flowchart 2 - Are you doing Intrusive Surveillance?



iii) **A Covert Human Intelligence Source (CHIS)** This is defined in S.26(8):

"...a person is a covert human intelligence source if -

- (a) *he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c);*
- (b) *he covertly uses such a relationship to obtain information or to provide access to any information to another person; or*
- (c) *he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship."*

To ascertain whether a person is a CHIS three questions must be asked:

- Is the person establishing or maintain a personal or other relationship with a person?
- Is that relationship being used for a covert purpose?
- Is the covert purpose facilitating the doing of anything falling within paragraph (b) or (c) (above)?

Please consult Flowchart 3 when deciding if your surveillance involves a CHIS.

A CHIS is somebody who is concealing or misrepresenting their true identity or purpose in order to covertly gather or provide access to information from the target. Examples of a CHIS include a private investigator pretending to live on a housing estate to gather evidence of drug dealing or an informant who gives information to Trading Standards about illegal business practices in a factory or shop.

Key Points to Note

1. A public volunteer is not a CHIS. The CHIS code (para 2.17) states:

"In many cases involving human sources, a relationship will not have been established or maintained for a covert purpose. Many sources merely volunteer or provide information that is within their personal knowledge, without being induced, asked, or tasked by a public authority. This means that the source is not a CHIS for the purposes of the 2000 Act and no authorisation under the 2000 Act is required."

Care must be taken to ensure that someone who starts off as a public volunteer does not end up being a CHIS.

2. There must be covert use of a relationship to provide access to information or to covertly disclose information. Merely giving a complainant a diary sheet to note comings and goings will not make that person a CHIS.
3. A test purchaser, though technically a CHIS, may not always require authorisation. Please consult the CHIS Code (para 2.13) and the OSC Procedures and Guidance Document for further guidance.

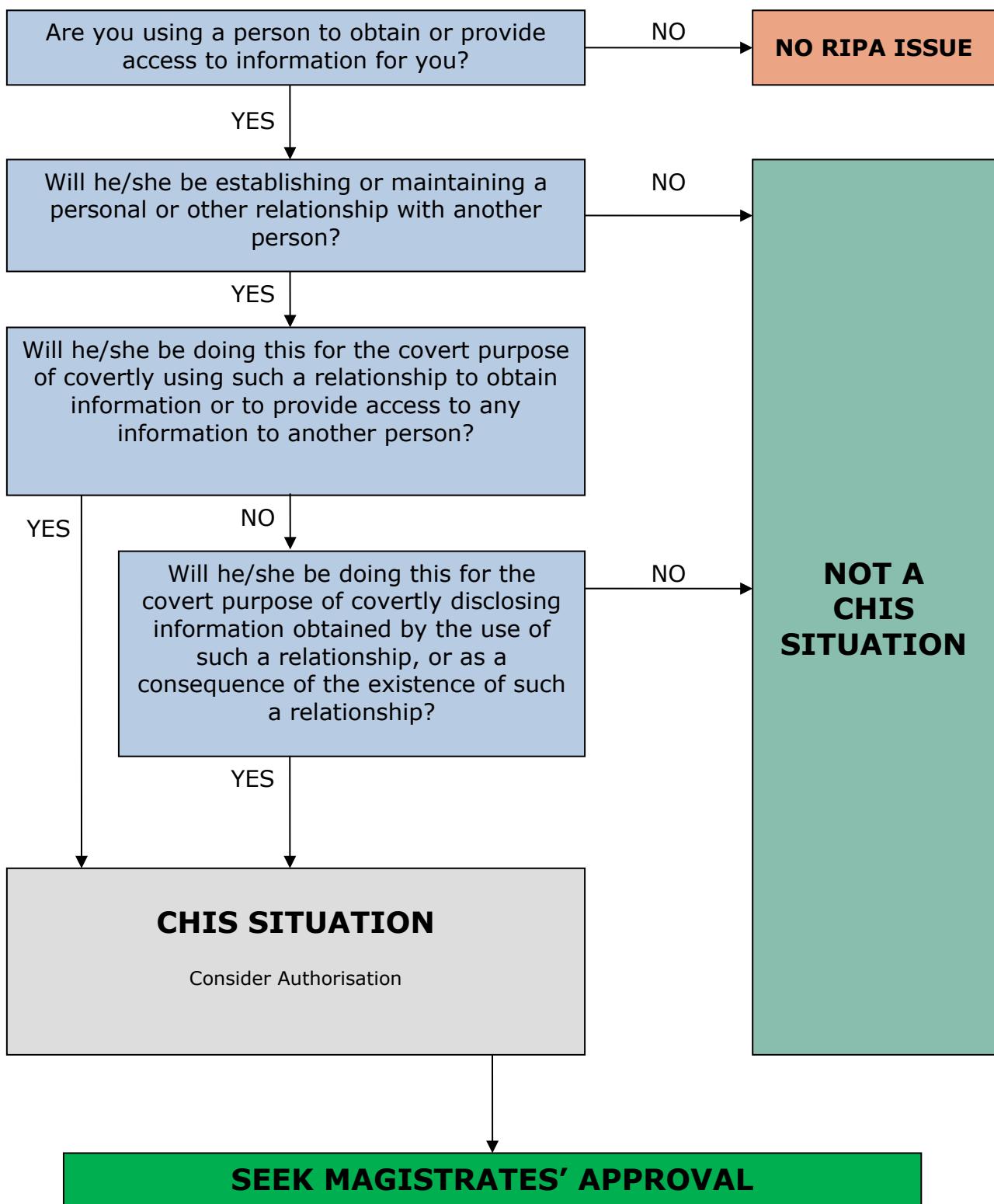
4. The revised Code of Practice for Covert Human Intelligence Sources at paragraphs 4.11 to 4.17 clarifies the position on the use of social media in a potential CHIS context and provides examples:
- 4.11 *Any member of a public authority, or person acting on their behalf, who conducts activity on the internet in such a way that they may interact with others, whether by publicly open websites such as an online news and social networking service, or more private exchanges such as e-messaging sites, in circumstances where the other parties could not reasonably be expected to know their true identity, should consider whether the activity requires a CHIS authorisation. A directed surveillance authorisation should also be considered, unless the acquisition of that information is or will be covered by the terms of an applicable CHIS authorisation.*
- 4.12 *Where someone, such as an employee or member of the public, is tasked by a public authority to use an internet profile to establish or maintain a relationship with a subject of interest for a covert purpose, or otherwise undertakes such activity on behalf of the public authority, in order to obtain or provide access to information, a CHIS authorisation is likely to be required. For example:*
- An investigator using the internet to engage with a subject of interest at the start of an operation, in order to ascertain information or facilitate a meeting in person.*
 - Directing a member of the public (such as a CHIS) to use their own or another internet profile to establish or maintain a relationship with a subject of interest for a covert purpose.*
 - Joining chat rooms with a view to interacting with a criminal group in order to obtain information about their criminal activities.*
- 4.13 *A CHIS authorisation will not always be appropriate or necessary for online investigation or research. Some websites require a user to register providing personal identifiers (such as name and phone number) before access to the site will be permitted. Where a member of a public authority sets up a false identity for this purpose, this does not in itself amount to establishing a relationship, and a CHIS authorisation would not immediately be required, though consideration should be given to the need for a directed surveillance authorisation if the conduct is likely to result in the acquisition of private information, and the other relevant criteria are met*
- 4.14 *Where a website or social media account requires a minimal level of interaction, such as sending or receiving a friend request before access is permitted, this may not in itself amount to establishing a relationship. Equally, the use of electronic gestures such as “like” or “follow” to react to information posted*

by others online would not in itself constitute forming a relationship. However, it should be borne in mind that entering a website or responding on these terms may lead to further interaction with other users and a CHIS authorisation should be obtained if it is intended for an officer of a public authority or a CHIS to engage in such interaction to obtain, provide access to or disclose information.

- 4.15 *When engaging in conduct as a CHIS, a member of a public authority should not adopt the identity of a person known, or likely to be known, to the subject of interest or users of the site without considering the need for authorisation. Full consideration should be given to the potential risks posed by that activity.*
- 4.16 *Where use of the internet is part of the tasking of a CHIS, the risk assessment carried out in accordance with section 6.13 of this code should include consideration of the risks arising from that online activity including factors such as the length of time spent online and the material to which the CHIS may be exposed. This should also take account of any disparity between the technical skills of the CHIS and those of the handler or authorising officer, and the extent to which this may impact on the effectiveness of oversight.*
- 4.17 *Where it is intended that more than one officer will share the same online persona, each officer should be clearly identifiable within the overarching authorisation for that operation, providing clear information about the conduct required of each officer and including risk assessments in relation to each officer involved. (See also paragraph 3.23)*

No officer should make repeated visits to the same open source social media site as part of an investigation unless they have first spoken to the Council's RIPA Co-ordinator (Elizabeth Anderton 01709 823736) or the Head of Legal Services (Bal Nahal 01709 823661) to ensure that it is lawful to do so.

Flowchart 3 - Are you deploying a CHIS?



Completing the Forms

Once it is decided what type of surveillance is being undertaken, the appropriate form must be completed and sent to the Authorising Officer for approval. Templates of each form together with notes to assist completion and precedent wording are on the Intranet in the same section on the same page as this Policy (Legal Services, Key Documents). It should be noted that as a result of the changes made by the Protection of Freedoms Act 2012, local authorities no longer have the power to make urgent oral authorisations. Therefore, all authorisations, even if urgent, must be made in writing and the relevant judicial approval must be sought.

The Authorising Officer

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 N0.521) states that the Authorising Officer for a local authority can be a Director, Head of Service, Service Manager or equivalent. A list of the Council's Authorising Officers is held by the SRO. All authorising officers will be nominated by their Directorates, as being of sufficient rank and having undertaken appropriate RIPA training. Once the SRO is satisfied that this is the case they will be added to the list of Authorising officers, held by the SRO.

Where the surveillance involves the likelihood of obtaining confidential information or the deployment of juveniles or vulnerable people, then the authorisation has to be sought from the Head of Paid Service or, in his/her absence, the acting Head of Paid Service.

Time Limits

The current time limits for an authorisation are 3 months for Directed Surveillance and 12 months for a CHIS (1 month if the CHIS is underage), from the date of the Magistrate's approval.

A renewal must be authorised prior to the expiry of the original authorisation, but it runs from the expiry date and time of that original authorisation. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a Magistrate.

Applications for renewals should not be made until shortly before the original authorisation period is due to expire but local authorities must take account of factors, which may delay the renewal process (e.g. intervening weekends or the availability of the relevant local authority authorising officer and a Magistrate to consider the application).

3. GUIDANCE FOR AUTHORISING OFFICERS

AUTHORISING DIRECTED SURVEILLANCE: RULES AND CRITERIA

Section 27 of RIPA provides a powerful defence if covert surveillance is challenged:

- "(1) Conduct to which this Part applies shall be lawful for all purposes if -
(a) an authorisation under this Part confers an entitlement to engage in that conduct on the person whose conduct it is; and
(b) his conduct is in accordance with the authorisation."*

To take advantage of this defence, the surveillance needs to be properly authorised. S.28 sets out the criteria for authorising Directed Surveillance, whilst S.29 covers CHIS.

The Authorising Officer

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 N0.521) states that the Authorising Officer for a local authority can be a Director, Head of Service, Service Manager or equivalent. As stated above, a list of the Council's approved Authorising Officers is held by the SRO. A list of the current Authorising Officers is set out in section 6.

Where the surveillance involves the likelihood of obtaining confidential information or the deployment of juveniles or vulnerable people, then the authorisation has to be sought from the Head of Paid Service or, in his/her absence, the acting Head of Paid Service.

Time Limits

The current time limits for an authorisation are 3 months for Directed Surveillance and 12 months for a CHIS (1 month if the CHIS is underage), from the date of the Magistrates' approval.

A renewal must be authorised prior to the expiry of the original authorisation, but it runs from the expiry date and time of that original authorisation. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a Magistrate.

Applications for renewals should not be made until shortly before the original authorisation period is due to expire but local authorities must take account of factors, which may delay the renewal process (e.g. intervening weekends or the availability of the relevant local authority authorising officer and a Magistrate to consider the application).

Authorising Officer's Consideration (Chapter 3, Covert Surveillance Code)

S.28(2) states:

*"A person shall not grant an authorisation for the carrying out of directed surveillance unless he believes -
 (a) that the authorisation is necessary on grounds falling within subsection (3); and
 (b) that the authorised surveillance is proportionate to what is sought to be achieved by carrying it out."*

Please consult Flowchart 4 when deciding whether Directed Surveillance should be authorised.

The first question that the Authorising Officer needs to ask is: Is the surveillance necessary? Namely, is it necessary to use directed surveillance in the operation.

The surveillance has to be necessary on one of the grounds set out within in S.28(3). Previously local authorities could authorise Directed Surveillance where it was necessary “

"for the purpose of preventing or detecting crime or of preventing disorder."
 (S.28(3)(b))

The Home Office Review, which reported in January 2011, recommended that where local authorities wish to use Directed Surveillance, this should be confined to cases where the offence under investigation is a serious offence.

This recommendation was put into effect by [The Regulation of Investigatory Powers \(Directed Surveillance and Covert Human Intelligence Sources\) \(Amendment\) Order 2012, SI 2012/1500](#) which was made in June 2012 and came into force on 1st November 2012. This amends the [Regulation of Investigatory Powers \(Directed Surveillance and Covert Human Intelligence Sources\) Order 2010, SI 2010/521](#) ("the 2010 Order"), which prescribes which officers, within a public authority, have the power to grant authorisations for the carrying out of Directed Surveillance and the grounds, under Section 28(3), upon which authorisations can be granted.

From 1st November 2012, local authority Authorising Officers may not authorise Directed Surveillance unless it is for the purpose of preventing or detecting a criminal offence and it meets the condition set out in New Article 7A(3)(a) or (b) of the 2010 Order. Those conditions are that the criminal offence which is sought to be prevented or detected is punishable, whether on summary conviction or on indictment, by a maximum term of **at least 6 months of imprisonment**, or would constitute an offence under sections 146, 147 or 147A of the Licensing Act 2003 or section 7 of the Children and Young Persons Act 1933. The latter are all offences involving sale of tobacco and alcohol to underage children.

So what about surveillance being carried out to tackle disorder (e.g. anti-social behaviour)? This can no longer be authorised as Directed Surveillance unless the disorder includes criminal offences satisfying the above criteria.

The second question is: Is the surveillance proportionate to what is sought to be achieved by carrying it out?

Proportionality means ensuring that the surveillance is the least intrusive method to obtain the required information having considered all reasonable alternatives. This requires consideration of not only whether surveillance is appropriate but also the method to be adopted, the duration and the equipment to be used.

The OSC often states in its inspection reports that officers have not properly understood this concept or have not demonstrated compliance within the authorisation form. The Covert Surveillance Code (para 3.6) requires four aspects to be addressed in the authorisation form:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

The third question is; can we avoid or minimise collateral intrusion?

The Authorising Officer will need to carefully consider the likelihood of collateral intrusion occurring. This is the risk of intrusion into the privacy of persons other than those who are directly the subjects of the investigation or operation. If the risk is significant, measures should be taken, wherever practicable, to avoid or minimise any unnecessary intrusion.

Investigating and Authorising Officers will need to ask themselves:

- What is the impact on third parties? Is it significant?
- If it is, what can be done to avoid or minimise it?
- Have we considered:
 - Changing the timing of the surveillance
 - Reducing the amount of surveillance
 - Changing the method of surveillance
 - The sensitivities of the local community

Surveillance operations by other public authorities - Of course at all times the need to obtain the best evidence to investigate the crime will be paramount.

