

## AUDIT COMMITTEE

- Date and Time :-** Tuesday, 24 November 2020 at 2.00 p.m.
- Venue:-** Virtual Meeting.
- Membership:-** The Mayor (Councillor Andrews); Councillors Cowles, Vjestica, Walsh (Vice-Chair) and Wyatt (Chair)
- Mr. J. Barber, Independent Member**

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 29th September, 2020 (Pages 1 - 7)

To consider and approve the minutes of the previous meeting held on 29th September, 2020, as a true and correct record of the proceedings.

### 5. Audited Statement of Accounts (Pages 8 - 210)

### 6. Code of Corporate Governance (Pages 211 - 240)

### 7. Annual Governance Statement (Pages 241 - 263)

### 8. Audit Committee Forward Plan (Pages 264 - 272)

### 9. Items for Referral for Scrutiny

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

### 10. Exclusion of the Press and Public

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

11. **Internal Audit Progress Report 1st September-31st October, 2020 (Pages 273 - 296)**
12. **Risk Management Directorate - Assistant Chief Executive (Pages 297 - 305)**
13. **Urgent Business**

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

14. **Date and time of next meeting**

The next meeting of the Audit Committee will be held on Tuesday, 19<sup>th</sup> January, 2021 commencing at 2.00 p.m. via Microsoft Teams



SHARON KEMP,  
Chief Executive.

**AUDIT COMMITTEE  
29th September, 2020**

Present:- Councillor Wyatt (in the Chair); The Mayor (Councillor Jenny Andrews); Councillors Cowles, Vjestica and Walsh.

Gareth Mills and Thilina De Zoysa, Grant Thornton, were also in attendance.

**107. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

**109. MINUTES OF THE PREVIOUS MEETING HELD ON 18TH AUGUST, 2020**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 18<sup>th</sup> August, 2020.

It was noted that remote interviews would be taking place in early October for the appointment of the Independent Person.

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

**110. INFORMATION GOVERNANCE ANNUAL REPORT**

Consideration was given to an update and annual report presented by Paul Vessey, Head of Information Management, on the Council's compliance with the General Data Protection Regulation (GDPR) and the Data Protection Act (DPA).

Since the last report submitted on 26<sup>th</sup> November, 2020 (Minute No. 44 refers), all outstanding tasks had been completed and all required policies and processes for compliance with GDPR and DPA were now in place and embedded within the organisation. It was now the responsibility of all Directorates and Service areas to comply with the Council's Data Protection policies and procedures.

Monitoring of the Council's compliance with GDPR and DPA was carried out by the Corporate Information Governance Group (CIGG) which had representatives from all Directorates and Chaired by the Council's Senior Information Risk Officer. Any risks were monitored on a regular basis by the Group with risks and actions logged and reviewed at CIGG meetings and, if necessary, escalated in line with the Council's risk management processes.

The key issues were:-

- Maintain compliance  
Compliance with Data Protection principles was a continuous project  
CIGG fulfilled a core function in monitoring and overseeing information risks  
Regularly monitored the effectiveness of the Council's Data Protection Policies and each Directorate's Information Governance and Data Protection processes
  
- Raised awareness of Data Protection  
The Council had received a 75% increase in the volume of validated Information Right of Access Requests (RoARs) in the 2018/19 financial year  
This had coincided with increased national media coverage of GDPR and Data Protection and was reasonable to suggest that this rise was partly attributable to greater public awareness of information rights  
  
The trend had been monitored – the validated number of RoARs for 2019/20 was 188, a further increase of 10% on 2018/19
  
- Monitor performance of Freedom of Information (FOI) and Right of Access requests  
Completion 'in time' of validated Right of Access Requests had continued to improve despite an increase in the overall volume of enquiries  
Performance was below the 100% completion target within the statutory time limits due to the large number of RoARs that were complex in nature involving large volumes of historical data, Children's Services and often linked to CSE  
Slight decrease in completed 'in time' Freedom of Information Requests and a reduction in volume. Analysis of the data did not raise any significant concerns and was mainly due to a poor month's performance that could not be overcome during the rest of the year's performance

Performance would continue to be closely monitored with the focus on improvement.

Discussion ensued with the following issues raised/clarified:-

- Very low number of FOI's refused for not meeting the criteria
- Internal Audit had been requested to look at the processes for possible enhancements to improve what was currently in place
- It was the Authority's public duty to provide the information it held if no valid reason to withhold

Resolved:- (1) That the General Data Protection Regulation annual report 2019/20 be noted.

(2) That the legal requirement of the Council continuing its maintenance of its Information Governance policies and processes in compliance with legislation be noted.

**111. LOCAL GOVERNMENT AUDITING AND FINANCIAL REPORTING - THE REDMOND REVIEW**

Gareth Mills, Grant Thornton, presented a report on the Redmond Review launched in September 2019 and led by Sir Tony Redmond, former President of CIPFA. The purpose of the review had been to assess the effectiveness of audit in local authorities and the transparency of financial reporting.

The review recommendations were:-

- A new regulator – the Office of Local Audit and Regulation to replace the FRC and PSAA
- Scope to increase fees – the current fee structure for local audit be revised i.e. increased to ensure that adequate resources were deployed to meet the full extent of local audit requirements
- Move back to a September deadline – the deadline for publishing audited local authority audits be revisited with a view to extending it to 30<sup>th</sup> September from 31<sup>st</sup> July each year
- Accounts simplification – CIPFA/LASAAC be required to review the statutory accounts to determine whether there was scope to simplify the presentation of local authority accounts
- Recognition of the role of authorities in improving governance and reporting
- Development of audited and reconciled account summaries

Discussion ensued with the following points raised-

- Acknowledgement that audits were currently significantly under priced
- CIPFA to look at the accounting codes
- NHS bodies were outside the regime but will be impacted by it
- The new 2021 accounting code required more detailed work on the Value for Money conclusion
- Suggestion of a summary of accounts in 2020/21 to make local authority accounts more user friendly

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

(2) That Grant Thornton submit a report to the January 2021 meeting of the Audit Committee on the Value for Money review that would be undertaken in 2021.

**112. INTERNAL AUDIT CHARTER**

Further to Minute No. 33 of the meeting of the Audit Committee held on 26th September, 2019, David Webster, Head of Internal Audit, presented the revised Internal Audit Charter.

The Charter, which in effect was the Terms of Reference of the Internal Audit Department, was aligned to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN) which was mandatory for all Local Government audit departments. It also took account of the contents of the CIPFA Statement on the Role of the Head of Internal Audit. The Charter must be reviewed periodically and presented to the Audit Committee for approval.

The review had been completed, however, none of the requirements had changed in the last year and, therefore, no changes made to the Charter.

The Charter outlines the regulatory requirements for Internal Audit and detailed:

- The Mission, Definition, Core Principles and Code of Ethics of Internal Audit.
- The Independence, Role, Scope of Work, Responsibilities, Reporting arrangements, Relationships, Resources and Performance Reporting of Internal Audit.
- The role of Internal Audit in reducing and investigating fraud, and in consulting services.

Resolved:- That the Internal Audit Charter, as now submitted, be approved.

(Due to technological difficulties experienced by the Chair, the Vice-Chair assumed the Chair for the remainder of the meeting.)

(Councillor Walsh in the Chair.)

**113. ANTI-FRAUD AND CORRUPTION POLICY, STRATEGY AND SELF-ASSESSMENT AGAINST CIPFA CODE OF PRACTICE**

Further to Minute No. 47 of the Audit Committee meeting held on 26th November, 2019, consideration was given to a report presented by David Webster, Head of Internal Audit. It detailed the proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy following an annual review process designed to ensure that the Policy and Strategy were up-to-date with current best practice and to take into account any changes to the Council's organisational structure.

The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption required an annual report on performance against the Strategy.

The Council's updated Anti-Fraud and Corruption Policy was attached at Appendix A of the report submitted together with the updated Strategy at Appendix B. Appendix C of the report contained an update to the self-assessment against the CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption. This led to the action plan for maintaining/developing the Council's arrangements.

The main changes to the documents were:-

- Reference to the new electronic system to declare interests, gifts and hospitality
- Reference to anti-fraud work carried out by Internal Audit
- How the Council dealt with attempts at fraud

Discussion ensued with the following issues raised:-

- There had been some attempted fraudulent claims of the Council-run grants during the pandemic but had been picked up by the Finance Team
- Information regarding the main themes of the Policy were included within briefings to staff as well as being available on the intranet. Consideration to be given to awareness raising for Members

Resolved:- (1) That the proposed revisions to the Anti-Fraud and Corruption Policy and Strategy, including the textual amendments and additions discussed at the meeting, be approved.

(2) That the proposed actions intended to strengthen the Council's fraud and corruption arrangements be noted.

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

Consideration was given to the proposed forward work plan for the Audit Committee covering the period November, 2020 to September, 2021.

It was noted that the Accounts Audit Plan, due for submission to the January meeting, would also include information on the new Audit Code.

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

#### **115. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral to Scrutiny.

**116. EXCLUSION OF THE PRESS AND PUBLIC**

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

**117. INFORMATION TECHNOLOGY AUDIT REPORT**

Gareth Mills, Grant Thornton, together with Thilina Da Zoysa and Calum Clark, presented a report on the assessment undertaken of the design and implementation effectiveness of the IT General Controls within the IT environment as they affected the financial statements for the year ended 31<sup>st</sup> March, 2020.

The report set out a summary of observations, the scope and summary of work completed and detailed observations and recommendations.

Discussion ensued with the following issues raised/clarified:-

- The recommendations would be followed up on as part of the audit planning work
- The audit would take place late February/early March which would include a 6 months' follow-up from implementation of the recommendations

Resolved:- That the report be noted.

**118. INTERNAL AUDIT PROGRESS REPORT 1ST JULY TO 31ST AUGUST, 2020**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1<sup>st</sup> July to 31<sup>st</sup> August, 2020, and the key issues that had arisen therefrom.

Work on the 2020/21 plan had commenced with the current position set out in Appendix A of the report submitted. There would be a half-yearly review and the plan would need to remain flexible throughout the year to allow for any developments relating to Covid-19. Appendix B set out the addition to the Plan.

4 audits had been finalised since the last Committee meeting including 2 receiving Substantial Assurance, 1 Reasonable Assurance and 1 Partial Assurance. Audit opinions and a brief summary of all audit work concluded since the previous meeting were set out at Appendix C.



Internal Audit's performance against a number of indicators was summarised in Appendix D but had been impacted by the time spent on Business Support Grants and sickness absence.

Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. The number of aged outstanding actions had decreased slightly from 38 to 36. 14 of the older actions had been cleared but another 12 had become overdue.

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

- A meeting was to be held with all Assistant Directors/Heads of Service to ensure they were fully aware of their responsibility when making a commitment to an agreed action due date
- Deviation from Internal Work required during the height of the Covid-19 pandemic and subsequently the taking of leave had impacted upon performance
- Acknowledgement that remote working did impact upon the time taken to undertake tasks

Resolved:- (1) That the Internal Audit work undertaken since meetings of the Audit Committee, 1<sup>st</sup> July to 31<sup>st</sup> August, 2020, and the key issues arising therefrom be noted.