Next Stage: Once the surveillance has been authorised the next stage is to seek Magistrates' approval. See Section 4 for a detailed explanation of the procedure

Flowchart 4 - Authorising Directed Surveillance

Q.1 – Is the surveillance necessary? Namely, is it necessary to use directed surveillance in the operation.

Q.2 – Is the surveillance proportionate?

See para 3.6 of Covert Surveillance Code – Consider:

- Size and scope of operation
- Methods to be adopted
- Alternative means available
- Appropriate use of legislation
- Impact on suspect

YES

YES

Does it involve preventing or detecting a serious offence*?
OR
Is it to prevent or detect an offence-involving sale of tobacco or alcohol to under-age children?

*One carrying a term of imprisonment of six months or more

YES

Q.3 – Have you considered what you can do (if anything) to minimise/avoid collateral intrusion?

See para 3.8 of Covert Surveillance Code – Consider e.g.:

- Size and scope of operation
- Means/equipment used
- Timing of surveillance
- Duration of surveillance

NO

NO

CANNOT BE AUTHORISED AS DIRECTED SURVEILLANCE

YES

AUTHORISE AS DIRECTED SURVEILLANCE

SEEK MAGISTRATES' APPROVAL

AUTHORISING A CHIS: RULES AND CRITERIA

Section 27 of RIPA provides a powerful defence if covert surveillance is challenged:

*"(1) Conduct to which this Part applies shall be lawful for all purposes if -
(a) an authorisation under this Part confers an entitlement to engage in that conduct
on the person whose conduct it is; and
(b) his conduct is in accordance with the authorisation."*

To take advantage of this defence, the surveillance needs to be properly authorised. S.28 sets out the criteria for authorising Directed Surveillance, whilst S.29 covers CHIS.

The Authorising Officer

The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010 (SI 2010 N0.521) states that the Authorising Officer for a local authority can be a Director, Head of Service, Service Manager or equivalent.

Where the surveillance involves the likelihood of obtaining confidential information or the deployment of juveniles or vulnerable people, then the authorisation has to be sought from the Head of Paid Service or, in his/her absence, the acting Head of Paid Service. A list of the Council's Authorising Officers is held by the SRO.

If there is any doubt regarding sufficiency of rank you should contact Legal Services or RIPA Coordinator for advice.

Time Limits

The current time limits for an authorisation are 3 months for Directed Surveillance and 12 months for a CHIS (1 month if the CHIS is underage).

A renewal must be authorised prior to the expiry of the original authorisation, but it runs from the expiry date and time of that original authorisation. Authorisations may be renewed more than once if still considered necessary and proportionate and approved by a Magistrate.

Applications for renewals should not be made until shortly before the original authorisation period is due to expire but local authorities must take account of factors, which may delay the renewal process (e.g. intervening weekends or the availability of the relevant local authority authorising officer and a Magistrate to consider the application).

Authorising Officer's Consideration

S.29(2) states:

"A person shall not grant an authorisation for the conduct or the use of a covert human intelligence source unless he believes-

- (a) *that the authorisation is necessary on grounds falling within subsection (3);*
- (b) *that the authorised conduct or use is proportionate to what is sought to be achieved by that conduct or use; and*
- (c) *that arrangements exist for the source's case that satisfy the requirements of subsection (5) and such other requirements as may be imposed by order made by the Secretary of State."*

Please consult Flowchart 5 when deciding whether the deployment of a CHIS should be authorised.

Three matters are important to consider before authorising the deployment of a CHIS:

1. Necessity

The deployment of a CHIS has to be necessary on one of the grounds set out within in S.29(3). Local authorities can only authorise on the one ground; where it is necessary:

"for the purpose of preventing or detecting crime or of preventing disorder."
(S.29(3)(b))

The matter being investigated must be an identifiable criminal offence or constitute disorder. Unlike Directed Surveillance, the grounds for authorising a CHIS did not change on 1 November 2012.

2. Proportionality

Proportionality means ensuring that the deployment of the CHIS is the least intrusive method to obtain the required information having considered all reasonable alternatives. This requires consideration of not only whether a CHIS is appropriate but also the method to be adopted, the duration and the equipment to be used. The CHIS Code (para 3.5) requires four aspects to be addressed in the authorisation form:

- balancing the size and scope of the proposed activity against the gravity and extent of the perceived crime or offence;
- explaining how and why the methods to be adopted will cause the least possible intrusion on the subject and others;
- considering whether the activity is an appropriate use of the legislation and a reasonable way, having considered all reasonable alternatives, of obtaining the necessary result;
- evidencing, as far as reasonably practicable, what other methods had been considered and why they were not implemented.

3. Security and Welfare Arrangements

CHISs are often placed in difficult and sometimes dangerous situations e.g. an informant on a housing estate in contact with criminal gangs. Appropriate security and welfare arrangements must also be in place in relation to each CHIS. S.29(5) requires there to be:

- A person who will have day-to-day responsibility for dealing with the CHIS on behalf of that authority, and for his/her security and welfare;
- A person who will have general oversight of the use made of the CHIS. This person must be different to the one above.

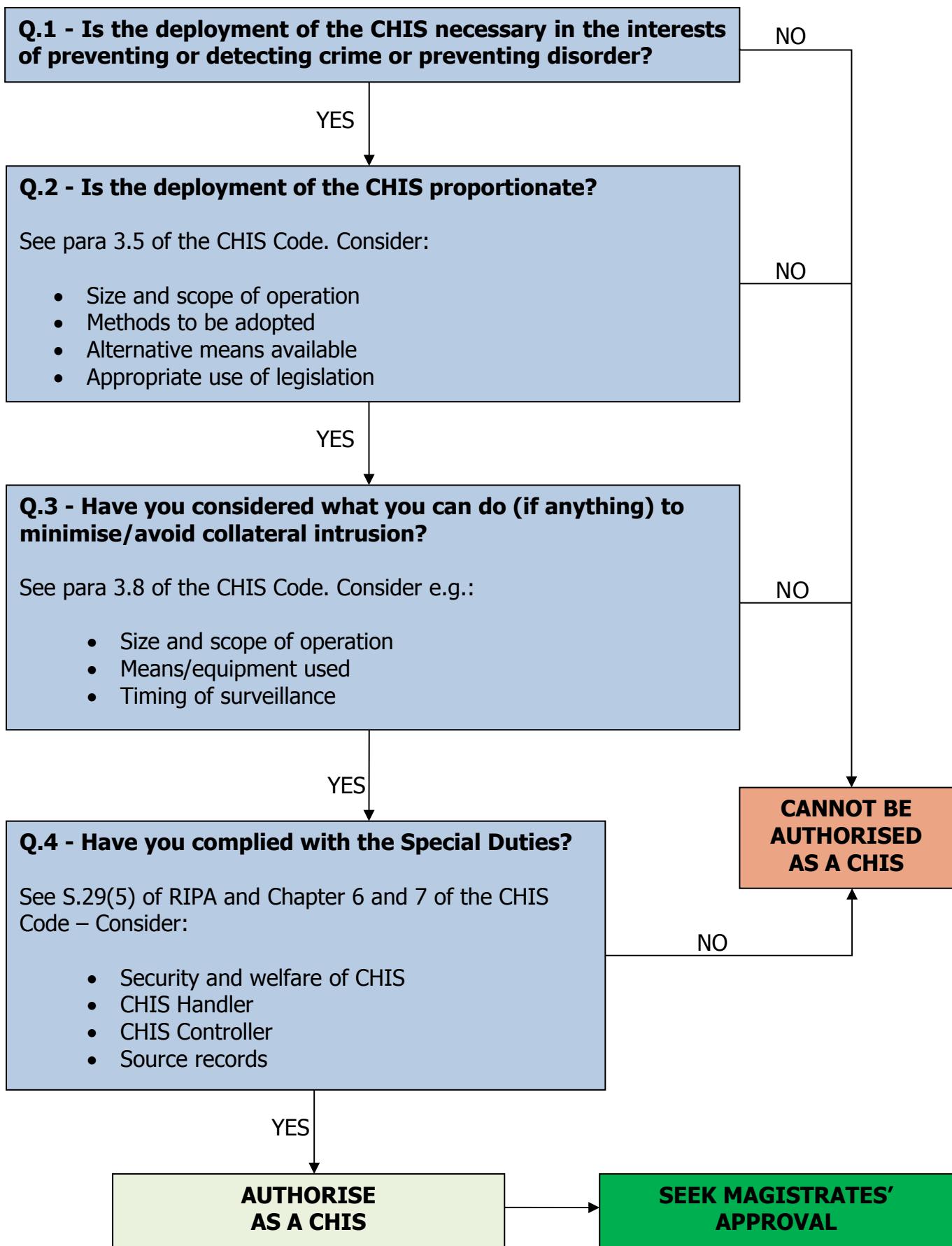
- A person who will maintain a record of the use made of the CHIS. This can be any of the above or a separate person.
- Proper and secure records to keep about the use made of the CHIS.

Risk Assessment: An authorisation for the conduct or use of a CHIS may not be granted or renewed in any case where the source is under the age of eighteen at the time of the grant or renewal, unless a risk assessment has been carried out. This must be sufficient to demonstrate that:

- the nature and magnitude of any risk of physical injury to the CHIS arising in the course of, or as a result of, carrying out the conduct described in the authorisation has been identified and evaluated;
- the nature and magnitude of any risk of psychological distress to the CHIS arising in the course of, or as a result of, carrying out the conduct described in the authorisation has been identified and evaluated;
- the person granting or renewing the authorisation has considered the risk assessment and has satisfied himself that any risks identified in it are justified and, if they are, that they have been properly explained to and understood by the CHIS;

the person granting or renewing the authorisation knows whether the relationship to which the conduct or use would relate is between the CHIS and a relative, guardian or person who has for the time being assumed responsibility for the CHISs welfare, and, if it is, has given particular consideration to whether the authorisation is justified in the light of that fact.

Flowchart 5 - Authorising a CHIS



PROCEDURE FOR COMPLETING THE RIPA FORMS

The standard forms with guidance notes are on the intranet, in the same section as this Policy (Legal Services, Key Documents). Each standard Home Office RIPA form is reproduced with guidance notes in **dark blue 12 point Calibri font**. These forms are the latest versions downloaded from the Home Office RIPA website on 10th March 2015.

The Home Office states that public authorities may use these forms or adapt them, for example to include corporate logos or images or to combine review and renewal, or renewal and cancellation forms. However, if they adapt these forms for their own purposes - to record extra information that is not strictly necessary to ensure and demonstrate compliance with RIPA - that additional local requirement should be indicated as being distinct from the necessary recording of RIPA considerations and decisions. On no account though should the forms be pre completed with standard wording, as each application should be made with the specific circumstances of the investigation in mind.

What to do

1. Decide what types of surveillance you are doing (refer to the guidance in Section 2 of this procedure).
2. Use this guidance and associated precedents to complete the appropriate forms. The following documents will also assist in this task:
 - a) The Covert Surveillance Code of Practice
 - b) The Covert Human Intelligence Sources Code of Practice
 - c) The OSC Procedures and Guidance Document – (available from the RIPA Co-coordinator).
3. Once completed, the forms should be sent to the most appropriate authorising Officer for approval. A list of Authorising Officers is available from the SRO.
4. The Authorising Officer should be reminded to read Section 3 of this procedure before completing his/her sections of the form. All authorization forms should be signed in hard copy by the authorizing officer, as opposed to any system of using an electronic signature.
5. If you are seeking a new authorisation or renewing an existing one, remember that it cannot take effect until a Magistrate has approved it. The procedure for this is set out in Section 4 of this document.
6. The original of each completed form (including cancellation forms) should be sent to the RIPA Co-coordinator who maintains the Council's Central Record of Authorisations, with a copy kept on the operational file.

COMMON MISTAKES IN RIPA FORMS

(Highlighted by the OSC)

Officers should be aware of the following mistakes when they undertake their respective roles in the RIPA process.

Investigating Officers' Mistakes

- Using of out of date Home Office forms
- Not quoting a unique reference number (URN)
- Copying (cutting and pasting) wording from old authorisation forms
- Failing to give a detailed explanation of what the surveillance will involve
- A surfeit of surveillance tactics and equipment being requested and granted but rarely fully used when reviews and cancellations are examined
- Failing to consider and/or explain the proportionality factors
- Poor and over-formulaic consideration of potential collateral intrusion and how this will be managed
- Failing to consider likelihood of obtaining Confidential Information
- Failing to recognise or be alive to the possibility that someone may have met the CHIS criteria
- Failing to authorise a CHIS promptly as soon as they have met the criteria
- Over-generic risk assessments for a CHIS and not updated to enable the Authorising Officer to identify emergent risks
- Failing to send completed forms to the RIPA Coordinator

Please also read paragraph 4.40 and 4.41 of the Covert Surveillance and Property Interference Code which sets out best working practices with regard to all applications for authorisations under RIPA

Authorising Officers' Mistakes

- Too many Authorising Officers within the Authority
- Repetitive narrative and rubber stamping without proper consideration of all the facts set out in the authorisation form
- Not knowing the capability of the surveillance equipment which is being authorised. (For instance, there are differences between video cameras that record continuously and those activated by motion; and between thermal image and infrared capability. These differences may have an important bearing on how a surveillance operation is conducted and the breadth of the authorisation being granted. Therefore, a simple authorisation for 'cameras' is usually insufficient.)
- Failing to demonstrate that less intrusive methods have been considered and why they have been discounted in favour of the tactic selected

- Discussions that take place between the Authorising Officer and those charged with the management of the CHIS under section 29(5) of RIPA are not always captured in an auditable manner for later recall or evidence
- At cancellation, a lack of adequate, meaningful update for the Authorising Officer to assess the activity conducted, any collateral intrusion that has occurred, the value of the surveillance and the resultant product; with, often a similarly paltry input by Authorising Officers as to the outcome and how product must be managed
- Failing, when cancelling authorisations, to give directions for the management and storage of the product of the surveillance
- No robust management and quality assurance procedures including no regular audits

4. SEEKING MAGISTRATES' APPROVAL

4. GUIDE TO SEEKING MAGISTRATES' APPROVAL FOR RIPA SURVEILLANCE

Background

Chapter 2 of Part 2 of the [Protection of Freedoms Act 2012](#) (sections 37 and 38) came into force on [1st November 2012](#). This changes the procedure for the authorisation of local authority surveillance under the Regulation for Investigatory Powers Act 2000 (RIPA).

From 1st November 2012 local authorities are required to obtain the approval of a Justice of the Peace (JP) for the use of any one of the three covert investigatory techniques available to them under RIPA namely Directed Surveillance, the deployment of a Covert Human Intelligence Source (CHIS) and accessing communications data.

An approval is also required if an authorisation to use such techniques is being renewed. In each case, the role of the JP is to ensure that the correct procedures have been followed and the relevant factors have been taken account of. There is no requirement for the JP to consider either cancellations or internal reviews.

Home Office Guidance

The Home Office has published guidance on the Magistrates' approval process both for local authorities and the Magistrates' Court:

<http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/local-authority-ripa-guidance/>

This guidance is non-statutory but provides advice on how local authorities can best approach these changes in law and the new arrangements that need to be put in place to implement them effectively. It is supplementary to the legislation and to the two statutory Codes of Practice made under RIPA.

For a brief summary of the approval process please see flowchart 6 at the end of this section.

The New Magistrates' Approval Process

1. The first stage will be to apply for an internal authorisation in the usual way. Once this has been granted, the local authority will need to contact the local Magistrates' Court to arrange a hearing.
2. The hearing is a 'legal proceeding' and therefore local authority officers need to be formally designated to appear, be sworn in and present evidence or provide information as required by the JP. Authorisation forms will be quality assured by Legal Services. A member of Legal Services will also attend at the Magistrates Court to present the application.
3. The Home Office suggests that the investigating officer will be best suited to making the application for Judicial Approval, although the Authorising Officer may also want to attend to answer any questions.

4. The local authority will provide the JP with a copy of the original RIPA authorisation. This forms the basis of the application to the JP and should contain all information that is relied upon. In addition, the local authority will provide the JP with two copies of a partially completed judicial application/order form (which is included in the Home Office Guidance)(**see the next section for an example with notes to assist completion**).
5. The hearing will be in private and heard by a single JP who will read and consider the RIPA authorisation and the judicial application/order form. He/She may have questions to clarify points or require additional reassurance on particular matters. The forms and supporting papers must by themselves make the case. It is not sufficient for the local authority to provide oral evidence where this is not reflected or supported in the papers provided.
6. The JP will consider whether he or she is satisfied that, at the time the authorisation was granted or renewed, there were reasonable grounds for believing that the authorisation was necessary and proportionate. He/She will also consider whether there continues to be reasonable grounds. In addition the JP must be satisfied that the Authorising Officer was of an appropriate level within the local authority and that the authorisation was made in accordance with any applicable legal restrictions (e.g. meets the Serious Crime Test for Directed Surveillance)
7. The order section of the above mentioned form will be completed by the JP and will be the official record of his/her decision. The local authority will need to retain a copy of the form after it has been signed by the JP.

Magistrate's Options

The JP may decide to:-

- ***Approve the grant/renewal of the authorisation***
The grant/renewal of the authorisation will then take effect and the local authority may proceed to use the surveillance technique mentioned therein. A copy of the order must be kept on the central record of authorisations.
- ***Refuse to approve the grant/renewal of the authorisation on a technicality***
The RIPA authorisation will not take effect and the local authority may not use the surveillance technique in that case. The authority will need to consider the reasons for the refusal. A technical error in the form may be remedied without the need to go through the internal authorisation process again. The authority can then reapply for Magistrates' approval.
- ***Refuse to approve the grant/renewal and quash the authorisation***
A JP may refuse to approve the grant or renewal of an authorisation and decide to quash the original authorisation. This may be because he/she believes it is not necessary or proportionate. The RIPA authorisation will not take effect and the local authority may not use the surveillance technique in that case. The JP must not exercise his/her power to quash the authorisation unless the local authority has had at least two business days from the date of the refusal in which to prepare and make further representations to the court.

Appeals

A local authority may only appeal a JP's decision to refuse approval of an authorisation, on a point of law by making an application for Judicial Review in the High Court.

The Investigatory Powers Tribunal (IPT) will continue to investigate complaints by individuals about the use of RIPA techniques by public bodies, including local authorities. If, following a complaint to them, the IPT finds fault with a RIPA authorisation it has the power to quash the JP's order which approved the grant or renewal of the authorisation. It can also award damages if it believes that an individual's human rights have been violated by the local authority.

**Application for Judicial Approval for Authorisation to Obtain or Disclose
Communications Data To Use a Covert Human Intelligence Source or To Conduct
Directed Surveillance
Regulation of Investigatory Powers Act 2000 - Sections 23A, 23B, 32A, and 32B**

Local Authority:

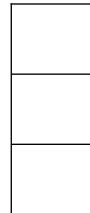
Local Authority Department:

Offence under investigation¹:

Address of premises or identity of subject:²

Covert technique requested: (tick one and specify details)

Communications Data



Covert Human Intelligence Source

Directed Surveillance

Summary of details³

Note: this application should be read in conjunction with the attached RIPA authorisation/RIPA application or notice.

Investigating Officer:

Authorising Officer:

Officer(s) appearing before JP ⁴:

Address of applicant department:

.....
Contact telephone number:

Contact email address (optional):

Local authority reference:

Number of pages:

To be completed by local authority

Order overleaf

⁵Order Made on an Application for Judicial Approval for Authorisation to Obtain or Disclose Communications Data, To Use a Covert Human Intelligence Source or To Conduct Directed Surveillance.

Regulation of Investigatory Powers Act 2000 - Sections 23A, 23B, 32A, 32B

Magistrates' Court:

Having considered the application, I (tick one):

- am satisfied that there are reasonable grounds for believing that the requirements of the Act were satisfied and remain satisfied, and that the relevant conditions are satisfied and I therefore approve the grant or renewal of the authorisation/notice.
- ⁶refuse to approve the grant or renewal of the authorisation/notice.
- ⁷refuse to approve the grant or renewal and quash the authorisation/notice.

Reasons

.....
.....
.....
.....

Notes

.....
.....
.....
.....

Signed:

Date:

Time:

Full name:

Address of magistrates' court:

5. NOTES TO ASSIST COMPLETION - MAGISTRATES' APPROVAL

Notes to Assist Completion

¹Insert the offence or disorder that you are investigating. If you are seeking authorisation for Directed Surveillance make sure that the criminal offence you are investigating attracts a maximum custodial sentence of six months or more or relates to the underage sale of alcohol or tobacco (as per the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012).

²You may not know the identity of the person in which case you can include a description and/or how they relate to the offence/disorder under investigation.

³This forms the basis of the application to the JP and should contain all information that is relied upon. You may wish to set out in brief:

- What information you are seeking from the surveillance
- What the surveillance will involve e.g. covert cameras, CHIS
- How long the surveillance will last

You do no need to go into a lot of detail as this form should have the original authorisation form attached.

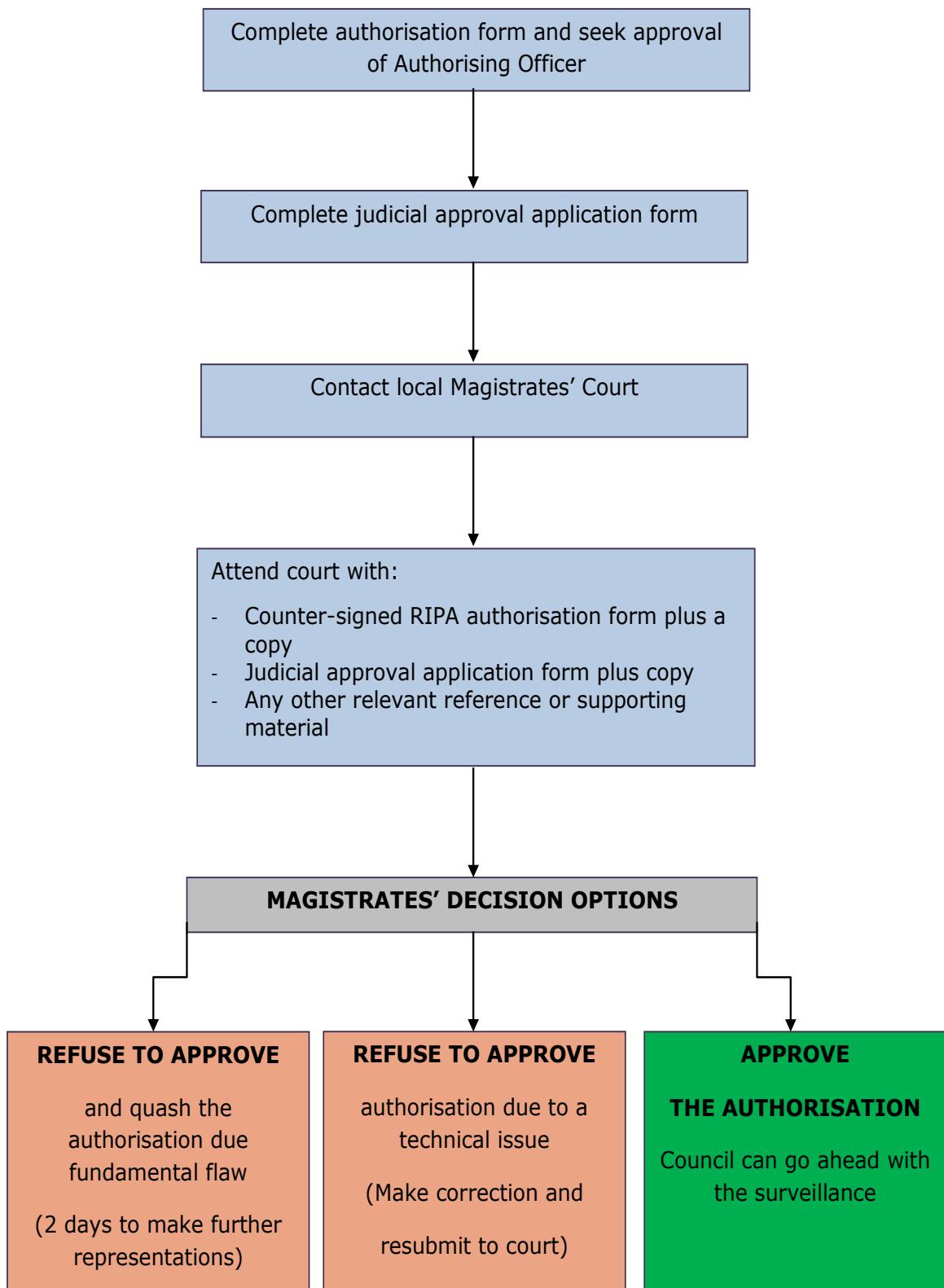
⁴ Any officer employed by the Council can appear before the Magistrate. The Home Office suggests that the Investigating Officer is best placed to do this. Make sure that whoever appears is formally designated to do so under section 223 of the Local Government Act 1972. Legal Services will carry out the initial applications.

⁵The order section of this form will be completed by the Magistrate and will be the official record of the Magistrate's decision. The Council will need to retain a copy of the judicial application/order form after it has been signed by the Magistrate. This may be kept with the original authorisation on the Central Record.

⁶If the Magistrate refuses to approve the authorisation, surveillance cannot be undertaken. This may be due to a technical error which can be corrected. Read the reasons for refusal and seek advice from the Legal Dept. and/or RIPA Coordinator with regards to the next steps.

⁷If the Magistrate decides to quash the authorisation, surveillance cannot be undertaken. You will have two days to make further representations. Read the reasons for refusal and seek advice from the Legal Dept and/or RIPA Coordinator with regards to the next steps.

Flowchart 6 - The Magistrates' Approval Process



6. Governance Arrangements & Quality Assurance

Senior Responsible Officer

Pursuant to the revised Code of Practice the Authority's Senior Responsible Officer is the Assistant Director of Legal Services. The Senior Responsible Officer is responsible for:

- the integrity of the process in place within the public authority to authorise directed and intrusive surveillance;
- compliance with the law and the Revised Codes of Practice;
- oversight of the reporting of errors to the Investigatory Powers Commissioner and the identification of both the cause(s) of errors and the implementation of processes to minimise repetition of errors;
- engagement with the Investigatory Powers Commissioner and inspectors who support the Commissioner when they conduct their inspections;
- where necessary, overseeing the implementation of any post-inspection action plans recommended or approved by a Judicial Commissioner, and
- ensuring that all authorising officers are of an appropriate standard, addressing any recommendations and concerns in the inspection reports prepared by the Investigatory Powers Commissioner.

The current list of Authorising officers is as follows:

Tom Smith (Assistant Director of Community Safety and Street Scene)

Lewis Coates (Interim Safer Neighbourhoods Manager)

Alan Pogorzelec (Business Regulation Manager)

Robert Cutts (Operational Manager Revenues & Benefits – Housing Benefit Fraud)

David Webster (Head of Internal Audit)

The SRO will maintain an up to date list of Authorising officers which accurately reflects any changes to personnel and Authorising officers between the annual settings of this policy by elected members. The SRO also regularly monitors the quality of the authorisations forms which are completed, in conjunction with the RIPA Coordinator as part of the overall Quality Assurance process.

Members Oversight

Pursuant to the revised Code of Practice for Covert Surveillance and Property Interference at paragraph 4.47 elected members of a local authority should review the authority's use of the Act and set the policy at least once a year. They should also consider internal reports on use of the Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose. This is done by means of six monthly reports to the Audit Committee.

Quality Assurance

Quality Assurance will be provided on an ongoing basis by Legal Services who will review and assess all forms as part of the Judicial Approval application process. Feedback will be given directly to relevant officers, with wider feedback given and changes to the Policy made if necessary.

Monitoring and Quality Control

In addition to the Quality Assurance set out above as part of the Judicial Approval application process, the RIPA Co-ordinator will monitor on receipt the authorisation, renewal, review and cancellations forms which are submitted for the Central Register. Any issues arising from these forms will be brought to the attention of the applying and authorising officer.

The RIPA Co-ordinator

The RIPA Co-ordinator for Rotherham is Elizabeth Anderton, Service Manager [Adult Social Care and Litigation] Legal Services.

Contact details are:-

Phone: 01709 823736
E-mail: elizabeth.anderton@rotherham.gov.uk

The RIPA Co-ordinator will maintain a register centrally of all authorisations, refusals, reviews, renewals and cancellations. As part of the Judicial Approval application the RIPA Co-ordinator will monitor the authorisation forms submitted. Further the RIPA Co-ordinator will monitor on receipt all renewal, review and cancellation forms which are submitted for the Central Register. Any issues arising out of these forms will be brought immediately to the attention of the applying and authorising officer.

IT IS IMPORTANT that all Services keep the RIPA Co-ordinator updated on all or any changes to authorisation forms.

The RIPA Co-ordinator will keep the records for 5 years to comply with Home Office guidance.

The further responsibilities of the RIPA Coordinator are:-

- a) Oversight of the submitted RIPA documentation
- b) Organising a RIPA training programme
- c) Raising RIPA awareness within the Council

Storage of Authorisation Forms

Each Assistant Director whose department conducts surveillance is responsible for organising sufficient systems within their service in respect of the storage of files and associated RIPA forms.

Copies of the forms should be retained on the operational file for the investigation. The RIPA co-ordinator should be sent originals of all authorisations, refusals, reviews, cancellations and renewals of authorisations to satisfy Home Office Code of Practice recommendations.

The following should also be kept by the authorising officer. There is no requirement for this to form part of the central register maintained by the RIPA Co-ordinator (although pursuant to the current arrangements the originals of forms will be kept by the RIPA Co-ordinator):-

- the original forms of application, authorisation and supplementary documentation and notification of approval given by the authorising officer.
- a record of the period over which the surveillance has taken place
- frequency of reviews prescribed by the authorising officer
- a record of the result of each review of an authorisation
- a copy of any renewal of an authorisation, and supporting documentation submitted when it was requested.
- the date and time any instruction was given by the authorising officer.

THE OVERSIGHT OF RIPA

RIPA is overseen by surveillance commissioners. They are tasked to ensure that RIPA is being applied properly. Inspections can be carried out at regular intervals.

Also, any person aggrieved by the way a local authority carries out covert surveillance as defined by RIPA can make a complaint to the Investigatory Powers Tribunal under the Act for redress within a year of the act complained of or any longer period that the tribunal thinks it just and equitable to allow.

This tribunal can quash any authorisation and can order the destruction of information held or obtained in pursuit of it. It can also award damages if it believes that an individual's human rights have been violated by the local authority.



Audit Committee

Council Report

Audit Committee Meeting – 18th August 2020.