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

(3) That the Committee's thanks be placed on record to the work of the Internal Audit Team under the current circumstances and the contributions they had made to other work within the Council.

**119. URGENT BUSINESS**

There was no urgent business to report.

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

Resolved:- That a meeting of the Audit Committee be held on Tuesday, 24<sup>th</sup> November, 2020, commencing at 2.00 p.m.

**Committee Name and Date of Committee Meeting**

Audit Committee – 24 November 2020

**Report Title**

Audited 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](mailto:rob.mahon@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide

**Report Summary**

The ISA 260 report sets out Grant Thornton's overall conclusions from their 2019/20 audit in relation to their two statutory objectives:

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

Members are asked to consider Grant Thornton's findings, as set out in the ISA260 Report (Appendix 4), before formally approving the 2019/20 Statement of Accounts (Appendix 1) and the 2019/20 Narrative Report (Appendix 2) for publication as final and to issue Grant Thornton with the Letter of Management Representations (attached as Appendix 3) which Grant Thornton require to complete their audit.

Members will note that Grant Thornton intend to issue an unqualified opinion on the Statement of Accounts. The ISA260 Report also provides details of the external auditors 'value for money opinion'.

Grant Thornton also intend to issue an unqualified opinion in respect of the Council's value for money arrangements.

**Recommendations**

1. Consider Grant Thornton's overall audit findings from their 2019/20 audit as set out in the ISA 260 report attached at Appendix 4;
2. Having taken due regard of these findings, formally approve the 2019/20 Statement of Accounts attached as Appendix 1 for publication as final and the 2019/20 Narrative Report attached as Appendix 2 for publication as final; and
3. Approve that Grant Thornton be issued with the Letter of Management Representation attached as Appendix 4

**List of Appendices Included**

Appendix 1 – 2019/20 Statement of Accounts to be published as final

Appendix 2 – 2019/20 Narrative Report to be published as final

Appendix 3 – Letter of Management Representation (to be presented at meeting)

Appendix 4 – Grant Thornton's ISA 260 report (to be presented at meeting)

**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

## **Closure of the Accounts 2019/20**

### **1. Background**

- 1.1 At the Audit Committee meeting on 4th February 2020 members received Grant Thornton's Audit Plan for 2019/20 which set out the audit approach Grant Thornton planned to take to discharge their audit objectives and the risks they had identified in relation thereto, and, then at the Audit Committee meeting on 28th March 2020 members were presented with an External Audit progress report from Grant Thornton on the interim position setting out progress following the planning and controls evaluation stages of their audit.
- 1.2 The ISA 260 report, attached as Appendix 4, summarises Grant Thornton's overall conclusions from their 2019/20 audit in relation to their two statutory objectives:
  - To give an opinion on the Council's financial statements, and
  - To conclude on whether the Council has arrangements in place to secure value for money in the use of its resources (Value for Money Conclusion)
- 1.3 In order to complete the audit process in compliance with the Accounts and Audit Regulations 2015, the Audit Committee, as the body charged with governance within the Council, is required to formally resolve that the Statement of Accounts and Narrative Report be approved for publication. Approval can now take place, as the period for local electors to exercise their rights to ask questions of the auditor or to raise a formal objection that an item of account is unlawful has expired.
- 1.4 Grant Thornton also require as part of their audit completion processes, that they are provided with a Letter of Management Representations providing additional assurance on certain matters. The Letter of Management Representations (attached as Appendix 3) has to be signed by the Strategic Director of Finance and Customer Services and signed on behalf of Audit Committee.

### **2. Key Issues**

- 2.1 The unaudited 2019/20 Statement of Accounts was published on the Council's website on 31st July 2020 alongside the draft Annual Governance Statement and draft Narrative Report. This was later than originally planned due to the Covid pandemic and the subsequent extension of Local Authority accounts publication deadlines.
- 2.2 A report was brought before this Committee on 18 August 2020 to highlight the key aspects of the 2019/20 Statement of Accounts. The draft unaudited

Statement of Accounts and draft Narrative Report have now been audited by Grant Thornton.

- 2.3 Although the ISA 260 was not finalised at time of the production of this report, Grant Thornton have clearly indicated they intend to issue an unqualified opinion on the Statement of Accounts and 'value for money opinion'. There are some points of clarity to resolve on the Councils accounts as part of the audit work that need to be finalised in order to complete the ISA 260, these are across areas such as property, plant and equipment, journals, payroll and pensions. Grant Thornton will provide an update at the meeting on the current position.
- 2.4 At present as part of the draft ISA 260 the following changes have been recommended by Grant Thornton and accepted by the Council, with adjustments made to the Councils accounts.
- Pension fund liability - an increase in the Council's pension fund liabilities of £7.1m as calculated within the actual pension asset valuation as at 31 March 2020 compared with the previous valuation as at 31 January 2020 and as a result the pension asset valuation being reduced by 0.63%. This updated information was not available to the Council at the time of producing the draft accounts.
  - A series of adjustments, mainly to presentation and some accounting policies as part of Grant Thornton's technical team review of the accounts. A process that happens every 3 years, that is a more intensive deep dive review of the Councils technical accounting.
- 2.5 The ISA 260 Report will outline any issues that Grant Thornton have found with regards to areas of significant audit risk, their opinion as to whether reasonable professional judgement has been exercised, and provide a recommendations for further improvements in the production of the accounts.

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

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

**3. Options considered and recommended proposal**

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

**4. Consultation on proposal**

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

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

- 5.1 The statutory deadline for publishing the audited financial statements is 30<sup>th</sup> November. Grant Thornton anticipates giving an unqualified opinion by this date which will enable this deadline to be met.

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

- 6.1 There are no financial or procurement implications directly associated with this report, other than continuing to produce good quality financial statements and supporting working papers which meet Grant Thornton's expectations and will help to minimise the audit fee.

**7. Legal Advice and Implications**

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

**8. Human Resources Advice and Implications**

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

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

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

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

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

**11. Implications for Partners**

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

**12. Risks and Mitigation**

12.1 Robust project management arrangements have been put in place to ensure that the 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:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Graham Saxton	16/11/20
Assistant Director of Legal Services (Monitoring Officer)	Named officer	Click here to enter a date.
Assistant Director of Human Resources (if appropriate)		Click here to enter a date.
Head of Human Resources (if appropriate)		Click here to enter a date.

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

**METROPOLITAN BOROUGH OF ROTHERHAM****STATEMENT OF ACCOUNTS 2019/20**

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## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Council is required:

The Authority is required to:

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

### Certificate

I confirm that the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 24 November 2020.

**Signed on behalf of Rotherham MBC**

**Audit Committee Chair**

24 November 2020

### 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**

24 November 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. Unusable 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	Notes
114,440	(47,309)	67,131	Adult Care and Housing	114,807	(48,276)	66,531	49
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)	38b
		(1,723)	Write down of Met Debt			(1,896)	38a
		52,055	Remeasurements of the Pensions Net Defined Benefit Liability/Asset			(38,851)	18
		16,110	Other Comprehensive Income & Expenditure			(67,948)	
		66,266	Total Comprehensive Income & Expenditure			(42,289)	

## 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
<b>Balance as at 1 April 18</b>	<b>38,223</b>	<b>37,671</b>	<b>28,815</b>	<b>9,670</b>	<b>14,346</b>	<b>128,725</b>	<b>(49,863)</b>	<b>78,862</b>	37/38
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(53,373)	3,217	0	0	0	(50,156)	(16,110)	(66,266)	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	41,447	(14,313)	(3,469)	927	4,593	29,186	(29,186)	0	
<b>Increase / (Decrease) in Year</b>	<b>(11,926)</b>	<b>(11,096)</b>	<b>(3,469)</b>	<b>927</b>	<b>4,593</b>	<b>(20,971)</b>	<b>(45,296)</b>	<b>(66,267)</b>	
<i>Schools Balances transferred out on conversion to academy</i>	82					82		82	
<b>Balance as at 31 March 19 carried forward</b>	<b>26,380</b>	<b>26,574</b>	<b>25,346</b>	<b>10,596</b>	<b>18,940</b>	<b>107,836</b>	<b>(95,159)</b>	<b>12,677</b>	

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
<b>Balance as at 1 April 19</b>	<b>26,380</b>	<b>26,574</b>	<b>25,346</b>	<b>10,596</b>	<b>18,940</b>	<b>107,836</b>	<b>(95,159)</b>	<b>12,677</b>	37/38
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(30,639)	4,980	0	0	0	(25,659)	67,948	42,289	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	37,141	(14,438)	(8,375)	5,378	(2,570)	17,136	(17,136)	0	
<b>Increase / (Decrease) in Year</b>	<b>6,502</b>	<b>(9,458)</b>	<b>(8,375)</b>	<b>5,378</b>	<b>(2,570)</b>	<b>(8,523)</b>	<b>50,812</b>	<b>42,289</b>	
<i>Schools Balances transferred out on conversion to academy</i>	(865)					(865)		(865)	
<b>Balance as at 31 March 20 carried forward</b>	<b>32,017</b>	<b>17,116</b>	<b>16,971</b>	<b>15,974</b>	<b>16,370</b>	<b>98,448</b>	<b>(44,347)</b>	<b>54,101</b>	

**Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves, are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

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	(573,646)	50
(1,892)	Capital Grants Received in Advance	(6,963)	8
(1,003,142)	Long Term Liabilities	(971,023)	
12,677	Net Assets	54,102	
(107,836)	Usable Reserves	(98,448)	37
95,159	Unusable Reserves	44,346	38
(12,677)	Total Reserves	(54,102)	



**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	37,462	39
Net cash inflows from Operating Activities	(11,484)	(29,909)	
Investing Activities	39,079	44,582	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.

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 measure at fair value less cost to sell.

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

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

Where decreases in value are identified, the revaluation loss is accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### Impairment of Assets

At the end of each reporting period an assessment takes place as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains),
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

## Disposals

The carrying amount of an item is derecognised:

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

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value is the price that would be received from the selling the asset in an orderly transaction between market participants under the conditions prevailing at the end of the reporting period. Fair value for social housing being disposed of under Right to Buy (RTB) legislation is the discounted RTB value. Depreciation is not charged on Assets Held for Sale.

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

## Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

## **15 Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding Non-Current Assets during the year:

- depreciation attributable to the assets used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible Non-Current Assets attributable to the service.

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

Depreciation, revaluation and impairment losses represent a “real” charge to the HRA to be met by rent payers. However, the Council took advantage of the transitional protection offered to housing authorities over a five year period to 2016/17, to reverse out impairment and revaluation losses relating to council dwellings and to cap the amount of depreciation charged on council dwellings at the notional Major Repairs Allowance (MRA) included within the HRA Business Plan for that year. From 2017/18, depreciation, revaluation and impairment losses are determined in accordance with the new “Item 8 Credit and Item 8 Debit (General) Determination” which came into effect from 1 April 2017. That determination allows the Council to reverse out impairment and revaluation gains and losses relating to both council dwellings and non-dwellings.

#### Minimum Revenue Provision (MRP)

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

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

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

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Council will recognise a lease where the contract for individual asset exceeds £25k.