Title

Annual Governance Statement 2019/20

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(s)

David Webster, Head of Internal Audit

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

Simon Dennis, Corporate Risk Manager

Tel: 01709 822114 Email: simon.dennis@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

The Council has produced a draft Annual Governance Statement (AGS) for the 2019/20 financial year which was published alongside the Council's Statement of Accounts on 31st July 2020. 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 2019/20 Annual Governance Statement and raise queries if necessary.

List of Appendices Included

Annual Governance Statement 2019/20.

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.

Annual Governance Statement 2019/20

1. Background

- 1.1 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 2019/20 AGS was published on 31 July 2020.
- 1.2 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.
- 1.3 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.

2. Process to construct the 2019/20 AGS

- 2.1 In constructing the AGS for 2019/20, 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 Code of Corporate Governance by each Assistant Director as well as a review and update of the detailed issues raised in the 2018/19 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.
- 2.2 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. The group then produced the AGS itself, which was reviewed by the Strategic Director Finance and Customer Services, and the Chief Executive.
- 2.3 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored. 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 2020/21.
- 2.4 Covid-19 has had a significant impact at the end of 2019/20 and into 2020/21. This is reflected within the AGS, which includes actions taken in response to the pandemic and lockdown.
- 2.4 The Audit Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A. The AGS will be updated by 31st November 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.

3. Options considered and recommended proposal

- 3.1 This paper considers the draft AGS for 2019/20. As a result, no specific options have been considered.

4. Consultation on proposal

- 4.1 All Strategic Directors have been asked for their input into the AGS process through the submission of signed Statements of Assurance.
- 4.2 The draft AGS has been reviewed by the Strategic Director Finance and Customer Services and the Chief Executive.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its August 2020 meeting.
- 5.2 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 2019/20.

6. Financial and Procurement Advice and Implications

- 6.1 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.

7. Legal Advice and Implications

- 7.1 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.

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 Any implications for the Children and Young People's Service and Adults Services are set out in the AGS attached at appendix A.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

11.1 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

12. Risks and Mitigation

12.1 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.

13. Accountable Officer(s)

Judith Badger (*Strategic Director of Finance and Customer Services*)

ROTHERHAM METROPOLITAN BOROUGH COUNCIL

**Annual Governance Statement
2019/20**

ROTHERHAM MBC ANNUAL GOVERNANCE STATEMENT 2019/20

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 GOVERNANCE FRAMEWORK

- 2.1 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 2019.
- 2.2 The Council has a Council Plan which was refreshed with new performance measures during the financial 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”.

2.3 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

These priorities are underpinned by a fifth priority, “A modern, efficient Council”. The Plan details how each directorate contributes to those priorities and includes performance measures to be met.

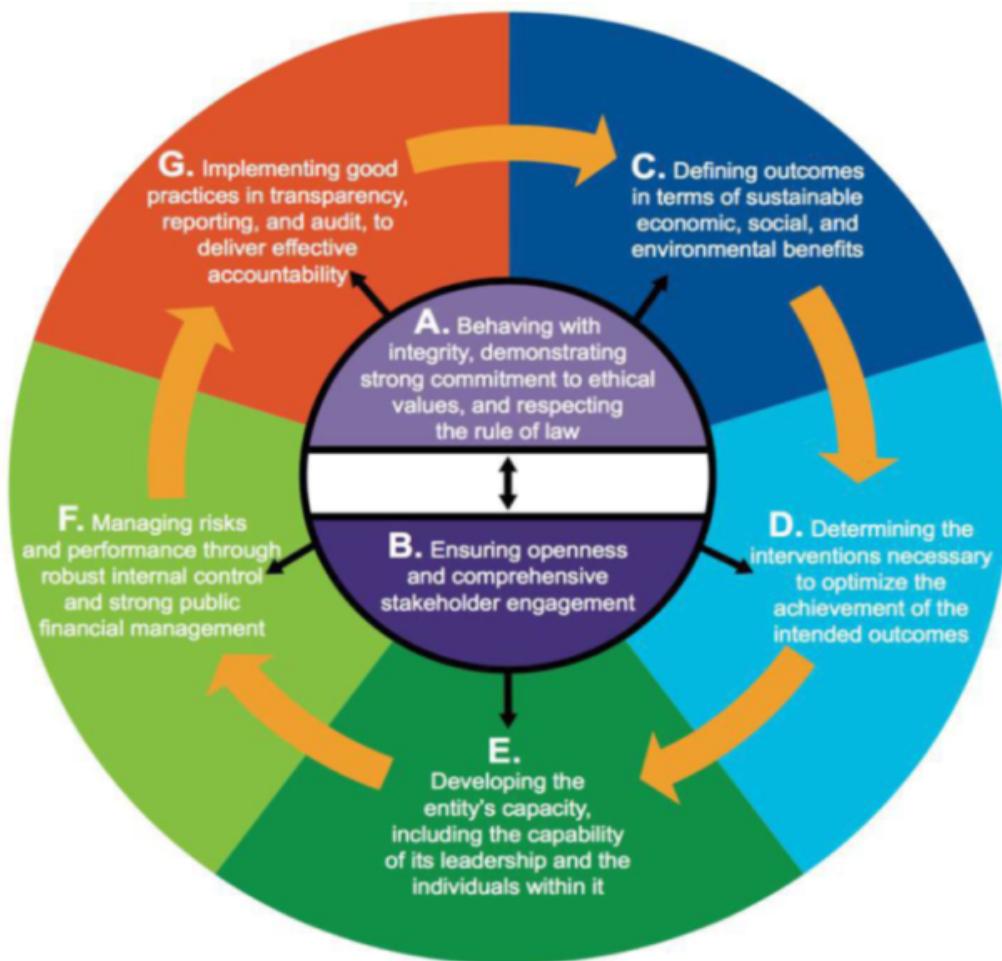
- 2.4 The governance framework comprises the systems, processes, values and behaviours by which the Council is directed and controlled. It also comprises the activities through which the Council is accountable to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.5 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.

- 2.6 The table below sets out the key elements of an effective governance framework, and how these were delivered in the Council throughout the financial 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 internal and external audit matters Monitors and reviews the effectiveness of risk management systems, including systems of internal control
Standards and Ethics Committee	Promotes high standards of conduct by elected members and monitors the operation of the Members' Code of Conduct
Overview and Scrutiny Committees	Reviews and scrutinises the decisions and action taken in connection with any functions of the Council, including "pre-Scrutiny" of some recommendations due to be considered by Cabinet. Make reports or recommendations to the Council or Cabinet with respect to the discharge of any functions of the Council
Chief Executive, Strategic and Assistant Directors	Sets governance standards Lead and apply governance standards across the Council
Internal Audit	Performs independent and objective reviews of all areas of the Council Undertakes fraud and irregularity investigations and proactive anti-fraud work
Areas or disciplines which are not directly responsible for delivery of services, for example Performance Management, Risk Management, Finance, HR, Legal, Information Security, Health and Safety.	Responsibilities include designing policies, setting direction and ensuring compliance
Management. Assurance at this level comes directly from those responsible for delivering specific objectives, projects or operational areas.	Responsibilities include identifying risks and improvement actions

3 HOW THE GOVERNANCE FRAMEWORK IS APPLIED

- 3.1 The principles set out in both the CIPFA/SOLACE Delivering Good Governance Guidance and the Council's own Code are shown in the diagram below:



- 3.2 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	<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>

rule of law	<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.	<p>The Council is committed to openness and acting in the public interest. The current Council Plan, which covered 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</p> <p>Delivery of this vision is embedded in day-to-day activities across the Council and is monitored through the performance management framework.</p> <p>The Council conducts a Residents' Satisfaction Survey every twelve months, based on the Local Government Association's national model. The results have been reported through the performance management framework.</p> <p>A new Neighbourhood Strategy was published in 2018, 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. During 2019/20 this Strategy has continued to become embedded in the Council's methods of working. As part of this development, a series of regular ward newsletters were launched to improve public awareness of developments in their local areas and improve community engagement.</p> <p>Regular newsletters are also produced for Council members at least monthly, summarising key developments and issues in the Council to enable them to perform their roles effectively.</p> <p>A new Consultation and Engagement Policy was developed in 2019. 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</p>

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 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 2019/20 and this 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 monitoring involves quarterly consideration of the performance measures in public sessions of Cabinet and the Overview and Scrutiny Management Board.

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 and respond to 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.	<p>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%.</p> <p>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. The Workforce Strategy runs to 2020 and is currently being reviewed. Each Council employee has a Personal Development Plan which links to their service's Service Plan and is reviewed at regular intervals.</p> <p>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.</p>
Principle F - Managing risks and performance through robust internal control and strong public financial management.	<p>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.</p> <p>Performance Reports are aligned to Council Plan priorities and are considered in public and are also linked to the Risk Policy.</p> <p>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.</p>
Principle G - Implementing good	The Council has a Corporate Communications Strategy and this includes the publication on its website of details around

<p>practices in transparency, reporting, and audit to deliver effective accountability.</p>	<p>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.</p> <p>The Head of Internal Audit presents an annual report to Audit Committee to inform members of Internal Audit activity that has taken place during the year. The Audit Committee meets six times a year and receives reports from both Internal and External Audit. During the year the Audit Committee agreed an update to its Terms of Reference based on CIPFA guidance.</p> <p>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.</p> <p>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.</p>
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How is the effectiveness of our Governance Arrangements monitored?

- 3.3 The Council reviews the effectiveness of its governance framework, including the system of internal control, every year. The ten key elements of assurance that inform this governance review are:
- 1) The Chief Executive, Strategic and Assistant Directors whose role includes:
 - Corporate oversight and strategic planning
 - Annual corporate governance assessment which is informed by annual Assurance Statements from each Strategic and Assistant Director
 - Implement and monitor regulatory and other governance protocols
 - 2) Monitoring Officer who has oversight of:
 - Legal and regulatory assurance
 - Monitors the operation of the Constitution
 - 3) The Section 151 Officer who has oversight of the proper administration of the Councils financial affairs

- 4) Information Governance, which is monitored by:
 - The Designated Senior Information Risk Owner (SIRO)
 - Data Protection procedures
 - Information Security and Records Management procedures
- 5) The Overview and Scrutiny Management Board, who carry out policy review and challenge as well as have an overview and carry out scrutiny of specific topics
- 6) The Audit Committee which;
 - Reviews the effectiveness of internal and external audit
 - Considers the adequacy of the internal control, risk management and governance arrangements
 - Carries out a Self-assessment
- 7) Internal Audit who produce;
 - An Annual opinion on the adequacy and effectiveness of internal controls, risk management and governance arrangements
 - An Internal Audit plan, reports and action tracking reported to Audit Committee
- 8) External Audit / Inspections which include:
 - Financial statements audit
 - Value for Money conclusion
 - Care Quality Commission, Ofsted, etc.
- 9) Risk Management which incorporates:
 - A Risk management policy and strategy
 - Quarterly monitoring and reporting of Strategic Risks
- 10) Counter Fraud work, which includes:
 - Anti-Fraud and Corruption and Whistleblowing arrangements
 - Anti-Money Laundering Policy and supporting arrangements
 - Codes of Conduct for Officers and Members
 - Financial and Contract Procedure Rules

What specific assurances does the Council receive about the effectiveness of our Governance Arrangements?

- 3.4 The Council receives a number of specific assurances around its governance arrangements from the following:

Chief Financial Officer (Section 151 Officer)

- 3.5 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

- 3.6 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; (LGA 89). These have been considered within the context of this statement and the Monitoring Officer has no significant concerns to report.

Internal Audit

- 3.7 In February 2020 Internal Audit was assessed as generally conforming to Public Sector Internal Audit Standards by an internal review. This is the highest classification used by CIPFA.
- 3.8 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.
- 3.9 The Annual Internal Audit report was presented to the Audit Committee on 26th June 2020. The report confirmed positive progress had been made during the year, with 77% of audits resulting in a positive opinion compared with 68% in the previous year. The remaining reports highlighted areas where further improvement could be made. These will be followed up in 2020/21.
- 3.10 Internal Audit concluded that the Council has maintained overall an adequate and effective framework of governance, risk management and control throughout the year, based on internal audit work undertaken and completed prior to the onset of Covid-19.

- 3.11 In response to Covid-19 the Council set up a Gold and Tactical group structure with a decision making protocol in place to authorise emergency measures across the Council. These emergency measures have resulted in changes to procedures and control arrangements. The Annual Report concluded that it was not yet possible to quantify the additional risk arising from these changes or the overall impact on the framework of governance, risk management and control.

External Audit

- 3.12 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. Grant Thornton issued an unqualified opinion on the Council's financial statements for the year ended 31st March 2019 year on 8th August 2019.
- 3.13 in addition, Grant Thornton issued an unqualified conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in the use of its resources on 8th August 2019. 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 2019.
- 3.14 Grant Thornton will issue a final ISA 260 report for 2019/20 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.

4 UPDATE ON MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT FOR 2018/19

Adult Social Care

- 4.1 Adult Care in 2018/19 continued to develop its key areas of delivery and engagement with the workforce was initiated to develop a new target operating model for implementation in October 2019. This was successfully completed and the new pathway and new ways of working commenced. This a continual development programme in relation to training and more transparency in relation to staffs' roles and responsibilities. This was also balanced with the need to achieve effective delivery of savings targets and this is ongoing.

Information Governance

- 4.2 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. Although this continues to be the case this has not had any impact on the business of the Council although there remains a risk, that should lack of progress continue the Council's permissions to share confidential data with other organisations will be removed. The rollout of the new telephone system (the largest remaining task) has been delayed due to Covid-19, although the contact centre elements of the project are now mainly completed. We continue to have regular discussion with the PSN office to update them on progress and they are satisfied with progress. It is expected that PSN accreditation will be achieved towards the end of 2020 or early in 2021 once the new telephone system is rolled out depending up the return to normal working arrangements following Covid-19 which will allow final works to be complete.

- 4.3 The rate of completion for Freedom of Information Requests and Right of Access Requests continues to improve. The council is now achieving close to the maximum levels of performance that is realistically achievable. A new tracking system allowing the public to log and monitor their requests will go live within the next few months. This will further improve performance and provide a more customer focused approach to service delivery. Monitoring of performance levels is undertaken on a monthly basis by the Corporate Information Governance Group and any areas of concern are addressed immediately either on a corporate or directorate level as appropriate. An annual report is also shared with the Audit Committee.

Delivering the Financial Strategy

- 4.4 The development of the two-year budget for 2019/20 and 2020/21 included the delivery of budget savings and cost reductions of £30m over those two-years, with support available from the £3.2m of the Budget Contingency Reserve which remained from the £5.2m reserve set aside in 2018/19 to support the delivery of the budget
- 4.5 The Revenue Budget for 2019/20 has required the use of only £1.2m of this reserve to balance the outturn position, leaving £2m in the reserve available to continue as potential support to the delivery of future years' budgets.
- 4.6 The 2020/21 budget was finalised without the requirement for any new budget savings to be identified, over and above those savings within the two-year budget which had been agreed for delivery in 2020/21. However, it was recognised within the budget that full achievement of all savings and cost reductions originally planned for delivery from social care services by 2020/21, was considered unlikely, given the significant transformation and demand management work required to complete the delivery of those savings and cost reductions in full. Additional one-

off budget support of £8.7m for social care services was therefore included within the 2020/21 budget in addition to recurring additional budget to cover increased demand.

- 4.7 The biggest challenge for the Council remains the cost and demand pressures on social care services. 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. The Council continues to engage with Government regarding the funding for Operation Stovewood, further to the one-off funding of £1.3m provided for 2019/20.
- 4.8 The position challenges and risks are exacerbated by the Covid-19 pandemic and the consequent circumstances which make the delivery of some of the savings impossible whilst those circumstances remain, especially within social care services. Additionally, the pandemic is leading to significant additional expenditure and loss of income across a wide range of Council services, with a risk that all of this loss may not be covered in full by the Government's emergency Covid grants.
- 4.9 The uncertainty nationally on the future funding of local government remains. The 2020/21 Finance Settlement was for one year only and whilst the Government has announced that the funding reviews previously planned to be undertaken in 2020/21 for implementation in 2021/22 and beyond will not now take place this year, Government has not as yet announced what the basis of funding for 2021/22 will be.

OTHER SIGNIFICANT ISSUES ARISING DURING 2019/20

Sub-schemes of delegation

- 5.1 In the course of the financial year, Internal Audit reviewed the Council's arrangements for delegating decision making. According to the Council's constitution, each Strategic Director is to maintain a sub-scheme of delegation for executive and non-executive functions. These documents should specify any further delegation of service responsibilities within their directorate, stating who would hold the responsibility for decision making protocols.
- 5.2 Internal Audit's work identified inconsistencies in how the individual schemes had been set up. As well as inconsistent use of templates and a failure to communicate the contents of the schemes to the relevant Council officers, Internal Audit identified 88 issues of varying significance in individual Directorate's schemes. In the worst case, these could leave the Council exposed to possible legal challenge if arrangements are not clarified.

- 5.3 Action has been taken by Democratic Services to rapidly act on the recommendations of the report and a follow up audit will be conducted in 2020/2021 to provide assurance that individual Directorates have acted on the information they have been given.

Covid-19

- 5.4 During the final quarter of the financial year, the council had to respond at considerable pace to the COVID-19 pandemic, in order to help the residents of the Borough to stay safe. This response accelerated following the national government's introduction of "lockdown" on 23rd March 2020 and has continued to date in the 2020/2021 financial year.
- 5.5 The risk of a pandemic was a long-standing risk on the Council's Strategic Risk Register, along with the need to ensure an appropriate response to emergencies and incidents impacting on business continuity. The Council's Business Continuity Plans for dealing with such an eventuality were already in place prior to "lockdown" and these were activated rapidly. A system of Gold and Silver command Groups was put in place to ensure decision making at pace, supported by a range of workstreams and a coordinator's group. The Gold and Silver Groups are part of a clearly defined structure which includes a decision-making protocol that sets out which decisions should be taken to which group. The structure is currently being revised and simplified as the Council moves to focus on "recovery" rather than "response".
- 5.6 There was some disruption to the Council's democratic process. One Full Council meeting was cancelled as a result of the restrictions and one was postponed for a week. However, the final Cabinet meeting of the financial year went ahead as planned on the 23rd of March 2020 and no meetings had been planned for April due to the (subsequently postponed) local elections. The Council moved quickly to set up virtual meetings to ensure the continuation of the democratic process. Meetings were held via video conferencing technology remotely from the end of April 2020 onwards. This involved ensuring that meetings were accessible remotely (with support where needed) for all Council Members and that the public could continue to attend those meetings, ensuring ongoing transparency in decision making.
- 5.7 The need to respond to the pandemic led to a number of Council services being suspended or reduced. In some cases this was due to the need to maintain safe methods of working and in some due to staff needing to be deployed to manage aspects of the Council's response. Aside from the minimal temporary disruption to

the Democratic process mentioned above, the principal impacts on the Council's governance framework relate to Corporate Performance Management, Internal Audit and Corporate Risk Management as set out in the following paragraphs.

- 5.8 The Council had intended to develop a new Council Plan for 2020/2021 in parallel with the local elections. As the local elections have been postponed until May 2021, the development of the new Plan has also been postponed. The final Council Plan performance report for 2019/2020 is currently being constructed and will be reported to Cabinet in September 2020.
- 5.9 Service Plans for 2020/21 had been intended for completion by 31st March 2020 but, in the light of the emergency response, a decision was made to suspend the completion of Service Plans and to focus on the development and delivery of recovery plans which will set out which services will restart and in what form.
- 5.10 At the start of lockdown, Internal Audit staff were redeployed to support elements of the Council's financial response. These staff were progressively returned to their duties and the impact on the overall Audit programme for 2020/21 has been managed.
- 5.11 Since March, Risk Management activity has focused on the COVID response with each workstream contributing to a Corporate Threat and Risk assessment which is updated at least weekly. Individual Directorates have produced daily update reports assessing their pressures and concerns (risks) and highlighting any "red rated" risks to the Gold command Group. As the response has reduced these reports have been scaled back from daily to twice weekly and, at the time of writing, are produced weekly. These reports have enabled the Council to respond rapidly to emerging risks as the pandemic has developed.
- 5.12 The refocusing of Risk Management activity has meant that the normal Corporate Risk Management processes have been suspended. However, the risks on the Strategic Risk Register have continued to be managed by Directorates during the pandemic, although the progress in addressing individual risks has had to be reprioritized to take account of the severity of the risks associated with COVID. It is intended that the process will gradually revert to normal as the COVID response steps down and moves into recovery phases.
- 5.13 One of the most significant risks for the Council from the Covid-19 pandemic is the ongoing financial impact in terms of cost and lost income. Whilst the financial support from Government for the impact in 2020/21 is currently anticipated to address the budget impact during 2020/21, delays in progressing service transformation and cost reduction plans will impact 2021/22 unless they are on

track and fully in place by 31st March 2021. It is hoped that this risk will be reduced or eliminated by increased resources in future funding settlements but this will not be known until later in the year.

- 5.14 The Council's response to COVID-19 remains under constant review with a comprehensive reporting regime maintained.

6 SIGNIFICANT EVENTS OR DEVELOPMENTS AFTER YEAR END

- 6.1 The ongoing COVID-19 situation means that, although the details of the Council's response are correct as at the date of this draft Statement, it is likely that the situation will change before this report is finalised. Any relevant developments that occur before the finalisation of this statement will be added in this section.

7 LEADER AND CHIEF EXECUTIVE STATEMENT 2019/20

- 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 As Leader and Chief Executive, we have been advised on the results of the review of the effectiveness of the Council's governance framework. Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 7.3 We are also satisfied that over the coming year, the Council will take appropriate steps to address any significant governance issues including the impacts from Covid-19 and we will monitor their implementation and operation as part of our next annual review.

Signed *Councillor Chris Read,*
Leader, Rotherham MBC
Date: Signed
Sharon Kemp,
Chief Executive, Rotherham MBC
Date:

Public Report

Audit Committee

Committee Name and Date of Committee Meeting:

Audit Committee – 18th August 2020

Report title:

External inspections, reviews and audits update

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

No

Strategic Director Approving Submission of the Report:

Judith Hurcombe – Interim Assistant Chief Executive

Report Author(s):

Tanya Lound, Corporate Improvement and Risk Officer

Simon Dennis, Corporate Improvement and Risk Manager

Ward(s) Affected:

All

Report Summary:

In line with the Audit Committee terms of reference, the purpose of this report is to provide details of the recent external inspections, reviews and audits and assurance that outstanding recommendations, relating to those that have taken place previously, are being progressed.

The report provides a summary of progress against recommendations from across all external inspections, reviews and audits and sets out the details of arrangements that are in place regarding the accountability and governance for implementing these.

Recommendations:

That Audit Committee:

- Note the recent external inspections, reviews and audits which have taken place and the progress made in implementing the recommendations since the last report in November 2019
- Note the governance arrangements that are currently in place for monitoring and managing the recommendations
- Continue to receive regular reports.

List of Appendices Included:

None

Background Papers

External audit and inspection recommendations report to Audit Committee on 18th June 2019 and 26th November 2019.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

None

Council Approval Required

No

Exempt from the Press and Public

No

External audits, inspections and reviews update

1. Background

- 1.1 In line with the Audit Committee terms of reference, the purpose of this report is to provide details of the recent external inspections, reviews and audits across the Council and assurance that outstanding recommendations, relating to those that have taken place previously, are being progressed.
- 1.2 The last report was presented to Audit Committee on 26th November 2019. The report referred to:
 - Eight external inspections, reviews and audits that had taken place since 18th June 2019 resulting in 11 recommendations
 - Six ongoing recommendations in relation to external inspections, reviews and audits that took place prior to June 2019.
- 1.3 This report was originally scheduled to be presented to Audit Committee in June 2020 however, this was delayed due to the reallocation of resources to respond to the Covid-19 crisis.

2. Key issues

- 2.1 This report provides an overview of key areas of concern relating to external inspections, reviews and audits, including action taken/to be taken and the associated governance arrangements. This is intended to provide the Audit Committee with assurance that appropriate arrangements are in place for managing the Council's response, in line with the Audit Committee's responsibilities.
- 2.2 Since 26th November 2019 seven external inspections, reviews and audits have taken place and three recommendations made which have all been implemented.
- 2.3 In addition, seven of the ongoing recommendations relating to external inspections, reviews and audits that took place prior to November 2019 have now been implemented, 15 remain outstanding/ongoing and one does not require implementation.
- 2.4 An update from each Directorate is provided below.

3. Children and Young People's Services

- 3.1 One peer review has taken place since the last report and no recommendations were made. Further details are provided below, see paragraph 3.7.
- 3.2 In relation to outstanding recommendations concerning external inspections, reviews and audits that took place prior to November 2019, four recommendations have been implemented since the last report and five remain outstanding.

- 3.3 The four recommendations implemented since the last report relate to the troubled families visit in June 2019 conducted by the MHCLG.
- 3.4 The five outstanding recommendations relate to the Ofsted Focused Visit (focussed on permanence planning and achieving permanence) conducted in March 2019 and the Troubled Families review in June 2019. Progress against the recommendations is managed through the CYPS Improvement Plan and overseen by the CYPS Performance Board.
- 3.5 In addition to the above, in the November 2019 report it was reported that an inspection of Liberty House had taken place in October 2019. Although initial feedback indicated that the home had successfully improved in all areas, the Council was awaiting the final report. This has since been received with an overall outcome of "outstanding" with no recommendations.
- 3.6 The table below provides a summary of new external inspections, reviews and audits and those reported previously which had outstanding/ongoing recommendations.

<u>New</u> external inspections reviews and audits					
Title	Date	Outcome	Number of recommendations	Number implemented	Status
SEND Association of Directors of Children's Services (ADCS) Peer Review	March 2020	This was not a formal inspection and there was no formal published outcome. Feedback was provided in a letter which highlighted over 200 strengths, along with 23 areas for consideration.	0	n/a	No formal recommendations Further update available below, see paragraph 3.7

<u>Ongoing</u> external inspections reviews and audits (<i>those reported previously which had outstanding recommendations</i>)						
Title	Date	Outcome	Recommendations	Implemented:		Status
				At last report	Since last report	
Inspection of Local Authority Children's Services (ILACS) Framework - Focus on permanence planning and achieving permanence (Ofsted)	March 2019	Looked after children in Rotherham are receiving a "strong" service that has significantly improved	3, these include: 1. The quality and consistency of written planning, so that it matches up to social workers' verbal accounts of their plans 2. Sufficiency of in-house options, to avoid the use of unregulated	0	0	3 recs outstanding Actions progressed to address the recommendations, however work paused due to Covid-19 to enable key staff to focus on safeguarding and

			placements when finding places for children in care to live 3. Quality of Risk assessments, where risk has potential implications for stability in the lives of children in care.			supporting our families. Planning to complete the work in the final quarter of 2020/21.
Troubled Families (Ministry of Housing, Communities and Local Government)	July 2019	Feedback extremely positive and 6 recommendations made, which included a recommendation to enhance systems.	6	0	4	Partially complete (4 complete and 2 outstanding) Outstanding recommendations include: <ul style="list-style-type: none"> • Align better Troubled Families data with the Corporate Context • Review the strategic engagement with the Job Centre Plus.

3.7 SEND ADCS Peer Review

- 3.7.1 A peer review took place in March 2020 conducted by The Association of Directors of Children's Services.
- 3.7.2 Although there were no formal recommendations, 23 areas for consideration were identified. The key headline areas for consideration included:
- More links to the broader system including public health, early help, adult service and social care
 - Ensure that the needs of children with neuro-developmental difficulties are met
 - Develop a clearer exposition of the impact of activity.
- 3.7.3 The areas identified for consideration will be actioned through three key action plans – the SEND Service Plan, the Neuro-Developmental Pathway Action Plan, and the Social, Emotional and Mental Health Strategy Action Plan.
- 3.7.4 The SEND Strategic Board oversees the development on all key actions. In addition, the Place Board receives spotlight updates and provide system oversight, support and challenge.

4. Adult Care, Housing and Public Health

- 4.1 One external peer review and one audit has taken place since the last report and three recommendations were made which have been implemented.
- 4.2 In relation to outstanding recommendations concerning external inspections, reviews and audits that took place prior to November 2019, no recommendations have been implemented since the last report and two remain outstanding.
- 4.3 The two outstanding recommendations relate to:
- CQC inspection of Parkhill Lodge and the medium-term plan to look for alternative premises. The Adult Social Care Directorate Leadership Team are responsible for overseeing implementation.
 - Fire Risk Assessments of Housings Hampstead Green, Doncaster Road and Eastwood View flats by South Yorkshire Fire and Rescue Service a Fire Risk Assessment Audit. Work to expand the alarm system and reconfigure the sounders was completed in March 2020. The sprinklers and tanks are to be fitted from 21st July 2020 and it estimated that this work will be completed by August 2020. The Housing Service's Contracts, Investments and Compliance (CIC) Management Team are responsible for overseeing implementation.
- 4.4 The table below provides a summary of new external inspections, reviews and audits and those reported previously which had outstanding/ongoing recommendations.

<u>New</u> external inspections reviews and audits					
Title	Date	Outcome	Number of Recommendations	Number Implemented	Status
Rotherham Adult Social Care Peer Review Self-assessment (<i>Yorkshire and Humber ADASS</i>)	12 th – 14 th February 2020	Awaiting final report	Not yet known	n/a	Awaiting final report See paragraph 4.5 below.
Repairs & Maintenance Cost Collection Workbook Audits (<i>Docte Consulting</i>)	2nd - 13th March 2020	Direct costs are being robustly allocated to the contract.	3	3	Recommendations implemented All recommendations incorporated into the new Repairs and Maintenance contract which went live in April 2020.

Ongoing external inspections reviews and audits reported previously (<i>those reported previously which had outstanding recommendations</i>)						
Title	Date	Outcome	Recommendations	Implemented:		Status
				At last report	Since last report	
Adult Social Care – Inspection of Parkhill Lodge (CQC)	24 th January 2018	Good overall rating, with good individual ratings within all sub-categories of Safe; Effective; Caring; Responsive. Well-led category - requires improvement	2	1	0	Partially complete (1 complete and 1 outstanding) Medium term plan for Parkhill Lodge is to look for alternative premises.
Housing - Fire Risk Assessment Audit (South Yorkshire Fire and Rescue Service)	August 2017	Standards for fire safety are met at Doncaster Road and Eastwood view flats. Work underway at Hampstead Green	4	3	0	Partially complete (3 complete and 1 outstanding) The alarm system has been expanded and sounders reconfigured - March 2020. Sprinklers and tanks to be fitted from 21 st July 2020 - August 2020.