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

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the asset – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

An asset recognised under a finance lease is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

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

(b) Operating Leases – Council as Lessee

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

(a) Finance Leases – Council as Lessor

Where the Council grants a finance lease over an asset, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- an amount to write down the net investment in the lease including any premiums received, and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and will be required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are paid, the element for the charge for the acquisition of the interest in the property is used to write down the lease asset. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

(b) Operating Leases – Council as Lessor

Where the Council grants an operating lease over an asset, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of

payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## 17 PFI and PPP Arrangements

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

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

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

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

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

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

the refurbishment or replacement of major components are capitalised as Property, Plant and Equipment in accordance with Accounting Policy 14.

## **18 Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at Fair Value being the price that would be received from the selling the asset in an orderly transaction between market participants under the market conditions prevailing at the end of the reporting period. Investment Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received and expenditure incurred in relation to investment properties are credited/charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **19 Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired and any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset is charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes transformational expenditure on reform projects capitalised under the capital receipts flexibilities implemented with effect from 1 April 2016 under the Local Government Act 2003. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## 21 Heritage Assets

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

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

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

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

## 22 Financial Instruments

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost,
  - fair value through profit or loss (FVPL), and
  - fair value through other comprehensive income (FVOCI).
- **Treasury Investments:**  
Those valued at **Amortised Cost** – assets that have fixed or determinable payments but are not quoted in an active market. These assets are Solely for Principal and Interest (SPPI), and they are part of the Council's Business Model. Whist Money Market Funds (MMF) behave as Amortised Cost, strictly they are FVPL, but there is little material difference in accounting, as such the Council will treat them as Amortised Cost.
  - **Non-Treasury Investments:**  
These are assets that have may have a quoted market price and/or do not have fixed or determinable payments, although where, for instance a loan is provided to a third party (SPPI), and is for a policy reason, then it would be at Amortised cost too. Where 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 is has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

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

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

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

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

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

**29 Acquisitions and discontinued operations**

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

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

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

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

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.

The full impact on the pension fund assets as a result of the Covid-19 pandemic is unknown, however, there is potential for an impact on the projected investment returns and valuation of assets held.

### **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.

Due to the potential impact of the Covid-19 pandemic the Councils 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".

**NOTES TO THE CORE FINANCIAL STATEMENTS**

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**Note 1 Expenditure and Funding Analysis**

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

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	<b>Net Cost of Services</b>	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	<b>(Surplus) / Deficit</b>	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)	<b>Closing General Fund and HRA Balance at 31 March</b>			(49,133)

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

2018/19					2019/20			
Capital Adjustment	Pension Adjustment	Other Adjustment	Total		Capital Adjustment	Pension Adjustment	Other Adjustment	Total
£000	£000	£000	£000		£000	£000	£000	£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:

<b>Expenditure/Income</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
<b>Expenditure</b>		
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
<b>Total expenditure</b>	<b>677,860</b>	<b>652,759</b>
<b>Income</b>		
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)
<b>Total income</b>	<b>(627,704)</b>	<b>(627,100)</b>
<b>Deficit on the Provision of Services</b>	<b>50,156</b>	<b>25,659</b>

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

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

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

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

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

2018/19	2018/19	2018/19		2019/20	2019/20	2019/20
Income from contracts with service recipients	Other income	Total income		Income from contracts with service recipients	Other income	Total income
£000	£000	£000		£000	£000	£000
(15,020)	(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)
<b>(135,433)</b>	<b>(55,757)</b>	<b>(191,190)</b>	<b>Total Income analysed on a segmental basis</b>	<b>(137,353)</b>	<b>(53,870)</b>	<b>(191,223)</b>

Major source of income from contracts with service recipients:

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

## Note 2 Adjustments between Accounting Basis and Funding Basis

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

Movements in Usable Reserves 2018/19						
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	17,848	0	0	0	0	(17,848)
Amortisation of intangible assets	602	162	0	0	0	(764)
Revaluation losses on Property, Plant and Equipment	(6,168)	5,818	0	0	0	350
Capital grants and contributions applied	(26,559)	(1,327)	0	0	4,593	23,293
Revenue expenditure funded from capital under statute	8,235	184	0	0	0	(8,419)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	18,354	(1,147)	8,599	0	0	(25,806)
Debt Repayment			642			(642)
Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	0	(17,822)	0	0	0	17,822
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(10,162)	0	0	10,162
Use of 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	0	0	(22,825)
Debt Repayment			2,749			(2,749)
Statutory provision for the financing of capital investment	(16)	0	(3,100)	0	0	3,116
Capital expenditure charged against the General Fund and HRA balances	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 3** Transfers to and from Earmarked Reserves

	Bal at	Trans between Reserves	Trans out	Trans in	Bal at	Trans between Reserves	Trans out	Trans in	Bal at
	1 Apr 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
<b>General Fund</b>									
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 Comn Leadership Fund	31	0	(35)	26	22	0	(18)	1	5
Rotherham Partnership	37	0	0	6	43	0	0	6	49
<b>Total</b>	<b>35,402</b>	<b>(5,026)</b>	<b>(9,887)</b>	<b>858</b>	<b>21,347</b>	<b>(3,888)</b>	<b>(4,142)</b>	<b>94</b>	<b>13,411</b>
Total HRA (within grant reserve)	163	0	(128)	0	35	0	(35)	0	0
<b>Total General Fund</b>	<b>35,239</b>	<b>(5,026)</b>	<b>(9,759)</b>	<b>858</b>	<b>21,312</b>	<b>(3,888)</b>	<b>(4,107)</b>	<b>94</b>	<b>13,411</b>
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)
<b>Total Earmarked Reserves</b>	<b>25,715</b>	<b>(6,220)</b>	<b>(10,056)</b>	<b>(3,206)</b>	<b>6,233</b>	<b>(3,888)</b>	<b>(4,152)</b>	<b>(4,674)</b>	<b>8,793</b>

**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 1<sup>st</sup> April 2018 were used in support of the 2018/19 revenue budget. This reserve had a nil balance at the 31 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	Notes
2,748	Parish Council precepts	2,977	
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	49
442	Loss on revaluation & disposal of Assets Held for Sale	0	22
35,199	Total	25,161	

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

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

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	Expenditure	2018/19		Income	Expenditure	2019/20
£000	£000	£000		£000	£000	£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		2019/20
£000		£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	<b>Better Care Fund - Pool 1 RMBC</b>	2019/20 £000
	<b>Balance B/F</b>	(509)
(10,435)	Rotherham CCG	(10,812)
(2,502)	Rotherham MBC - Capital	(2,700)
(11,821)	Rotherham MBC - Revenue	(15,788)
(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	<b>Better Care Fund - Pool 2 RCCG</b>	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.

<b>2018/19</b> <b>£000</b>	<b>YOS Pooled Budget</b>	<b>2019/20</b> <b>£000</b>
(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

<b>2018/19</b> <b>£000</b>	<b>Rotherham Safeguarding Board</b>	<b>2019/20</b> <b>£000</b>
(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	65,000.00 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 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
<b>Total</b>	<b>804,605.83</b>	<b>5,286.82</b>	<b>0.00</b>	<b>809,892.65</b>	<b>120,175.47</b>

## Senior Officers 2019/20

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 of 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
<b>Total</b>	<b>910,999.80</b>	<b>9,579.13</b>	<b>26,968.05</b>	<b>947,546.98</b>	<b>135,895.36</b>

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

Notes:

- (i) Sharon Kemp commenced her employment as the Chief Executive on 18 January 2016.
- (ii) The Assistant Chief Executive commenced their employment on 1 March 2016.
- (iii) The previous post holder of Strategic Director of Children and Young People's Services 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
<b>Total</b>	<b>14</b>	<b>19</b>	<b>54</b>	<b>89</b>	<b>68</b>	<b>108</b>	<b>671</b>	<b>1149</b>

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
Schools								
£0 - £20,000	11	16	19	20	30	36	187	104

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£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	0	0	0	0	0	0	0
£80,001-£100,000	0	1	0	0	0	1	0	81
<b>Total</b>	<b>11</b>	<b>17</b>	<b>20</b>	<b>21</b>	<b>31</b>	<b>38</b>	<b>214</b>	<b>209</b>

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	<b>Total</b>	<b>171</b>

**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 £.07 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 as 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 £
	<b>Assisted Organisations:</b>		
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
	<b>Member Related:</b>		
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
	<b>Officer Related:</b>		
62,334	The Source (Meadowhall Education Centre)	Fees	69,156
	<b>Other Related Organisations:</b>		
10,545,330	Sheffield City Region Combined Authority	Transport Levy	10,275,527
1,103,873	Sheffield City Region Combined Authority	Contribution	952,315

2018/19 £	Related Parties	Nature of Transactions	2019/20 £
	<b>Assisted Organisations:</b>		
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
	<b>Member Related:</b>		
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
	<b>Officer Related:</b>		
62,334	The Source (Meadowhall Education Centre)	Fees	69,156
	<b>Other Related Organisations:</b>		
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	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2018/19	2018/19		2019/20	2019/20
£000	£000		£000	£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	(11,317)	(524)
		Financing and Investment Income and Expenditure		
		- Net Interest Expense		
(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)	(65,080)	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	38,851	2,421
		Movement in Reserves Statement		
28,680	(751)	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	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	1,129,998
Present value of Funded Liabilities	(1,631,179)	(1,560,847)
Net (under) funding in Funded Plans	(437,105)	(430,849)
Present Value of Unfunded Discretionary Liabilities	(22,515)	(19,306)
Per Mercers Report	(459,620)	(450,155)
<u>Amount in the Balance sheet:</u>		
Liabilities - funded and unfunded	(1,653,694)	(1,580,153)
Assets - funded and unfunded	1,194,074	1,129,998
Add back Employer Contributions Prepayment for 2019/20	(7,200)	
Pensions Reserve	(466,820)	(450,155)

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

Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2018/19	2018/19		2019/20	2019/20
£000	£000		£000	£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	(65,080)	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	1,129,998	0

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

Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2018/19	2018/19		2019/20	2019/20
£000	£000		£000	£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	Total Funded & Unfunded Local Government Pension Scheme
	Quoted (Y/N)	31 Mar 19 £000	31 Mar 20 £000
Cash & cash equivalents:		39,524	34,013
Equity Investments:			
- UK quoted	Y	170,274	167,691
- UK unquoted	N	0	113
- Overseas quoted	Y	436,912	417,195
Bonds:			
- UK Government fixed	Y	0	0
- UK Government indexed	Y	154,871	122,153
- Overseas Government fixed	Y	32,479	29,832
- Overseas other	Y	31,643	26,442
- UK other	Y	57,077	56,048
Property:			
- UK direct	Y	104,362	90,965
-Property Funds	Y	11,105	10,283
Alternatives:			
- Pooled Investment Vehicles	N	155,827	175,263
		1,194,074	1,129,998

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

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

## Sensitivity Analysis

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

- If there were to be one year increase in the life expectancy for both men and women, the defined benefit obligation would increase by £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 19**      **Property, 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
	Cost or Valuation:	
57,594	At 1 April	61,172
(2,969)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(708)
573	Additions	153
995	Revaluation Increases / (Decreases) taken to Revaluation Reserve	822
4,979	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	(539)
0	Derecognition - Disposals	(4,291)
61,172	Cost or Valuation at 31 March	56,609
	Depreciation & Impairment:	
5,235	At 1 April	4,709
(2,970)	Adjustments between cost / value & depreciation/impairment	(708)
1,885	Depreciation Charge	1,395
0	Depreciation written out on Revaluation Reserve	0
0	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	0
209	Impairment Losses Recognised in the Revaluation Reserve	42
350	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	106
0	Derecognitions - Disposals	(350)
4,709	Depreciation and impairment at 31 March	5,194
	Net Book Value	
56,463	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 be processed against those assets not revalued in year to ensure the accounts are not materially misstated. In addition a detailed assessment of the movement of asset value in year has taken place, ie from the 1 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 Councils 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 &amp; Environment</u>	
Forge Island Flood Defence	2,259
<u>Children &amp; 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	Level 2	Level 3	
	£000	£000	£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	Level 2	Level 3	
	£000	£000	£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.