4.5 Rotherham Adult Social Care Peer Review Self-assessment

4.5.1 The Adult Social Care Peer Review Self-assessment took place on 12th – 14th February 2020 conducted by Yorkshire and Humber ADASS. The purpose of the peer review was to review the new Adult Social Care Pathway which has been in place since October 2019 and stimulate a discussion about how Adult Social Care and its partners can become more effective in improving outcomes for adults who use our services. A draft report has been received, initial feedback was positive and identified some areas to reflect on over the next 12 months. The final report is expected later in the summer and has been delayed due to the COVID-19 outbreak. A further update will be provided to Audit Committee in the next report.

4.6 Repairs & Maintenance Cost Collection Workbook Audit

4.6.1 An audit of the repairs and maintenance costs collection workbook took place between 2nd – 13th March, conducted by Docte Consulting. The outcome of the

audit stated direct costs were being robustly allocated to the contract and 3 recommendations were made, these included:

- Address the allocation of central overheads
- Address the lack of credits for remedial/ defective work
- Develop an audit plan incorporating more regular audits.

4.6.2 All recommendations are complete and were incorporated into the new repairs and maintenance contract which went live in April 2020.

5. **Regeneration and Environment Services**

- 5.1 No new external inspections, reviews or audits relating to Regeneration and Environment Services to report.
- 5.2 In relation to outstanding recommendations concerning external inspections, reviews and audits that took place prior to November 2019, one recommendation has been implemented since the last report, eight remain outstanding and one does not require implementation.
- 5.3 The recommendation implemented related to the Libraries Peer Challenge and engaging with staff to develop a new vision for the service and future.
- 5.4 The eight outstanding recommendations relate to the Libraries Peer Challenge and an action plan has been completed for all outstanding recommendations, although progress has been impacted due to the Covid-19 crisis. Implementation will be overseen by the Culture, Sport and Tourism Senior Management Team.
- 5.5 One recommendation which no longer requires implementation related to the Environment Agency compliance audit of the heat/cooling system at Riverside House, inspected by the Environment Agency in January 2017. The recommendation suggested that a replacement meter was fitted with a combined flow rate and totaliser display. However, decision was made not to replace the meter as the volume is calculated using a formula and the work would not be cost effective.
- 5.6 The table below provides a summary of new external inspections, reviews and audits and those reported previously which had outstanding/ongoing recommendations.

<u>Ongoing external inspections reviews and audits (those reported previously which had outstanding recommendations)</u>						
Title	Date	Outcome	Recommendations	Implemented:		Status
				At last report	Since last report	
Libraries Peer Challenge	19th-20th June 2019	<ul style="list-style-type: none"> • Libraries in Rotherham valued asset • Enthusiasm and recognition of the role libraries could play in delivering the wider council objectives within community • Strong political commitment • Impressed by the managers, staff and volunteers met with • Vision but not a shared vision and was not always clearly visible to staff and wider partners 	9	0	1	Partially complete (1 rec implemented; 8 recs outstanding) 1 complete – engaged with staff to develop a new vision. 8 outstanding - action plan developed; implementation delayed due to the Covid-19 response.
Compliance audit against environmental permit Licence – Ground source heat/cooling system Riverside House (Environment Agency)	January 2017	Recommended that when a replacement meter was required, one with a combined flow rate and totaliser display was fitted.	1	0	0	0 outstanding Decision made not to replace the metre - not required as a formula used to calculate the volume and therefore upgrade would not be cost effective.

6. Finance and Customer Services

- 6.1 Three new audits have taken place since the last report and no recommendations have been made.
- 6.2 In addition, 2 recommendations have been completed since the last report which relate to an audit of the accounts for 2018/2019 which took place previously. Although complete continuous assessment and monitoring in relation to the recommendations will remain ongoing. There are no outstanding recommendations.
- 6.3 The table below provides an overall summary of new external inspections, reviews and audits and those reported previously which had outstanding/ongoing recommendations.

New external inspections reviews and audits						
Title	Date	Outcome	Recommendations	Number Implemented	Status	
External Audit of Teachers Pensions (KPMG)	November 2019	Clean audit	0	N/A	No recommendations	
External Audit of Pooling of Housing Capital Receipts (Grant Thornton)	Jan/Feb 2020	Clean audit	0	N/A	No recommendations	
External Audit of Housing Benefits (Grant Thornton)	Jan/Feb 2020	Clean audit	0	N/A	No recommendations	

Ongoing external inspections reviews and audits (<i>those reported previously which had outstanding recommendations</i>)						
Title	Date	Outcome	Recommendations	Implemented:		Status
				At last report	Since last report	
External Auditor's Report on the Accounts 2018/2019 (Grant Thornton)	June – July 2019	Unqualified (clean) opinion issued	2, these included: <ul style="list-style-type: none"> • Delivery of 2019-20 budget, savings plan and achievement of Medium-Term Financial Strategy (MTFS) • Dedicated Schools Grant reserve deficit and Recovery Plan. 	0	2	Complete – although continuous assessment and monitoring in relation to the recommendations will remain ongoing.

7. Assistance Chief Executive

- 7.1 A review of the Big Hearts, Big Changes programme took place on 21st – 22nd July, conducted by the LGA. The purpose of the review was to assess the progress made to date and provide an external perspective on the direction of the programme. The findings are expected to be received shortly and an update will be provided in the next report.
- 7.2 There are no outstanding recommendations which related to external inspections, reviews and audits which took place previously.

- 7.3 The table below provides an overall summary of new external inspections, reviews and audits.

New external inspections reviews and audits					
Title	Date	Outcome	Recommendations	Number implemented	Status
Review of the Big Hearts, Big Changes Programme (LGA)	21 st – 22 nd July 2020	Awaiting feedback	Awaiting feedback at time of writing	n/a	Awaiting final report

8. Options considered and recommended proposal

- 8.1 Audit Committee to note the recent external inspections, reviews and audits which have taken place and the progress made in implementing the recommendations since the last report in November 2019
- 8.2 Audit Committee to note the governance arrangements that are currently in place for monitoring and managing the recommendations
- 8.2 Audit Committee to continue to receive regular reports in relation to external inspections, reviews and audits and the progress made.

9. Consultation on proposal

- 9.1 Not applicable to this report.

10. Timetable and Accountability for Implementing this Decision

- 10.1 The timescales for each recommendation varies and further details are included within the report above.

11. Financial and Procurement Advice and Implications

- 11.1 There are no financial and procurement implications.

12. Legal Advice and Implications

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

13. Human Resources Advice and Implications

- 13.1 There are no Human Resources implications.

14. Implications for Children and Young People and Vulnerable Adults

- 14.1 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.

15. Equalities and Human Rights Advice and Implications

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

16. Implications for Partners

- 16.1 Partnership approaches are key to improving services and the improvements need to be of a multi-agency nature and owned cross the partnership.

17. Risks and Mitigation

- 17.1 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.

18. Accountable Officer(s)

Judith Hurcombe, Interim Assistant Chief Executive

Approvals Obtained from:-

Judith Hurcombe, 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>



Public Report
Audit Committee

Council Report

Audit Committee Meeting – 18th August 2020.

Title

Internal Audit Plan 2020/21.

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(s)

David Webster, Head of Internal Audit
Internal Audit, Finance and Customer Services
Tel: 01709 823282 Email: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

This report refers to the Internal Audit Plan for 2020/21. The report explains Internal Audit's approach to the development of the plan, as well as detailing the specific activities we plan to review during the year. The plan reflects a comprehensive risk assessment process, which has also included discussions with Strategic Directors and Assistant Directors to obtain their views of key risks and areas for audit coverage. It was originally prepared for presentation to the Audit Committee meeting in March 2020, which was cancelled. It has been revised to take into account the impact of Covid-19 since that time and will need to remain flexible to respond to future developments.

Recommendations

1. The Audit Committee is asked to consider the Internal Audit Plan and to comment on its content with regards to the areas covered and the level of audit resources.
2. The Audit Committee is requested to approve the Internal Audit Plan for 2020/21.

List of Appendices Included

Appendix 1: Internal Audit Plan 2020/21.

Background Papers

Public Sector Internal Audit Standards.

Consideration by any other Council Committee, Scrutiny or Advisory Panel
No.

Council Approval Required
No.

Exempt from the Press and Public
No

Internal Audit Plan 2020/21.

1. Background

1.1 Internal Audit is required to comply with Public Sector Internal Audit Standards (PSIAS). The Standards require Internal Audit's plans to be risk based and to take into account the need to produce an annual internal audit opinion. It needs to be flexible to reflect changing risks and priorities of the organisation.

2. Key Issues

2.1 The plan has been prepared after a full refresh of the 'audit universe' (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of the Council's risk registers. It has also taken into account:

- Reports by management to the Audit Committee on the management of risks.
- Cumulative audit knowledge and experience of previous work undertaken.
- Discussions with Strategic Directors and Assistant Directors.
- Knowledge of existing management and control environments.
- Professional judgement on the risk of fraud or error.
- Examination of Corporate Plans.
- Review of external inspection reports.

2.2 It was intended to present the plan to the Audit Committee at its meeting on 24th March 2020, which did not take place. The plan has been substantially revised as a result of Covid-19, for three reasons:

- The Audit plan is usually completed soon after the year end. That was not possible for the year 2019/20. The remaining audits have been considered in the planning process for 2020/21, as have those audits which were deferred earlier in the year, taking into account their relative risk and the reasons for their deferral.
- In response to Covid-19, the Gold and Tactical groups authorised changes to various systems and processes. Those changes have been considered when producing the updated plan, to give assurance that an adequate level of control has been maintained.
- At the start of the year most of the team was supporting the Finance department in the processing of applications for Business Support Grants. The need for that support has steadily reduced so that currently one member of the team is supporting Finance on a part-time basis.

2.3 As well as identifying all of the proposed pieces of work to be carried out during the year, the plan:

- Explains the statutory requirements for Internal Audit
- Describes the approach and methodology adopted in producing the plan
- Shows the level of resources available to deliver the plan is 975 days
- Includes a contingency for responsive work.

2.4 In line with auditing standards, the plan does not become fixed when it is approved. It remains flexible and will be revised to take into account any significant emerging risks

facing the Authority, in particular any future developments as a result of Covid-19. It will be subject to a half year review in consultation with Strategic Directors and Assistant Directors.

3. Options Considered and Recommended Proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for overseeing the work of Internal Audit, in particular to review and approve the risk-based plan.
- 3.2 The Audit Committee is asked to support the Internal Audit Strategic Annual Plan for 2020/21.

4. Consultation on Proposal

- 4.1 As part of the process for producing this Audit Plan, the Head of Internal Audit has held discussions with the Council's Strategic Directors and their teams to obtain their views of key risks and areas for audit coverage.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 18th August 2020 meeting.

6. Financial and Procurement Advice and Implications

- 6.1 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.

7. Legal Advice and Implications

- 7.1 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. This states:

“A relevant 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.”

- 7.2 PSIAS state:

“The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion.”

- 7.3 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”

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 This document constitutes a report of the Internal Audit Plan for 2020/21. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People's Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

11.1 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.

12. Risks and Mitigation

12.1 The following risks have been identified.

Risk	Likelihood	Impact	Mitigation
<i>Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work). Insufficient resources to complete work to support the annual opinion.</i>	Low	Medium	<i>Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. Half-yearly meetings with all Directorate management teams to ensure plan is up to date. Progress reports provided to Audit Committee. Recruitment to fill any vacancies.</i>

13. Accountable Officer(s)

David Webster, Head of Internal Audit.
Tel 01709 823282. E mail david.webster@rotherham.gov.uk



Rotherham Metropolitan Borough Council

Internal Audit Plan 2020/21

1. Introduction

This document provides a summary of the Internal Audit Plan for 2020/21.

Definition of Internal Audit

The UK Public Sector Internal Audit Standards defines Internal Audit as follows:-

"Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Requirement for Internal Audit

The requirement for Internal Audit is set out in the Accounts and Audit (England) Regulations 2015:

"A relevant 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."

PSIAS state:

"The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The risk-based plan must take into account the requirement to produce an annual internal audit opinion."

The overall opinion issued each year by Internal Audit on the adequacy and effectiveness of the control environment is used as a key source of assurance to support the Annual Governance Statement.

S.151 Officer responsibility

Internal Audit also has an important role to support the Strategic Director of Finance & Customer Services in discharging her statutory responsibilities, which include:-

- S151 Local Government Act 1972 – to ensure the proper administration of financial affairs.
- S114 Local Government Act 1988 – to ensure the Council's expenditure is lawful.

Development of Internal Audit Plan

The plan has been prepared after a full refresh of the 'audit universe' (i.e. the comprehensive list of all areas potentially subject to audit across the Council) and a thorough review of Council risk registers. It has also taken into account the views of Directors and Assistant Directors as to where audit resource is most needed, however the plan and its contents are entirely the responsibility of Internal Audit. It has been revised to allow for the impact of Covid-19.

In line with the PSIAS, this plan should enable Internal Audit to maximise the value and assurance it provides the Council, while ensuring it fulfils its statutory obligation to review and report on the Council's internal control environment.

Ongoing Revision of Internal Audit Plan

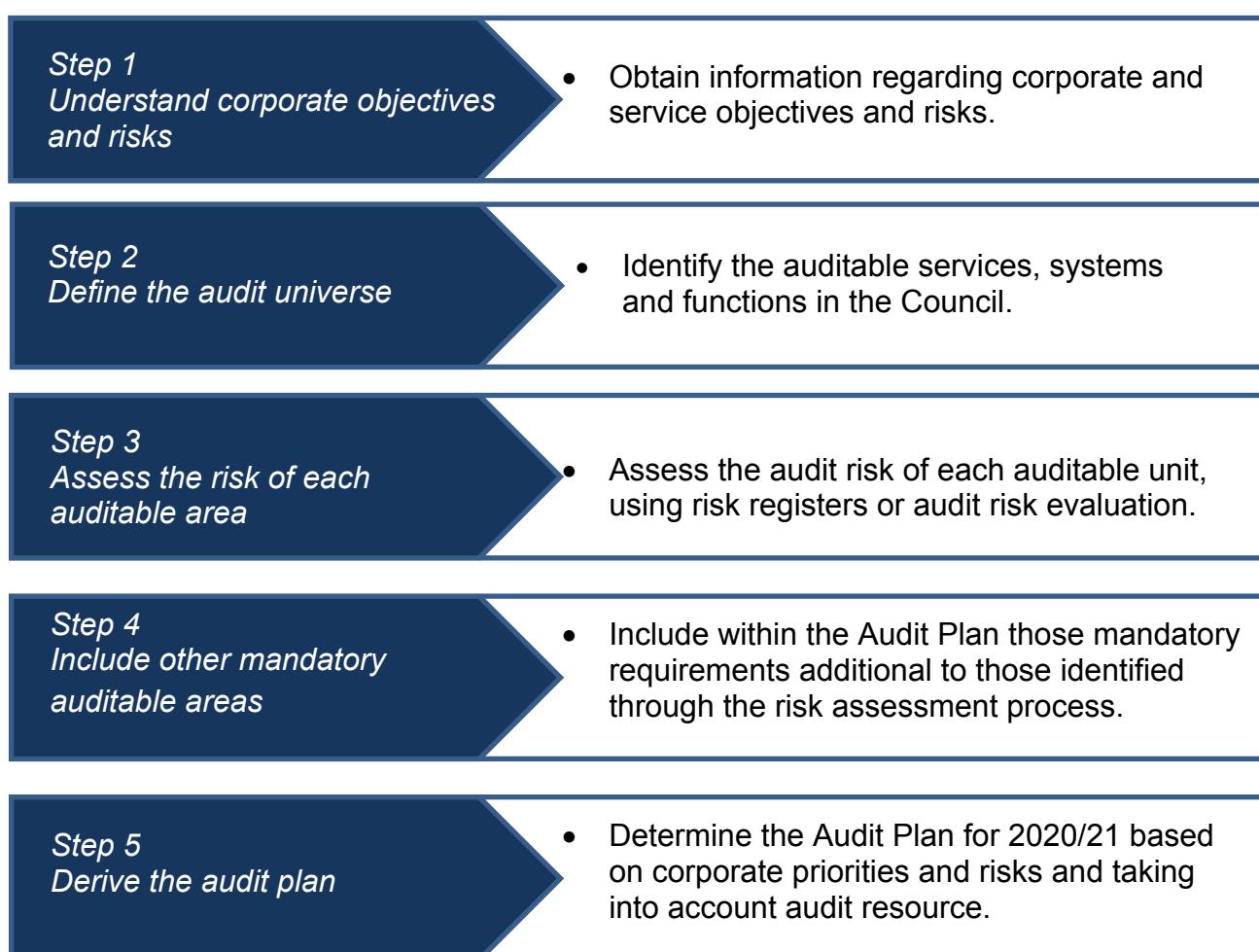
It should be noted that this is an iterative plan that will be kept under review on an ongoing basis, taking into account local and national issues where necessary, in particular any future developments as a result of Covid-19. It is also intended to undertake a half year review. Any significant changes to it will be reported to the Audit Committee for consideration and approval.