Due to the unprecedented situation arising from the Covid-19 pandemic and the uncertainties it presents 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.

**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	Other significant observable inputs	Significant unobservable inputs	Fair value as at 31 March 2020
	Level 1	Level 2	Level 3	
	£000	£000	£000	£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	2019/20	2018/19	2019/20
	£000	£000	£000	£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	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Borrowings	407,389	385,069	179,313	251,320
Plus Accrued Interest	0	0	3,766	4,458
Plus Creditors	126,747	125,040	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	534,136	510,109	265,460	338,986
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	407,629	510,109	265,460	338,986
Non Financial Liabilities	5,000	3,795	4,790	5,153
Total	412,629	513,904	270,250	344,139
Investments	3,780	1,058	383	392
Plus Accrued Interest	0	0	71	44
Plus Debtors	19	586	30,249	38,166
Plus Cash & Cash Equivalents	0	0	34,617	59,044
Plus(+)/Less(-) Other accounting adjustments	0	0	0	0
Financial Assets				
at Amortised Cost	3,799	1,644	65,320	97,646
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	3,989	1,834	65,320	97,646
Non-Financial Assets			15,676	16,339
Total	3,978	1,834	86,220	113,985

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	Historical experience of default	Adjustment for market conditions at	Estimated maximum exposure to defaults
	31 Mar 20 £000 (a)	% (b)	31 Mar 20 % (c)	£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	586	5.120%	5.120%	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	15,822	7.428%	7.428%	1,175
Debtors	40,247			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
Total		Liabilities measured at amortised cost	amortised cost	fair value through profit or loss	fair value through other comprehensive income	Total
£000		£000	£000	£000	£000	£000
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, fair value estimates are calculated using new borrowing (certainty rate) discount rates. As the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated.
- 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
		<u>Long and Short-term</u>		
198,010	262,850	PWLB debt	185,737	239,569
225,133	457,964	Non-PWLB debt	215,134	566,064
167,325	167,325	Temporary Borrowing	239,976	239,976
590,468	888,139	Total Debt	640,847	1,045,608

82,382	82,382	Short Term Creditors	83,209	83,209
126,747	126,747	Long Term Creditors	125,040	125,040
799,597	1,097,268	Total Financial Liabilities	849,095	1,253,857

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 £239.569m 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 (£53.832m) 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. 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	Fair Value		Carrying amount	Fair Value
£000	£000		£000	£000
27,564	27,564	Money Market loans less than one year	53,825	53,825
7,053	7,053	Cash & Cash Equivalents	5,219	5,219
190	190	Equity	190	190
4,233	4,233	Third Party Loans	1,493	1,493
19	19	Long-term Debtors	586	586
10,354	10,354	Sundry Debtors	13,526	13,526
8,587	8,587	Housing Rents	8,819	8,819
11,307	11,307	Other Short-Term :	15,822	15,822
(7,034)	(7,034)	Bad Debts Provision	(7,918)	(7,918)
62,274	62,274	Total Financial Assets at Amortised Cost	91,564	91,564

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

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

**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	2019/20	2018/19	2019/20
	£000	£000	£000	£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	2019/20	2018/19	2019/20
	£000	£000	£000	£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	(4,879)	0	1,192	0	(3,687)
Compensation Payments	(679)	0	13	0	(666)
Business Rates Appeals	(4,326)	(588)	375	0	(4,539)
Other	(56)	0	0	0	(56)
Total	(9,940)	(588)	1,580	0	(8,948)
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)
<b>Total</b>	<b>(10,347)</b>	<b>(1,732)</b>	<b>2,139</b>	<b>0</b>	<b>(9,940)</b>
Current Provisions	(5,204)	(448)	712	0	(4,940)
Long Term Provisions	(5,144)	(1,284)	1,428	0	(5,000)
<b>Total</b>	<b>(10,348)</b>	<b>(1,732)</b>	<b>2,140</b>	<b>0</b>	<b>(9,940)</b>

### 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
	<b>CAPITAL RESERVES</b>	
(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)
	<b>REVENUE RESERVES</b>	
(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)	<b>TOTAL USABLE RESERVES</b>	(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 Councils 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	450,155
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	44,346

(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
	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	
25,806		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)
	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	
(5,873)		(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)	Net revaluation gains/losses not charged to the Surplus /( Deficit) on Provision of Services	(28,267)
3,861	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	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	Accumulated Gains on assets sold or scrapped	2,928
4,575	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	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)	Balance 1 April	(98)
0	Transfer to the Capital Receipts Reserve of cash received	0
(98)	Balance at 31 March	(98)

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

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

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

At 31 March 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)	(38,851)
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	450,155

(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	Balance 1 April		3,869
(3,838)		Settlement or cancellation of accrual made at the end of the preceding year	(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	(4,923)	(1,095)	(6,018)
585	(504)	81	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	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	15,604
37,128		37,462
(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	(2,732)
39,079	Net cash outflow from Investing Activities	44,582

**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		922,574
	Sources of finance:	
(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	
	Direct revenue contributions:	
0	General Fund	0
(17,822)	Housing Revenue Account	(14,867)
(6,551)	Minimum Revenue Provision	(6,838)
5,873	MRP holiday	2,913
10,673	Historical correction to reflect MRP reprofiling on finance leases	2,072
(3,117)	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.

The CFR note includes an adjusting line that picks up an historical issue where adjustments for MRP on PFI contracts had not been factored into the calculation of the Councils CFR position. These values have now been factored into the CFR table above. It should be noted that this is a disclosure adjustment, the adjustment made does not impact any financial transactions posted to the Councils accounts, it is merely reporting them correctly in this CFR note.



**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 Liabilities

Recovery 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
<b>Total</b>	<b>2,449</b>	<b>181</b>	<b>0</b>	<b>2,630</b>

**Trust Funds – Balance Sheet**

2018/19 £		2019/20 £
	<b><u>Assets</u></b>	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
42	- Debtors	44
2,407	- Cash	2,587
2,799	Total Assets	2,981
	<b><u>Financed by:</u></b>	
350	- 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	(450,155)	18
(2,085)	Deferred Liabilities	0	50
(588,621)	Total	(573,645)	

**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	
1,447	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	147	
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 of 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)		Transfers to(from) reserves	(35)	
	10,968	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
<b>Total Adjustments</b>	<b>(14,313)</b>	<b>927</b>	<b>(13,386)</b>

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)
<b>Total Adjustments</b>	<b>(14,438)</b>	<b>5,378</b>	<b>(9,060)</b>

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
<b>Total</b>	<b>10,115</b>	<b>5,307</b>	<b>4,763</b>	<b>20,185</b>

**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	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 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	Non Domestic Rates	Total		Council Tax	Non Domestic Rates	Total	
£000	£000	£000		£000	£000	£000	
125,950		125,950	Council Tax Receivable	132,534		132,534	2
	76,422	76,422	National Non-Domestic Rates (excluding write-offs)		77,665	77,665	
	(2,773)	(2,773)	NNDR Transitional Payments		(2,164)	(2,164)	
<b>125,950</b>	<b>73,649</b>	<b>199,599</b>	<b>Total Income</b>	<b>132,534</b>	<b>75,501</b>	<b>208,035</b>	
			<b>Precepts:</b>				
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	
			<b>Distribution of previous years surplus(deficit):</b>				
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	
			<b>Charges to Collection Fund:</b>				
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	
<b>126,579</b>	<b>72,240</b>	<b>198,819</b>	<b>Total amounts charged to the Collection Fund</b>	<b>133,075</b>	<b>76,283</b>	<b>209,358</b>	
(629)	1,409	780	Surplus/(Deficit) arising during the year	(541)	(782)	(1,323)	
			<b>Collection Fund Balance</b>				
(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	1,144	15:9	1,110
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	1,026	5,950	Billing Authority – Rotherham MBC	4,453	643	5,096
0	1,047	1,047	Central Government	0	656	656
			Major Precepting Authorities:			
274	0	274	- South Yorkshire Police and Crime Commissioner	234	0	234
114	20	134	- South Yorkshire Fire and Civil Defence Authority	84	12	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
	Less Income:	
0	Loans raised	0
10,499	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
	Less Income:	
47	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
	Capital Liabilities	
36,998	Loans Outstanding	20,131
(12,700)	Cash at bank	(7,404)
24,298		12,727
	Capital Assets	
24,298	Advances Outstanding	12,727
	Reserves	
0	Financial Instruments Adjustments Account (FIAA)	0
24,298		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 £20.170m 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 (£0.481m) 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 (£0.481m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £20.170m.

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	20,170
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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## **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 (NDR)**

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](mailto:central.finance@rotherham.gov.uk)

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**Slovak**

Ak vy alebo niekto koho poznáte potrebuje pomoc pri pochopení alebo čítaní tohto dokumentu, prosím kontaktujte nás na vyššie uvedenom čísle alebo nám pošlite e-mail.

**Kurdish Sorani****کوردی سۆرانی**

نهگهر تو یان کهسینک که تو دهیناسی پیویستی بهیارمەتی هەبیت بو نهوهی لهم بهلگهنامه یه تیبگات یان بیخوینیتهوه، تکایه پهیوهندیمان پیوه بکه لهسهه نهو ژمارهیهی سههوهدها یان بهو نیمهیله.

**Arabic****عربي**

إذا كنت انت أو اي شخص تعرفه بحاجة إلى مساعدة لفهم أو قراءة هذه الوثيقة، الرجاء الاتصال على الرقم اعلاه، أو مراسلتنا عبر البريد الإلكتروني

**Urdu****اُردو**

اگر آپ یا آپ کے جاننے والے کسی شخص کو اس دستاویز کو سمجھنے یا پڑھنے کیلئے مدد کی ضرورت ہے تو برائے مہربانی مندرجہ بالا نمبر پر ہم سے رابطہ کریں یا ہمیں ای میل کریں۔

**Farsi****فارسی**

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





# **ROTHERHAM MBC**

**NARRATIVE REPORT 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 31<sup>st</sup> August 2020, the Council has agreed to produce its accounts by the 31<sup>st</sup> July 2020, with final accounts due for publication by 30<sup>th</sup> November 2020. The statement of accounts covers the Councils 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. At the point of production of this report, the Councils most recent financial monitoring report (presented to Cabinet 21 September 2020) indicated a financial overspend for the 2020/21 financial year of £21.9m largely as a result of the Covid-19 impacts on costs, income generation and stalling of savings plans. This pressure is

mitigated in year by governments provision of £18.9m of emergency support funding, leaving a forecast pressure for the year of £3m, though the Council expects to manage this situation back to a balanced budget in year.

## **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 31<sup>st</sup> March 2019 and Council services have returned to democratic control.

## **About Rotherham**

Rotherham Metropolitan Borough covers 110 square miles, featuring a wide range of urban, suburban and rural environments with 70% being open countryside. One of four South Yorkshire districts, Rotherham is centrally placed within the Sheffield City Region. The Borough has a growing population in excess of 265,000 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 was rising again prior to the Covid-19 pandemic. 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 7<sup>th</sup> November 2019 - 799 flooding related calls received, 67 people assisted who were stranded at Parkgate, 3,250 sandbags distributed, 173 business recovery grants paid (£429k) and 143 community recovery grants paid to households (£72k).
- 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. The Council moved quickly to establish efficient and effective mechanisms to provide Governments grant support local businesses (with processes in place prior to April 1st when the scheme was expected to officially commence) and households. This work has continued into 2020/21 with the Council administering the provision of £47m of grants to local businesses. Through the administration of the Hardship Fund the Council has applied an award to 15,766 working age recipients of council tax support using approximately £1.7m of the £2.8m hardship fund.

## Financial performance for the year

Included alongside this report is the Council's annual **Statement of Accounts**. The Statement of Accounts summarises the Council's financial performance during the year ended 31<sup>st</sup> March 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).

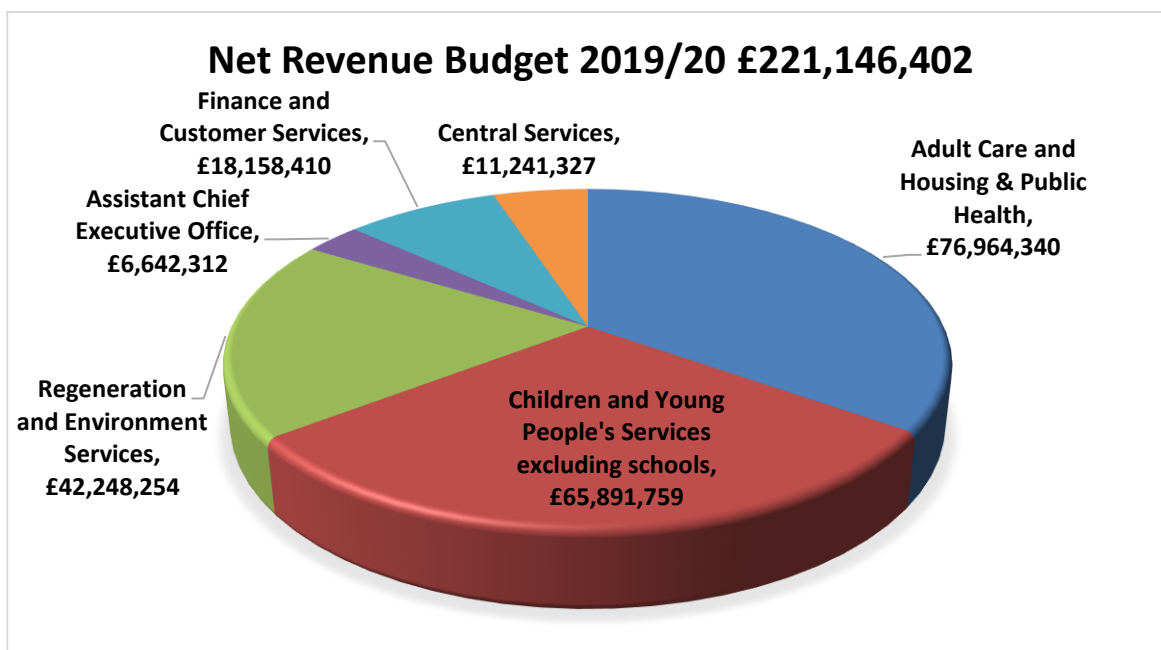


## Revenue & Capital Expenditure Outturns

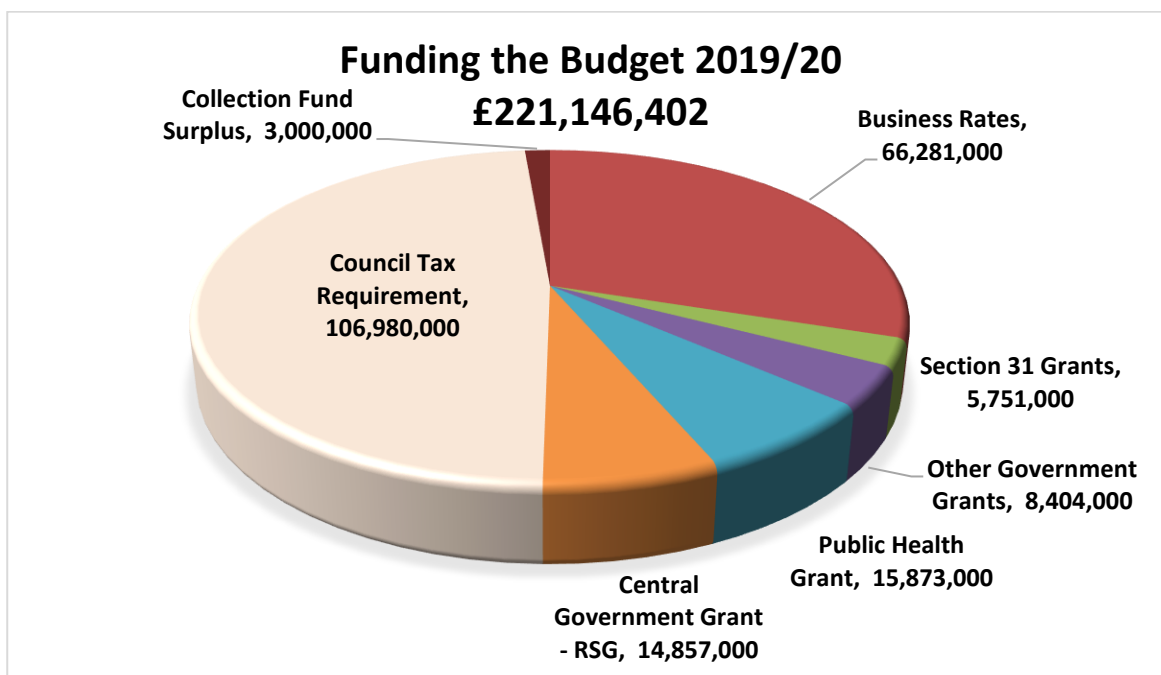
A summary of the Council's revenue and capital outturns for 2019/20 is included in the following paragraphs. Further details have been reported to Cabinet on the 20<sup>th</sup> July 2020. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website.

### 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.

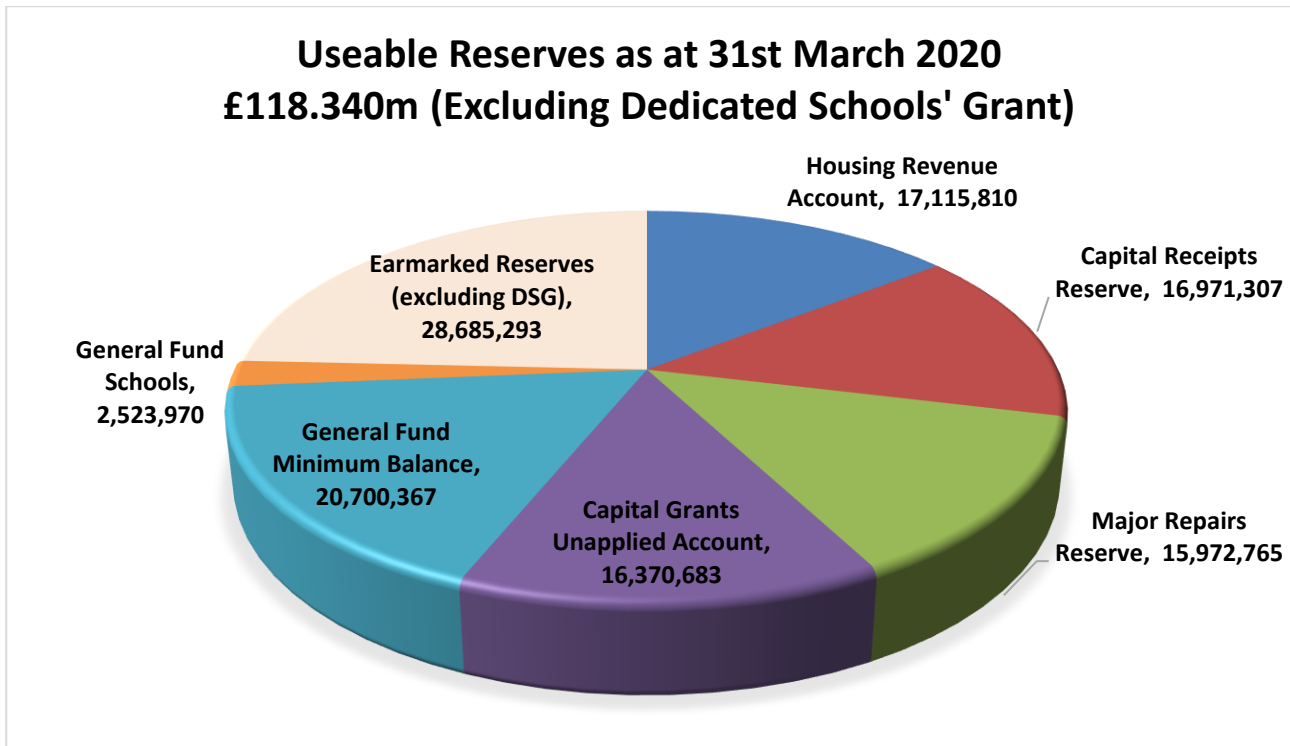
*Usable reserves* are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support 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 31<sup>st</sup> 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 (£19.9m), 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.

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Total capital expenditure in 2019/20 amounted to £96.985m and is analysed by Directorate as follows:

<b>Directorate</b>	<b>2019/20 £m</b>
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
<b>Total</b>	<b>96.985</b>

The capital expenditure was financed as follows:

<b>Funding Stream</b>	<b>2019/20 £m</b>
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
<b>Total</b>	<b>96.985</b>

Major items of capital expenditure incurred are as follows:

<b>Major Capital Expenditure</b>	<b>2019/20 £m</b>
<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
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### Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31<sup>st</sup> 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 20<sup>th</sup> 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
184.389	Public Works Loans Board (PWLB)	172.069
223.000	Market (e.g. Banks, Other Local Authorities)	213.000
	<b>Short Term Borrowing</b>	
183.079	Temporary Borrowing	255.778
<b>590.468</b>	<b>Net Borrowing</b>	<b>640.847</b>
	<b>External Investments</b>	
0.000	Debt Management Office	0.000
27.530	Money Market Funds	39.675
<b>562.938</b>	<b>Net Borrowing Less Investments</b>	<b>601.172</b>

### Balance Sheet

The *Balance Sheet* presents the Council's financial position, i.e. its net resources at the financial year end. The balance sheet is composed of two main balancing parts i.e. its net assets and its total reserves. The net assets part shows the assets of the Council would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the Council.