2. Approach

The internal audit function will be delivered in accordance with the Internal Audit Charter, as presented to the Audit Committee in September 2019. The Charter defines the role, scope, independence, authority and responsibility of the internal audit department. Audits will be delivered in accordance with that Charter. The team will also be developed during the year in accordance with the Charter and Service Plan. Development will be predominantly by the further embedding of integrated audit software and the use of Computer Aided Audit Techniques (CAATs) to increase the efficiency of the department.

3. Methodology

A summary of our approach to the development of the Audit Plan for 2020/21 is set out below. The Plan is driven by the Council's organisational objectives and priorities and the risks that may prevent the Council from meeting these objectives.



Step 6
Update the plan for Covid-19

- Update the Audit Plan for 2020/21 to allow for the impact of Covid-19.

Approach

We have examined all the Council's Strategic and Directorate risk registers. We have also reviewed the Council's plans to identify objectives and priorities. We have reviewed the discussions for previous year's plans and looked at the reviews carried out this year, and also those deferred. In this way we have sought to ensure that risks are addressed over successive annual audit cycles. We have reviewed the findings from recent external reviews and have also used sector knowledge to gain a wider understanding and perspective on risk. We have considered the previous year's plans from other Councils to ensure wider issues were picked up.

Step 2 – Define the audit universe

Approach

Using that information we have updated the 'audit universe', the possible areas for audit within the Council based on the risk registers, Council plans objectives and priorities, Performance Management framework and our accumulated knowledge and experience.

Step 3 – Assess the risk of each auditable area

Approach

This is a function of the estimated impact and likelihood of risk occurring for each auditable unit within the audit universe. It also takes into account our understanding of the strength of the control environment of each area. Where the auditable area is included in a risk register, the risk rating was used. Where the auditable area was not in a risk register the risk was assessed in terms of:

- The importance of the auditable area
- The level of risk of the auditable area

Step 4 – Include other auditable areas

Approach

In addition to the audit work identified through the risk assessment process, we also work on fundamental financial systems to assist the Responsible Finance Officer to meet her statutory responsibilities under s.151 of the Local Government Act 1972. We are required to provide certification of a small number of grant claims. We include an allowance for the investigation of suspected fraud and irregularity, and a contingency for management requests and emerging issues. Finally, we have committed to provide an internal audit service to a small number of academy schools in the Rotherham area, from which we generate a small income stream.

Step 5 – Derive the Audit Plan.

Approach

From the above a 'long-list' of potential areas for audit was produced. Discussions were then held with all Strategic Directors and their teams. The plan was then derived to account for

competing priorities, the need to provide an opinion at the end of the year and the resources available. It was presented to the Senior Leadership Team for information and any comment.

Step 6 – Update the Audit Plan to allow for the impact of Covid-19.

Approach

With the onset of Covid-19 and the lockdown, the audit plan for 2019/20 was not completed as audit resource was redeployed in processing applications for Business Support Grants in support of Finance. At the same time, a Gold and Tactical structure was set up and authorised various changes to systems and processes, necessary to deal with the situation. The uncompleted reviews from 2019/20 and the authorised changes have been considered and where appropriate the plan updated to include them, allowing for the reduced time available in the remainder of the year.

4. Basis of our annual audit opinion for 2020/21

Internal audit work will be performed in accordance with the Public Sector Internal Audit Standards (PSIAS) and the associated Local Government Application Note (LGAN).

Our annual internal audit opinion will be based on the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. Progress against our Plan will be reported to the Audit Committee during the year.

In producing this Plan, we have considered carefully the level of audit coverage required to be able to form an evidenced annual internal audit opinion. Despite the impact of Covid-19 there is still sufficient resource available throughout the year to support an opinion. There are a number of risks to the delivery of this Plan:

- The plan includes a realistic provision for investigations. However, there is no guarantee that it is accurate. If further resource is needed it may impact on the plan. Conversely, if this amount is not required then it will be allocated to other specific audit tasks.
- The team is now at full capacity, but the plan could be affected by staff vacancies or sickness during the year.
- There may be a further impact from Covid-19.

Audits covered within the plan

Outline scopes for each review are given in the attached table. The following types of audit work will be completed.

1. Risk based work

This work is based on the strategic or operational risks. The audits examine the objectives of the area under consideration, the risks that may affect the achievement of those objectives and the adequacy and effectiveness of the controls to mitigate those risks.

2. System based work

Predominantly of key financial systems to give assurance that they are operating

effectively. Reviews will take place each year but will look at specific controls on a rolling basis.

3. Follow up audits

Specific follow up audits have been planned where there have been a number of recommendations made in previous reviews.

4. Advisory work

Audit time to take part in specific projects or developments, as already requested / agreed with management.

5. Value for money

Value for money is considered as part of each audit review.

6. Grant claims

Time has been assigned to carry out reviews of grant claims.

7. Schools

During 2019/20 we used Control and Risk Self-Assessment for all maintained schools. This was designed to provide a level of assurance about the standards in schools, whilst at the same time minimising audit time in the schools by eliminating the need for traditional school audit visits. We used the results to complete themed school-based reviews on risks identified from the self-assessment. A sample of schools was visited to assess the identified risks.

There is a decreasing number of maintained schools within RMBC, which may mean the CRSA exercise is not viable. In addition, recent Department of Education consultation on Financial Transparency of Local Authority maintained schools and academies recommended a return to audits of individual schools. The results of the consultation are not yet known. The provision of school audits will therefore remain under review during the year.

8. IT Audit

The Internal Audit team completes audits of the IT section but does not have the expertise to carry out technical audits of IT systems. Salford City Council Internal Audit Services specialise in this area and provide audit services to councils in Greater Manchester, the north-west and north-east of England and north Wales. They have been engaged to perform an Audit Needs Assessment of RMBC IT. The review was planned to take place on 23rd March but was postponed. It is intended to rearrange it in the near future. The results of the review will highlight any areas where detailed IT audits should be completed. This may mean that the plan will be amended. If so, the amendments will be presented to the Audit Committee at its next meeting.

9. Counter Fraud work

We will continue to conduct investigations in fraud and irregularity during the year. In addition, we will continue to participate in the National Fraud Initiative. This matches

data across organisations and systems to help identify potentially fraudulent or erroneous claims and transactions.

Resources

The audit plan will be delivered by the in-house team and has been based on the current complement of the team.

There is a contingency of 40 days for further audits of risks as they arise, or for requests from management for advisory work.

Not shown within the plan is a small allocation of days for the provision of an audit service to a number of academy schools in the Rotherham area, from which we generate a small income stream.

The level of available resources for the Internal Audit function for 1st April 2019 to 31st March 2020 is 975 days and is based on an establishment structure of 8 FTE. This is sufficient to allow the Head of Internal Audit to give his annual opinion at the end of the year. However, a greater resource would enable the team to provide a better service and greater assurance to the Council. The plan depends on maintaining the current level of resource.

5. Internal Audit Plan 2020/21

The internal audit plan has been derived as shown below to reflect the core areas of our Internal Audit programme determined by our risk assessment and consultation process.

Internal Audit Plan 2020-21

<u>CORPORATE</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	2	
Annual Governance Statement		Advisory	Review of the process for the production of the AGS.	10	4	
Schemes of Delegation		Advisory	Review 'sub-schemes' of delegation across each directorate / service for compliance with policy and processes.	10	3	
Social Value		Risk Based	Review of compliance with Social Value policy requirement that for contracts below £25,000, where the Council invites written quotations, Services must ensure that a minimum of 1 of these quotes is from a local supplier.	10	1	
Total Planned Days – Corporate					40	

<u>ASSISTANT CHIEF EXECUTIVE</u>						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Payroll	Directorate Risk ACX20	Risk Based	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	20	3	
HR Policies		Risk Based	Review of policies and procedures for the new payroll system to provide assurances that they are fit for purpose.	20	1	

Leavers		Risk Based	Provide an assurance on the procedures in place for ensuring leavers are processed efficiently and that all aspects across respective Directorates are complied with (return of equipment; recycling of software licences etc).	15	3
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	3
Recruitment		Risk Based	To review the modified recruitment process set up as a response to Covid-19.	10	2
Community Hub		Risk Based	To review the operation of the shopping arrangements set up in the Community Hub as a response to Covid-19	10	1
Total Planned Days – Assistant Chief Executive				90	

ADULT CARE, HOUSING AND PUBLIC HEALTH

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Target Operating Model / Liquid Logic	Directorate Risk ACOP15	Follow Up	To review the Social Care Pathway (Target Operating Model) to provide assurance that it is being applied correctly and consistently by social workers, including the use of liquid logic.	25	1
Rothercare Service	Operational Risk ACOP11	Risk Based	Review the policies and procedures in place to ensure the effective and efficient operation of the Rothercare Service and Assistive Technology	20	3
Court of Protection (Appointees)		Risk Based	Review the policies and procedures in place to ensure the effective and efficient provision of a Court of Protection Appointeeship Service.	15	1
Homelessness	Operational Risk 18	Risk Based	Review of policies and procedures and provide assurance on compliance with the Homeless Reduction Act 2017.	15	3

Housing Rents		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system	10	2
Financial Support after Covid-19		Risk Based	To review the application of additional funding provided as a response to Covid-19	20	1
Total Planned Days – Adult Care Housing and Public Health				105	

<u>CHILDREN AND YOUNG PEOPLES SERVICE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Placements	Directorate Risks CYPS1	Risk Based	Review policies and procedures for sourcing and agreeing placements to ensure that they are correctly considered, authorised and costed	20	3
Unregistered and Unregulated Placements	Directorate Risk CPQ43	Risk Based	Review of policies and procedures and provide assurance that unregulated placements are authorised and monitored and unregistered placements do not take place.	20	3
Traded Services for Schools	Directorate Risk CPQ45	Risk based	Review the processes in place to ensure traded services are controlled and accounted for correctly.	20	1
Fostering / Adoption / SGOs		Risk Based	Review of the controls around the allowance payments systems and linkages with the financial information system, E5.	15	1
Payments		Risk Based	Review of the policies and procedures in place for requisitioning payments, including Section 17 payments.	20	2
Schools		Risk Based	Sample visits to schools.	20	3
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements.	15	1
Direct Payments		Risk Based	Review policies and procedures and ensure all previous audit recommendations in this area have been implemented.	10	1
Total planned days - Children and Young People's Services				140	

FINANCE AND CUSTOMER SERVICES

Finance

Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	4
Council Tax		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	3
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine a particular area within the system.	10	3
Treasury Management	Operational Risk	Risk Based	Review of policies and procedures in place to ensure an efficient treasury management service.	10	4
Purchasing Cards		Risk Based	Review policies and procedures and gain an assurance that expenditure on procurement cards is appropriate and supported by receipted records.	10	4
Procurement “Feeder” Systems		Risk Based	Examine feeder systems, e.g. ContrOcc, and gain assurance that payments generated through systems are approved, controlled and monitored.	20	3
Payment and Support to Suppliers		Risk Based	Review the operation of payment and support to suppliers introduced as a response to Covid-19	10	1
Business Support Grants		Risk Based	Review the operation of payments to businesses introduced as a response to Covid-19	10	1

Cyber Security Attacks	Directorate Risk FCS14	Risk Based	Follow up of audit findings and recommendations from full audit carried out in 2019-20.	5	4
Data Loss	Operational Risk	Risk Based	Review of the controls around the security of data transferred to mobile devices (via InTune Portal and 365).	10	1
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	1
Legal Services					
Child Protection Litigation Service to CYPS	Directorate Risk FCS6	Risk Based	Provision of an effective child protection litigation service to CYPS	10	1
Adult Care Protection Legal Support	Operational Risk	Risk Based	Provision of an effective adult care protection legal support	10	1
Total Planned Days – Finance and Customer Services				165	

REGENERATION AND ENVIRONMENT						
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter	
Estate Management	Strategic Risk SLT27	Risk Based	Review policies and procedures and gain an assurance that the Council maintains a safe and operational property estate.	10	3	
Sales and Participation targets	Directorate Risk R&E31	Risk Based	Provide an assurance on the processes for controlling and accounting for sales and income.	15	3	
Vehicle Fleet		Risk Based	Review the policies and procedures for the insourcing of the fleet maintenance service by September 2020 and provide assurance on the benchmarking and performance data collected to allow full consideration of appropriate future delivery model for fleet maintenance.	25	3	

Highway Network		Risk Based	Provide an assurance on the performance results of the completed Roads2020 roads programme and for arrangements for control and monitoring of the latest 36m funding.	15	1
Private Rented Housing		Risk Based	Review policies and procedures and gain an assurance that the Council are compliant with the regulations surrounding Selective Licencing and administration of the scheme, including the response to Covid-19.	10	2
Section 106 and Community Infrastructure Levies (CIL)		Risk Based	Review of the policies and procedures and gain an assurance on the collection and utilisation of Section 106 and CIL contributions.	15	2
Licensing & Enforcement		Risk Based	Delivery of an effective, fit for purpose licensing service. Follow up of previous review of Licensing & Enforcement.	5	4
Licensing Applications		Risk Based	To review the licensing application process changes as a result of the response to Covid-19	10	1
Home to School contracts		Risk Based	To review the changes to Home to School Contracts introduced as a result of the response to Covid-19	10	2
Total Planned Days – Regeneration and Environment				115	

<u>OTHER</u>	Provision	
Grants	50	
Provision for investigations	170	
Pro-active fraud	30	
Contingency	40	
Covid Contingency	30	
	Total	320
	Overall Plan Total	975



Public Report
Audit Committee

Council Report

Audit Committee Meeting – 18th August 2020.

Title

Audit Committee Annual Report 2019/20.

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(s)

David Webster, Head of Internal Audit

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

Ward(s) Affected

All wards.

Report Summary

The purpose of the Annual Report 2019/20 is to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complies with current best practice for audit committees. It allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the Council and is thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management and financial and business controls.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees operate effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this Audit Committee is attached. A copy of the Audit Committee's Terms of Reference is included for information.

Recommendations

The Audit Committee is asked to:

- 1) Note the production of the Audit Committee Annual Report 2019/20.
- 2) Consider and approve the draft report prior to its submission to Council.