### Key Changes in Accounting Policy

The Council's Financial Statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the CIPFA Code of Practice on Local Authority Accounting for 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 31<sup>st</sup> May, however due to Covid-19 implications the deadline for publication of unaudited accounts has been pushed back to 31<sup>st</sup> 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 30 November 2020

Grant Thornton UK LLP  
No 1 Whitehall Riverside  
LEEDS  
LS1 4BN

**24 November 2020**

Dear Sirs

**Rotherham Metropolitan Borough Council**  
**Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Rotherham Metropolitan Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report . We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. The prior period adjustments disclosed in Note 42 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xiv. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs .We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xvi. 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 and travel restrictions have been implemented by many countries.

As a consequence economic activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

The Council's valuation is 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 the valuation of the Council's land and buildings including investment properties than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review.

For avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

#### **Information Provided**

- xvii. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and

- c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 24 November 2020.

Yours faithfully

Name.....

Name.....

Position.....

Position.....

Date..... Date.....

**Signed on behalf of the Council**

# The Audit Findings (ISA260) Report for Rotherham Metropolitan Borough Council

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Year ended 31 March 2020

20 November 2020



# Contents

Your key Grant Thornton team members are:

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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Appendices

- A. Action Plan
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- C. Audit adjustments
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rotherham Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p><b>Covid-19</b></p>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council from March 2020. Given the impact of the pandemic only started from mid-March, additional costs have not had a major impact on the financial outcome for 2019-20, however, the scale of impact is being felt during 2020-21.</p> <p>There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments impacted as lock down started, businesses closed, and staff furloughed.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Practice on Local Authority Accounting, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum on 21 April 2020. In that addendum we reported an additional financial statement risk in respect of Covid-19 and highlighted the impact on our VFM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely, including remotely accessing working papers and financial systems. In addition, meetings have been replaced by telephone and video conferencing arrangements which has also been extended to Council Committee meetings, including the Audit Committee.</p> <p>This remote working on both sides, combined with the increased level of audit testing performed and audit evidence required (particularly in respect of the significant risk areas of PPE and pensions) resulted in the audit fieldwork taking longer than planned. Given some element of remote/home working is likely to still be in place for 2020-21, we will be discussing with the finance team how we can continue to work together to mitigate these issues next year.</p> <p>We were provided with the Council's draft 2019-20 statement of accounts on 31 July 2020, ahead of the revised 31 August 2020 deadline.</p>
<p><b>Financial Statements</b></p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the financial position of the Council's income and expenditure for the year</li> <li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li> </ul> <p>We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely mainly throughout the period from September to November 2020. Our findings are summarised on the following pages. We have identified the following adjustment to the financial statements:</p> <ul style="list-style-type: none"> <li>• Pension fund liability - an increase in the Council's pension fund liabilities by £7.1m to reflect the actual pension asset valuation as at 31<sup>st</sup> March 2020, replacing the provisional valuation included within the draft Statement of Accounts.</li> </ul> <p>It should be noted the above adjustment does not impact on the Council's General Fund or useable reserves position. Further details of the audit amendments are reported at Appendix C. We have also raised a small number of recommendations for management as a result of our audit work at Appendix A. Our follow up of recommendations from the prior year's audit are detailed at Appendix B.</p> <p>Our work is substantially complete and, at the date of this report, there are no matters of which we are aware that would require modification of our audit opinion (Appendix E), subject to the following outstanding matters:</p> <ul style="list-style-type: none"> <li>• completing the remaining elements of our work on land and buildings valuations including receiving further responses to our queries, pension fund assets and liabilities, journal and payroll costs,</li> <li>• assurance from the South Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts was received on 18 Nov. We have not yet assessed these responses at the time of this report as part of our overall audit work on Council's pension liability.</li> </ul>



**Financial Statements continued**

- the finance team clearing any additional responses to the technical ‘Hot Review’ of the 2019-20 accounts. We can only conclude our audit once we have satisfactory responses to this review
- completion of our internal quality review processes, including final reviews of the audit file by both the manager and engagement lead, specifically in respect of significant audit risks of land and buildings valuations and the Pension Fund liability
- procedures for Whole of Government Accounts
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, the Narrative Report and Annual Governance Statement, are consistent with our knowledge of the Council and compliant with the CIPFA Code.

Our anticipated audit report opinion will be unqualified with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings including investment properties as a direct impact of Covid-19. This is due to the Council’s valuers reporting a material uncertainty in their valuation reports and also being reported in the Council’s financial statements. This is a consistent finding across our local authority audits.

**Value for Money arrangements**

Under the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (‘the value for money (VFM) conclusion’).

We updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. The VFM risks identified at the planning stage of our audit were the Council’s financial standing; delivery of 2019-20 budget and savings plans, and the deficit position of the Dedicated School Grant reserve and its recovery plan. We have not identified any new VFM risks in relation to Covid-19.

We have completed our risk based review of the Council’s value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We anticipate issuing an unqualified ‘clean’ value for money conclusion, as detailed at Appendix E. Our findings are summarised on section three of this report.

**Statutory duties**

The Local Audit and Accountability Act 2014 (‘the Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack.

**Acknowledgements**

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

## 2. Financial statements - Audit approach

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment, including its IT systems and controls
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have had to alter our original Audit Plan from February with an Audit Plan Addendum. The Addendum was as communicated to you on 21 April 2020, to reflect our response to the Covid-19 pandemic.

### Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved, we anticipate issuing an unqualified audit opinion, including an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19. These outstanding items include:

- completing the remain elements of our work on land and buildings valuations including receiving further responses to our queries, pension fund assets and liabilities, journals and payroll costs
- assurance from the South Yorkshire Pension Fund auditor on the 2019-20 Pension Fund accounts was received on 18 Nov. We have not yet assessed these responses at the time of this report as part of our overall audit work on Council's pension liability.
- the finance team clearing any additional responses to the technical 'Hot Review' of the 2019-20 accounts. We can only conclude our audit once we have satisfactory responses to this review
- completion of our internal quality review processes, including final reviews of the audit file by both the manager and engagement lead, specifically in respect of significant audit risks of PPE revaluations and the Pension Fund liability
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation and updating our post balance sheet events review, to the date of signing the opinion.

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality levels remain the same as reported in our Audit Plan and Audit Plan Addendum.

Materiality area	Council Amount (£)	Qualitative factors considered:
Materiality for the financial statements	9,000,000	Materiality has been based on 1.5% of the Authority's gross expenditure
Performance materiality	6,300,000	Our performance materiality has been set at 70% of our overall materiality
Trivial matters	450,000	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures	5,000	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature.

# Significant audit risks

## Risks identified in our addendum to the Audit Plan (April 2020)

### Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:

- remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen
- disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

## Auditor commentary

As part of our work we:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts. We assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported.
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council’s property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic
- evaluated whether sufficient audit evidence could be obtained through remote technology
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as asset and the pension fund liability valuations
- evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

On the basis of our work, we concluded that our anticipated audit report opinion would be unqualified with an emphasis of matter relating to the material uncertainty around the valuation of land and buildings including investment properties. It should be noted that this change to our opinion is a direct result of the impact of Covid-19. The reporting of a material uncertainty on the valuation of land and buildings is consistent across our local authority audits.

# Significant audit risks

Risks identified in our Audit Plan (January 2020)	Auditor commentary
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including at Rotherham Metropolitan Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate.</p> <p>As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>Our audit work to date has not identified any issues in respect of management override of controls.</p>

# Significant audit risks

## Risks identified in our Audit Plan (January 2020)

### Auditor commentary

#### Valuation of land and buildings

The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (c£905 million) and the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

**Update post March 2020:** The covid-19 pandemic has resulted in the volatility of financial and property markets. This will increase the uncertainty of assumptions applied by management to asset valuations. Therefore we have now included investment properties valuation as well under this significant risk. This significant risk now covers Council dwellings, other land and buildings (as per Audit Plan) and investment properties.

We therefore identified valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.

As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, including checking that the floor areas used are consistent with other records.
- in a new development for 2019-20, engaged our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register in line with Code guidance.
- evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these were not materially different to current value at year end
- evaluated whether sufficient audit evidence can be obtained due to Covid-19 impact to corroborate significant management estimates around land and buildings.

Whilst our audit work remains on-going, our audit work to date has identified following matters:

- The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported under assumptions made about the future and other major sources of estimation uncertainty within the financial statements (where initially these were reported under PPE section). Therefore, we consider it appropriate to include an emphasis of matter in our audit opinion relating to this material uncertainty around land and buildings valuations. It is important to note that this is a national issue, applying to local authorities with material land and building asset bases.

# Significant audit risks

## Risks identified in our Audit Plan January 2020)

### Auditor commentary

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in the balance sheet as the retirement benefit obligations, represents a significant estimate in the financial statements of the Council.

The Council's pension fund net liability is considered a significant estimate due to the size of the numbers involved (PY: £459m) and the sensitivity of the estimate to changes in key assumptions.

Update July 2020: According to the draft accounts for 31 March 2020 presented for audit net liability for the Council was £442m.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement

As part of our work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of the South Yorkshire Pension Fund (SYPF) as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. [currently to be completed further to receipt of information on 18 Nov]
- carried out meetings with the actuary to further understand the impact of the McCloud and Goodwin judgements on the pension fund liability, and clarifying our understanding on experience gains and losses calculation.

Our audit work on the valuation of the pension fund net liability remains on-going. Our audit work to date has identified;

- the figures provided on investment return in the actuary reports were based on asset valuations as at 31 January 2020. As part of the SYPF final accounts process, it has now revised the investment return percentage based on the final fund valuation per SYPF accounts as at 31 March 2020. This takes account of market movements in some investments from January to March 2020. This exercise has resulted a decrease in investment return of 0.63% which in turn has an overall impact of increasing the net pension liability by £7.1m. Management has agreed to amend the revised accounts for this matter.
- further to our discussions with the Council's actuary, we have obtained confirmation that the actuary had already made allowances in terms of the impact on the McCloud judgement on their 31 March 2020 actuary report. In terms of Goodwin judgement (a pensions discriminatory legal case), the actuary has confirmed the maximum impact would be a c0.1% increase of the pension liability which amounts to less c£0.5m. This is not deemed material and we have not requested any adjustment to the financial statements.

As a result of the pension fund balance being a significant audit risk, we need to be satisfied that we have sufficient and appropriate audit evidence over these material entries. As such, we will need to consider the updated information that we receive from the Pension Fund. We received this on 18 November from the SYPF auditor and currently in the process of reviewing the responses. Should the pension fund auditor's report refer to a material uncertainty on pension fund valuations due to Covid-19, we will need to consider the impact on the Council's accounts and our audit opinion. Our discussions to date with the pension fund auditor has indicated that they are not anticipating to report any material uncertainty on pension fund valuations due to Covid-19.