List of Appendices Included

Audit Committee Annual Report for 2019/20.

Audit Committee Terms of Reference.

Background Papers

Relevant reports presented to the Audit Committee and minutes of the meetings of the Audit Committee.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

Yes.

Exempt from the Press and Public

No.

Audit Committee Annual Report 2019/20

1. Background

- 1.1 The Audit Committee is a key component of corporate governance and provides an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement.
- 1.2 The Committee's specific powers and duties are set out in section 9 of the Constitution under the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is attached for information.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities.

2. Work Undertaken during 2019/20

- 2.1 The Audit Committee met on five occasions in the year to 31 March 2019, in accordance with its programme of work. A sixth meeting was planned for 24th March 2020, but this had to be postponed until 26th May due to Covid-19. As the agenda was substantially unchanged the May meeting has been included in this report. The frequency of meetings ensures the Audit Committee can fulfil its responsibilities in an efficient and effective way.
- 2.2 During this period the Committee assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the internal auditors and the external auditors. The Committee sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified during the period. The Committee also sought to ensure that effective relationships continue to be maintained between the internal and external auditors, and between the auditors and management.
- 2.3 The specific work undertaken by the Committee is set out in the report.

3. Options considered and recommended proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

4. Consultation on proposal

- 4.1 None.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its August 2020 meeting.

6. Financial and Procurement Advice and Implications

6.1 There are no direct financial or procurement implications arising from this report.

7. Legal Advice and Implications

7.1 None.

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

11.1 Partners can be reassured that the Audit Committee is fulfilling its role within RMBC.

12. Risks and Mitigation

12.1 None.

13. Accountable Officer(s)

David Webster, Head of Internal Audit.
Tel 01709 823282 E mail david.webster@rotherham.gov.uk

**ROOTHERHAM METROPOLITAN
BOROUGH COUNCIL**

**AUDIT COMMITTEE ANNUAL REPORT
2019/20**

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FOREWORD

I am pleased to present this year's Audit Committee Annual Report.

The purpose of the report is to highlight to the Council the work the committee carries out & the contribution we make to the achievement of good governance.

Sections of the report make reference to the specific responsibilities of the Audit Committee, some notable achievements & our own personal development. The committee's full terms of reference are included for information.

I would like to thank members of the committee for their contribution over the past year, the team of RMBC officers who are accountable to us & our external auditors Grant Thornton for their ongoing support.

Cllr K Wyatt, AC Chair August 2020.

INTRODUCTION

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. RMBC's Audit Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.

A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

This role is reflected in the Committee's Terms of Reference which are given below for information.

The Audit Committee had six Members during 2019/20:

Councillor Ken Wyatt – Chair
Councillor Bob Walsh – Vice Chair
Councillor Allen Cowles
Councillor John Vjestica
Councillor Katherine Wilson
Bernard Coleman – independent person, until the February meeting.

Recruitment is underway to appoint an independent person to the committee.

HIGHLIGHTS OF THE YEAR

There have been many benefits from the work of the committee. The main outcomes and improvements include:

- An unqualified External Audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness
- The timely sign-off of the accounts
- An Annual Governance Statement that reflected the developments within the Council
- A positive opinion from the Head of Internal Audit in his Annual Report
- The continuing development of Internal Audit and the planned early external assessment of standards
- A Risk Management process that is embedded within the Council

SUMMARY OF WORK UNDERTAKEN IN 2019/20.

The Audit Committee completed the following during 2019/20

External Audit – Grant Thornton

- Received and considered the detailed results of the external auditor's work in relation to the audit of the 2018/19 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion with just one audit adjustment necessary, which did not affect the financial performance or financial position of the Council. There was an unqualified value for money conclusion stating that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Received and considered the external auditor's annual audit letter in respect of the 2018/19 audit year. The Committee was pleased to note that the external auditors had given an unqualified value for money audit opinion and an unqualified opinion on the financial statements. They also stated that the consolidation pack prepared to support the production of Whole of Government Accounts by HM Treasury was consistent with the audited financial statements and that the Annual Governance Statement was consistent with their understanding and compliant with the CIPFA/SOLACE framework on good governance in local authorities.
- Received and considered the external auditor's plan for the audit of the 2019/20 financial statements and the review of the Council's arrangements for securing value for money.
- Received and considered a report on the planned audit fee for 2019/20, to cover work on: the audit of the financial statements; reaching a conclusion on the economy, efficiency and effectiveness of the Council's use of resources; and the work on the Whole of Government Account Return.

Internal Audit

- Continued to oversee the internal audit arrangements for the Council. This included approving minor updates to the Internal Audit Charter.
- Received and approved the Internal Audit Plan for 2019/20. The plan ensures that internal audit resources are prioritised towards those systems and areas which are considered to be the most risky or which contribute most to the achievement of the Council's corporate objectives.
- Monitored the delivery of the Internal Audit Plan through regular update reports presented by the Head of Internal Audit. Reviewed variations to the audit plans which were considered necessary to reflect new or changed Council priorities.
- Received and considered the results of internal audit work performed in respect of each Directorate.
- Monitored the progress made by management during the period to address identified control weaknesses.
- Monitored the performance of the Internal Audit team through regular update reports.
- Received and considered the Annual Report of the Head of Internal Audit for 2018/19 which provided an overall opinion on the Council's control environment. The report included a summary of the resources and audit coverage, the work undertaken and the audit opinions and recommendations issued during the year. The Head of Internal Audit confirmed that the Council overall had an adequate and effective framework of governance, risk management and control.
- Because of the postponement of the March 2020 until May, the committee also received the Annual Report of the Head of Internal Audit for 2019/20, which had a similar content and the same opinion on the adequacy and effectiveness of the framework of governance, risk management and control.
- Received and endorsed a proposal for the external validation of the internal assessment against Public Sector Internal Audit Standards to be completed. This was planned for April 2020 but could not be completed because of Covid-19. Instead the Committee received and considered the internal assessment which showed General Conformance with the Standards
- Received and considered the implementation of the Quality Assurance and Improvement Plan and the revised plan for 2020.

Anti-fraud and Corruption

- Received and considered updates to the Anti-Fraud and Corruption Policy and Strategy.
- Received and considered updates on completed fraud investigations as part of the Internal Audit Progress Reports.

Risk Management

- Continued to oversee the Council's risk management arrangements and strategy, including reviewing the refreshed risk management policy and guide.
- Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register twice during the year.
- Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in their Risk Registers. Presentations were received from Strategic Directors and Cabinet Members on their approach to risk management.

Corporate Governance

- Considered changes to the refreshed Code of Corporate Governance prior to approval. The Code reflects the core principles and requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'.
- Considered the draft Annual Governance Statement for 2018/19.
- Considered and approved the Annual Governance Statement for 2018/19 of the Council. The Statement reflected the continued progress made by the Council during that year.
- Produced its own Annual Report for 2018/19 setting out the work undertaken by the committee.
- Received and considered at each meeting its own forward plan for the year ahead, ensuring that all relevant areas are covered during the year.

Finance

- Considered the unaudited draft Statement of Accounts.
- Considered and approved the Statement of Accounts for 2018/19 for the Council.
- Received and considered a report on the final accounts closedown and accounting policies updates for 2019/20. A second closedown report was received after the changes to the accounting timetable due to Covid-19.
- Continued to review the Council's Treasury Management arrangements. This included reviewing the Annual Treasury Management Report for 2018/19 which covered the actual Prudential Indicators, and the Mid-Year Monitoring Report which included the actual and proposed treasury management activity.
- Received a report detailing the position with regards to the Designated School Grant reserve and the plan to operate within the annual allocation and reduce the deficit over future years.

Other

- Received and considered two update reports on progress made to implement recommendations arising from external inspections.
- Received and considered reports on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA). There had been no usage of these powers by the Council during 2018/19.
- Received an annual report on Information Governance, including compliance with GDPR and the Data Protection Act.

TRAINING AND DEVELOPMENT

The Committee completed a self-assessment against CIPFA guidance during the year. It receives training or a briefing before most meetings based on the papers to be presented to the Committee and the results of the self-assessment.

During the year the Audit Chair attended Public Sector Audit Appointments events, the LGA Leadership Academy for audit chairs and training organised by Grant Thornton, the external auditors.

The audit chair and another committee member are members of the Sheffield City Region Audit and Standards committee, and the audit chair is also a member of the YPO Audit and Governance Committee.

TERMS OF REFERENCE 2019/20

Committee Size

To comprise:-

- Five Councillors, none of which are members of the Cabinet.
- One person who is not a councillor or officer of the Council (independent member).

Statement of purpose

- 1 The Audit Committee is a key component of RMBC's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the audit committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of RMBC's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider RMBC's code of governance.
- 4 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To approve the final AGS for publication.
- 6 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 8 To monitor the effective development and operation of risk management in the council.
- 9 To monitor progress in addressing risk-related issues reported to the committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 12 To monitor the counter-fraud strategy, actions and resources.
- 13 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

- 14 To approve the Internal Audit Charter.
- 15 To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

- 16 To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- 17 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
- 19 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards. This will include:-
 - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is so severe that it must be included in the AGS
- 20 To consider reports from the Head of Internal Audit on Internal Audit's performance during the year. These will include updates on the work of Internal Audit including:-
 - progress against the plan
 - key findings and issues of concern
 - action in hand as a result of internal audit work
 - performance indicators
- 21 To approve the Head of Internal Audit's annual report:-
 - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
 - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 22 To consider summaries of specific Internal Audit reports.
- 23 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 24 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for him/her to meet privately with the committee.

External audit

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 27 To approve the external auditor's annual plan
- 28 To approve any revisions to the external auditor's plan
- 29 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30 To consider specific reports as agreed with the external auditor.
- 31 To comment on the scope and depth of external audit work and to ensure it gives value for money.

- 32 To commission work from internal and external audit.
- 33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 34 To receive the draft annual statement of accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 35 To approve the final audited annual statement of accounts for publication. Specifically to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 36 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 37 To deal with any matters referred to the Committee by the Strategic Director Finance and Customer services in relation to his/her responsibilities under section 151 of the Local Government Act 1972.

Treasury Management

- 38 To review treasury management policy, strategy and procedures and to be satisfied that controls are satisfactory
- 39 To receive annual reports on treasury management, specifically the outturn report and the mid-year report
- 40 To review the treasury risk profile and adequacy of treasury risk management processes
- 41 To review assurances on treasury management, for example an internal audit report, external audit report or other review.

Accountability arrangements

- 42 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 43 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 44 To submit a report on the work of the committee to the Council on an annual basis.



Public Report
Audit Committee

Committee Name and Date of Committee Meeting:

Audit Committee - 18th August 2020

Report 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:

Borough-Wide.

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.

List of Appendices Included

Audit Committee Forward Work Plan.

Background Papers

Audit Committee Terms of Reference – Constitution, Appendix 9 Responsibilities and Functions, Section 5 Terms of Reference for Committees, Boards and Panels.

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

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Audit Committee Forward Work Plan

1. Background

- 1.1 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.

2. Key Issues

- 2.1 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.
- 2.2 The forward work plan is designed to ensure that the key Audit Committee responsibilities are fulfilled.

3. Options considered and recommended proposal

- 3.1 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.

4. Consultation on Proposal

- 4.1 Relevant officers and the Audit Committee were consulted in producing the work plan.

5. Timetable and Accountability for Implementing this Decision

- 5.1 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).

6. Financial and Procurement Implications

- 6.1 There are no financial or procurement issues arising from this report.

7. Legal Advice and Implications

- 7.1 There are no direct legal implications associated with this report.

8. Human Resources Advice and Implications

- 8.1 There are no Human Resources implications arising from the report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 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.

10. Equalities and Human Rights Advice and Implications

10.1 There are no direct Equalities or Human Rights implications arising from this report.

11. Implications for Partners

11.1 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.

12. Risks and Mitigation

12.1 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.

13. Accountable Officer:

David Webster, Head of Internal Audit
01709 823282 – david.webster@rotherham.gov.uk

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
29 September 2020	External Audit Internal Audit Internal Audit / Governance Risk and Control Governance Risk and Control Governance Risk and Control Audit Committee Accountability	Training External Audit Annual Letter IA Charter review and update IA Progress Report Risk Management Directorate Presentation – Assistant Chief Executive Anti-Fraud and Corruption Policy and Strategy review and update Audit Committee Forward Work Plan	Grant Thornton / Graham Saxton David Webster David Webster Assistant Chief Executive David Webster David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
24 November 2020	Financial Reporting	Training – Code of Corporate Governance	Graham Saxton
	Governance Risk and Control	Final Statement of Accounts	Judith Badger
	Financial Reporting	Final AGS	Grant Thornton / Graham Saxton
	Governance / Risk and Control	External Audit report on the Accounts	Simon Dennis
	Treasury Management	External Audit and Inspection recommendations	Graham Saxton
	Governance Risk and Control	Mid-Year Report on Treasury Management	Simon Dennis
	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	Paul Woodcock
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Financial Reporting	Updates to Financial Procedures	Graham Saxton
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
19 th January 2021	Financial Reporting External Audit Governance Risk and Control Governance Risk and Control Internal Audit / Governance Risk and Control Audit Committee Accountability	Training Final Accounts closedown and accounting policies Accounts Audit Plan Strategic Risk Register Risk Management Directorate Presentation – Finance and Customer Services IA Progress Report Audit Committee Forward Work Plan	Graham Saxton Grant Thornton / Graham Saxton Simon Dennis Judith Badger David Webster David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
23 rd March 2021	Internal Audit	Training IA Annual 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	Sally Hodges
	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
	Governance Risk and Control	Dedicated School Grant update	Neil Hardwick

Meeting Date	Key Responsibility	Agenda Item	Author
June 2021	<p>Financial Reporting</p> <p>Governance Risk and Control</p> <p>External Audit</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Internal Audit / Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Audit Committee Accountability</p>	<p>Training</p> <p>Draft Statement of Accounts</p> <p>Draft Annual Governance Statement</p> <p>External Audit Progress Update</p> <p>Review of Surveillance and use of Regulation of Investigatory Powers</p> <p>External Audit and Inspection Recommendations</p> <p>Risk Management Annual Report</p> <p>IA Progress Report</p> <p>Risk Management Directorate Presentation – Adult Care and Housing</p> <p>Audit Committee Forward Plan</p>	<p>Graham Saxton</p> <p>Judith Badger</p> <p>Grant Thornton / Graham Saxton</p> <p>Bal Nahal</p> <p>Simon Dennis</p> <p>Simon Dennis</p> <p>David Webster</p> <p>Anne Marie Lubanski</p> <p>David Webster</p>

Meeting Date	Key Responsibility	Agenda Item	Author
July 2021	<p>Financial Reporting</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Treasury Management</p> <p>Governance Risk and Control</p> <p>Governance Risk and Control</p> <p>Audit Committee Accountability</p> <p>Audit Committee Accountability</p>	<p>Training – Statement of Accounts</p> <p>Final Statement of Accounts</p> <p>Final Annual Governance Statement</p> <p>External Audit report on Accounts</p> <p>Annual Treasury Management</p> <p>Information Governance Annual Report</p> <p>Strategic Risk Register</p> <p>Audit Committee Annual Report</p> <p>Audit Committee Forward Work Plan</p> <p>Private meeting</p>	<p>Graham Saxton</p> <p>Judith Badger</p> <p>Grant Thornton / Graham Saxton</p> <p>Graham Saxton</p> <p>Paul Vessey</p> <p>Simon Dennis</p> <p>David Webster</p> <p>David Webster</p>

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