# Significant audit risks

Risks identified in our Audit Plan (January 2020)	Auditor commentary
<p><b>Implementation of a new Payroll system (iTrent)</b></p> <p>The Council implemented a new Payroll system, iTrent from 1 June 2019. Based on our knowledge and experience, iTrent payroll systems are used by other local authorities similar in size and scale to the Council.</p> <p>The payroll system is a major financial process that generates a large volume and value of transactions and is central to producing materially accurate payroll payments and the resulting payroll figure in the financial statements.</p> <p>Local authority accounting transactions can be complex and are typically significant in volume. The Authority employs over 5,000 employees and their salaries and pension payments are paid through its payroll system. In 2018-19, over £221m employee benefit expenses were processed and paid through Authority's payroll system. This is c33% (one third) of Authority's total expenditure in 2018-19.</p> <p>Update for 2019-20: The draft 2019-20 accounts presented for audit, show a total of £205m of employee benefit expenses processed through the payroll system. This accounts for c31% of total expenses of the Council for 2019-20 as disclosed in note 1b.</p> <p>Accuracy and completeness of data migration from an old to a new system is paramount for transparent financial reporting. This is considered more important when the system in question processes significant amount of transactions and accounts for nearly one third of Council's total expenditure. There is an inherent risk that things could go wrong in data migration from one system to another due to human and technological errors.</p> <p>We considered this is a risk requiring special audit consideration for our 2019-20 audit.</p>	<p>As part of our audit work, we have:</p> <ul style="list-style-type: none"> <li>• reviewed management arrangements and understanding of the processes and controls in place to ensure successful migration of data from the old payroll system to the new iTrent system as at 1 June 2019</li> <li>• through engaging our IT specialists, undertaken work to determine whether adequate controls for new system have been established to ensure that the new system was appropriately authorised, tested, approved before implementation</li> <li>• through our IT specialists, undertook a review to establish how the new system was configured / access allocated and other IT general controls implemented over it to appropriately manage IT risks</li> <li>• examined the opening balances as at 1 July 2019 to confirm these have been completely and accurately brought forward from the old payroll system to iTrent.</li> </ul> <p>Our audit work has not identified any issues that we need to report to you in relation to the implementation of the new payroll system.</p>

# Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
<p><b>Land and Buildings – Council Housing - £654.9m</b></p>	<p>The Council is required to revalue its Council housing in accordance with DCLG’s Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged its valuer to complete the valuation of these properties. The valuation was at 31 March 2020 and valued Council Housing at £654.9m, a net increase of £16.2m from 2018-19 (£638.7m).</p> <p>The Council’s valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in their valuation reports. This is also reported in assumptions made about the future and other major sources of estimation uncertainty within the amended financial statements.</p>	<ul style="list-style-type: none"> <li>• The Council’s RICS qualified valuer valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties.</li> <li>• Our work indicated that this methodology was applied correctly during 2019-20 valuation.</li> <li>• There has been an increase in the housing stock valuation of £16.2m during the year (2.5%).</li> <li>• We have compared the valuation movements with the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council’s valuation specialist on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we intend make our conclusions before we issue the audit opinion.</li> <li>• The Council’s valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements. Therefore, we are proposing to include an emphasis of matter paragraph on this issue in our audit opinion</li> <li>• We have assessed the Council’s valuer, to be competent, capable and objective in carrying out the valuations</li> <li>• We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report</li> <li>• We have agreed the HRA valuation report to the Statement of Accounts and we can confirm that HRA valuation report balance has being correctly accounted for in the financial statements.</li> <li>• Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion. As such, we will be reporting this within our audit opinion (as noted at Appendix E).</li> </ul>	<p style="text-align: center;">● <b>Green</b></p>

●  
**Green**

**Assessment**

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated (red)
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic (amber)
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious (green)



# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Land and Buildings – Other - £275.4m</b>	<p>Other land and buildings comprises £211.1m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p>	<ul style="list-style-type: none"> <li>We have assessed the Council's in-house valuer, to be competent, capable and objective</li> </ul>	
<b>Investment Properties – £32.6m</b>	<p>The remainder of other land and buildings (£64.3m) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUJ) at year end.</p> <p>The Council has engaged its in-house RICS qualified valuer to complete the valuation of properties on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. Approximately 80% of total other land and buildings assets (by gross value) were revalued during 2019-20.</p> <p>The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in assumptions made about the future and other major sources of estimation uncertainty.</p> <p>The Council has a process in place to assess assets not revalued in year. Based on the revaluation movements observed for assets revalued as part of the rolling cycle, the valuers assess whether other assets within each group are likely to show a significant movement and if so, the valuers will revalue further assets within the group. There is another process to assess the movement between the valuation date (1 April) and the year end. For specialised assets, this assessment is based on the movement in appropriate indices. For non-specialised assets, which are valued using market based inputs, an exercise is undertaken to ensure key inputs remain appropriate. Revaluations at the year end are processed when deemed appropriate by the valuers to give management assurance that the closing current value is not materially different to its' carrying value.</p> <p>The total year end valuation of Other land and buildings (excluding surplus assets) was £275.4.</p> <p><b>Investment Properties:</b></p> <p>All investment properties (note 20 to the financial statements) have been valued as at 31 March 2020 at fair value based on a market approach, which takes in to account existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strengths for existing tenants and data and market knowledge gained in managing the Council's investment property portfolio. The fair value hierarchy and valuation techniques used to determine fair value of investment properties are further disclosed in note 20 to the accounts.</p>	<ul style="list-style-type: none"> <li>We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report</li> <li>The valuation methods remain consistent with the prior year</li> <li>In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we intend make our conclusions before we issue the audit opinion.</li> <li>The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports for both land and buildings and investment properties. This is also reported in the financial statements. Therefore, we are proposing to include an emphasis of matter paragraph on this issue in our audit opinion</li> <li>Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion.</li> </ul>	<p style="text-align: center;">● <b>Green</b></p>

# Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
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**Net pension liability (before adjustment) – £442m**

Per the draft accounts, the Council's net pension liability at 31 March 2020 is £442m (PY £459m) comprising the South Yorkshire Local Government Pension Scheme.

The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns.

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

There has been a c£17m net actuarial gain during 2019-20.

- We have assessed the Council's actuary, Mercer, to be competent, capable and objective
- We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019-20 roll forward calculation carried out by the actuary and have no issues to raise.
- We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:

Assumption	Actuary Value	PwC comments	Assessment
Discount rate	2.3% - 2.4%	Assumption appears reasonable	● Green
Pension increase rate	2.1%	Assumption appears reasonable and methodology appropriate.	● Green
Salary growth	1.25% - 1.5% above CPI	In line with 2019 valuation.	● Green
Life expectancy – Males currently aged 45 / 65	Pensioners: 22.4 Non-pensioners: 23.9	Overall mortality assumptions appear reasonable.	● Green
Life expectancy – Females currently aged 45 / 65	Pensioners: 25.3 Non-pensioners: 23.1	Overall mortality assumptions appear reasonable.	● Green

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2019-20 to the valuation method
- Reasonableness of estimate – following the estimate of asset values from 31 January to the actual outturn at 31 March 2020, the Council has agreed to revise its valuation estimate and increase the pension liability by £7.1m.

Our work in this area is still in progress, including the assurance from the Pension Fund auditor as indicated at page 9.

# Significant findings – Going Concern

**Our responsibility:** As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary	Auditor commentary
<p><b>Management's assessment process</b></p> <p>Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements.</p> <p>The Council has in place a two year Medium Term Financial Strategy 2021-22 – 2022-23 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFS will be presented to the Cabinet on 23 November and incorporates the impact of Covid-19.</p> <p>In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.</p>	<ul style="list-style-type: none"> <li>Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis.</li> <li>As reported to the Cabinet in July 2020, the Council delivered the 2019-20 budget. The final outturn for 2019-20 was a balanced budget which required £1.2m of Corporate Reserves. This use of reserves was £2m less than initially budgeted figure of £3.2m. As a result, £2m of Corporate Reserves will now be carried forward to be used in future budget requirements. There were overspends on Children's and Young People's budget (£4.4m), Adult Care Housing and Public Health (£0.7m), Regeneration and environment (£2.5m). These were compensated by underspends on Central services (£5.6m) and other Directorates by £0.8m, resulting a requirement of £1.2m of the corporate budget contingency reserve.</li> <li>The Council's total usable reserves (capital and revenue) decreased by £9.3m during the year from £107.8m in 2018-19 to £98.4m. Total General Fund earmarked reserves increased from £38.1m from 2018-19 to £49.3m. The main contributor for this increase was £15.2m Covid-19 grant funding which was received in March 2020 and now earmarked for Covid-19 related responses in the future. However, the DSG reserve deficit increased by £4.7m from £15.1m to £19.8m and more reporting on the DSG deficit is covered at page 22 of this report.</li> <li>The budget setting processes to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate</li> <li>The Strategic Director – Finance and Customer Services (s151 Officer) and Assistant Director Financial Services routinely monitor the Council's financial position and report regularly to Members.</li> <li>The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Whilst the additional costs have not had a significant impact on the financial outturn for 2019-20 given the pandemic started to impact from mid-March, the scale of impact is being felt during 2020-21. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services and lost income through reduced trading activities.</li> <li>According to the Council's latest data return submission to MHCLG, which was made in early October covering 6 months up to end of 30 September 2020, it estimated a gross overall impact of Covid-19 for 2020-21 to be £26.7m. This is derived from additional costs of £11.7m, £6.8m of non delivery of savings due to Covid-19 and £8.2m of income losses up to the 6 months period.</li> <li>This £26.7m impact is reduced by £18.9m Covid-19 support grants received from the Government plus further income loss compensation funding received to date of £2.5m to date, leaving a net pressure of £5.3m purely due to Covid-19 financial pressures. However, the budget monitoring report to Cabinet for the same 6 months (up to 30 September 2020) indicates an overspend budget at the year end of 2020-21 of £2.3m. The £3m difference is a net impact of all other non Covid related underspends and overspends forecasted by the year end.</li> </ul>

# Significant findings – going concern

Going concern commentary	Auditor commentary
<p><b>Work performed</b></p> <p>We considered management's going concern assessment including the assumptions used and consideration of its Medium Term Financial Strategy.</p>	<ul style="list-style-type: none"> <li>• There are two further periods of grant claims under the COVID-19 income loss compensation scheme in the second half of the 2020-21 from October 2020 to March 2021. Taking these into account, the Council deems it reasonable to anticipate that these further claims and subsequent payments of grant will cover the remaining £2.3m forecast overspend and therefore the financial year-end position will be a broadly balanced budget outcome. Our review has noted that this is not an unreasonable assumption.</li> <li>• Further management actions in 2020-21 continue to be identified with the clear aim of bringing expenditure into line with budgets. This includes careful scrutiny of expenditure and monitoring and tracking of savings. Other reviews to identify alternative mitigations continue for the remainder of the financial year to help the Council through the pandemic.</li> <li>• Considering these plans, the availability of specific budget contingency reserves of £2m not called upon in 2019-20 (see previous page) and loss of income compensation claims from October 2020 to March 2021, the Council is in a position to deal with the Covid-19 pandemic impact in 2020-21. This is without the need for any requirement to draw on further funding requests from MHCLG (for example capitalisation orders) or the need to set an emergency budget.</li> <li>• The updated MTFS covering 2021-22 and 2022-2023 will be presented for approval to the Cabinet on 23 November. We have considered the revised MTFS which incorporates the impact of Covid-19. The MTFS update is an interim review and it will be further reviewed in advance of the Council's Budget setting meeting in March 2021 to take account of the Local Government Finance Settlement for 2021-22 when issued.</li> <li>• The updated MTFS shows that a balanced budget can be maintained for 2021-22. The two year MTFS includes achievement of £30m savings requirement which was set in 2019. The 2021-22 budget includes £8.5m treasury management savings and utilisation of £4m budget contingency budget and £2m budget contingency reserve carried forward from 2019-20 as indicated on page 14. The GF and earmarked reserves at end of 2020-21 and 2021-22 are currently projected at £37.9m and £35.7m respectively. At this stage, a funding gap of £7.6m is anticipated for 2022-23. Further review will be conducted in March 2021 when funding mechanisms and Covid-19 impacts are more clearer than now as at November 2020.</li> <li>• Our work confirmed management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable.</li> <li>• We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.</li> </ul>
<p><b>Concluding comments</b></p>	<p>We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:</p> <ul style="list-style-type: none"> <li>• the Strategic Director – Finance and Customer Service's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or</li> <li>• the Strategic Director – Finance and Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.</li> </ul> <p>We are satisfied with management's assessment that the going concern basis is appropriate for the 2019-20 financial statements.</p>

# Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
<b>Matters in relation to fraud</b>	We have discussed the risk of fraud with the Chief Financial Officer (s151) and Head of Financial Services (Corporate) and have also written to the Chair of the Audit Committee. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed based on our work undertaken to date.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Council which is included as a separate agenda item in the Audit Committee papers.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Council's banks. This permission was granted and the confirmation has been received.
<b>Disclosures</b>	<p>Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix B. Some of these disclosure updates arose from our technical 'Hot Review' of the Council's accounts.</p> <p>There is one adjusted misstatement which is reported at Appendix B. There are no unadjusted errors or misstatements.</p>
<b>Audit evidence and explanations / significant difficulties</b>	<p>There were some undoubted challenges for the audit team due to delivering the year-end audit in a wholly remote fashion. In addition, the finance team has had to deal with significant levels of Covid related activities at the same time as the year end audit process. When combined with the increased level of audit testing performed and audit evidence required, this has resulted in the audit fieldwork taking longer than planned.</p> <p>As a result, there is the possibility that the completion of the 2019-20 audit may need to extend beyond 30 November 2020 by a short period. Should this situation occur, as in the prior year, the Council would need to disclose this point on its website. Similarly, there would be no financial penalty arising from any delay after 30 November.</p> <p>Given some element of remote/home working is likely to still be in place for 2020-21, we will be discussing with the finance team how we can continue to work together to mitigate these issues next year.</p>

# Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our review of the AGS identified a small number of areas for enhanced disclosure. The Council has accepted our findings on the AGS and a revised version is due to be presented to the Audit Committee on 24 November 2020.</p> <p>Our review of the Narrative Report also identified some areas for enhanced disclosure. The Council has agreed to update its Narrative Report to take into account our comments.</p> <p>Subject to satisfactory receipt and review of the revised AGS and Narrative Report taking into account our comments, we plan to issue an unmodified opinion in this respect – please see our proposed audit opinion at Appendix E.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>Following the expected updating of the AGS referred to above, we have nothing to report on these matters.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold, we will be required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet commenced and will be completed once all other audit work has been concluded.</p>
<b>Certification of the closure of the audit</b>	<p>As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor's report, as detailed at Appendix E.</p> <p>This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review in December 2020.</p>

# 3. Value for Money

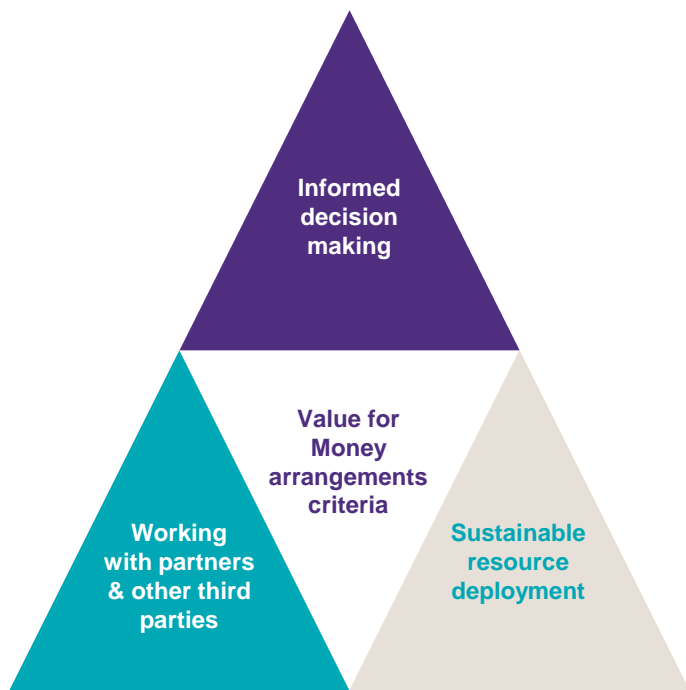
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

*"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2020 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan in February 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any additional significant risks where we need to perform further work.

# Value for Money

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- 1. Financial standing – delivery of 2019-20 budget and savings plan:** the Authority as other authorities, continues to operate under significant financial pressures and achieving the set budget is considered as a key risk.
- 2. Dedicated School Grant (DSG) deficit position and recovery plan -** The DSG reserve was materially in deficit at £15.1m as at 31 March 2019. During the previous two years, the DSG deficit has increased by c10m and continued to be a significant financial and service challenge for the Council. Therefore we considered this as a significant VFM risk for 2019-20.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 20 to 24.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.



## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk as reported in our Audit Plan (January 2020)	Findings	Conclusion
<p><b>Financial standing - delivery of 2019-20 budget and savings plan</b></p> <p>The Authority achieved a balanced budget for 2018-19 under a challenging environment. Although the actual expenditure for 2018-19 was £9.6m more than the approved 2018-19 budget this was mitigated by use of directorate balances (£3.9m), and in year use of other budgetary measures of £5.7m, (including budget contingency reserves of £2m). As a result, the general fund reserves reduced from £48m to £41.5m excluding the DSG deficit of £15.1m (see below).</p> <p>For 2019-20, the Authority is planning to deliver a balanced outturn position but to achieve this, needs to deliver savings of some £7.7m whilst continuing to manage cost and demand pressures within Children's Services, Adult Social care, DSG and other vital services for the local population.</p> <p>The Month 7 Financial Monitoring Report presented to Cabinet indicates the Authority is currently projecting an overall general fund overspend of £4.1m at the year end. This arises from continuing pressures on social care services and some timing issues with the delivery of some budget savings which are taking longer than anticipated to be achieved in full. The Council has £3.2m of the budget contingency reserve remaining and continues to work to identify further mitigating budget savings and cost reductions in order to maintain a balanced budget position.</p> <p>We will continue to assess progress in the delivery of the savings approved within the two-year budget for 2019-20 and 2020-21. We note that the current iteration of the MTFs does not require further savings to be identified for 2021-22.</p>	<p><b>2019-20:</b></p> <ul style="list-style-type: none"> <li>As reported to the Cabinet in July 2020, the Council delivered the 2019-20 budget. The final outturn for 2019-20 was a balanced budget which required £1.2m of Corporate Reserves. This use of reserves was £2m less than initially budgeted figure of £3.2m. As a result, £2m of Corporate Reserves will now be carried forward to be used in future budget requirements. There were overspends on Children's and Young People's budget (£4.4m), Adult Care Housing and Public Health (£0.7m), Regeneration and environment (£2.5m). These were compensated by underspends on Central services (£5.6m) and other Directorates by £0.8m, resulting in a requirement of £1.2m of the corporate budget contingency reserve.</li> <li>The Council's total usable reserves (capital and revenue) decreased by £9.3m during the year from £107.8m in 2018-19 to £98.4m. Total General Fund earmarked reserves increased from £38.1m from 2018-19 to £49.3m. The main contributor for this is increase was £15.2m Covid-19 grant funding which was received in March 2020 and now earmarked for Covid-19 related responses in the future. However, the DSG reserve deficit increased by £4.7m from £15.1m to £19.8m and more reporting on the DSG deficit is covered at page 22 of this report.</li> <li>The Council delivered part of its 2019-20 savings target of £7.7m, in achieving the balanced budget in 2019-20 under challenging circumstances.</li> <li>As reported to the Cabinet in July 2020, the Council's General Fund minimum balance has now been increased to £20.7m as of 31 March 2020 from £16.8m at the previous year end. This general fund reserve is to mitigate against future significant financial impacts adversely affecting the Council.</li> <li>Overall, the Council delivered the 2019-20 budget despite challenging financial pressures and the increasing demands on social care in the year.</li> </ul> <p><b>2020-21:</b></p> <ul style="list-style-type: none"> <li>The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Whilst the additional costs have not had a significant impact on the financial outturn for 2019-20 given the pandemic started to impact from mid-March, the scale of the impact is being felt during 2020-21.</li> </ul>	<p>The Council operates under significant financial pressures, however, it continues to have arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources.</p> <p>The Covid-19 pandemic has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, and implications of potential reduced council tax and business rates payments.</p> <p>The Council continues to manage its financial position and is dealing with the impact of Covid-19. The Council has not had to contemplate an emergency budget to offset the impact of Covid and has plans in place to deal with the expected cost of Covid.</p> <p>The impact of Covid-19 for 2019-20 was limited given its impact commenced during March 2020. The net impact for 2020-21 has been estimated by the Council at £5.3m.</p> <p>We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment.</p> <p>This supports our proposed 'clean' unqualified VFM conclusion.</p>

Significant risk	Findings (continued)	Conclusion
<b>Financial Standing - continued</b>	<ul style="list-style-type: none"> <li>• According to the latest data return submission to MHCLG, which was made in early October covering 6 months up to end of 30 September 2020, it estimated a gross overall impact of Covid-19 for 2020-21 to be £26.7m. This is derived from additional costs of £11.7m, £6.8m of non delivery of savings due to Covid-19 and £8.2m of income losses up to the 6 months period.</li> <li>• This £26.7m impact is reduced by £18.9m Covid-19 support grants received from the Government plus further income loss compensation funding received to date of £2.5m to date, leaving a net pressure of £5.3m purely due to Covid-19 financial pressures. However, the budget monitoring report to Cabinet for the same 6 months (up to 30 September 2020) indicates an overspend budget at the year end of 2020-21 of £2.3m . The £3m difference is a net impact of all other non Covid related underspends and overspends forecasted by the year end.</li> <li>• There are two further periods of grant claims under the COVID-19 income loss compensation scheme in the second half of the 2020-21 from October 2020 to March 2021. Taking these into account, the Council deems it reasonable to anticipate that these further claims and subsequent payments of grant will cover the remaining £2.3m forecast overspend and therefore the financial year-end position will be a broadly balanced budget outturn. Our review has noted that this is not an unreasonable assumption.</li> <li>• Further management actions in 2020-21 continue to be identified with the clear aim of bringing expenditure into line with budgets. This includes careful scrutiny of expenditure and monitoring and tracking of savings. Other reviews to identify alternative mitigations continue-for the remainder of the financial year to help the Council through the pandemic.</li> <li>• Considering these plans, the availability of specific budget contingency reserves of £2m not called upon in 2019-20 (see previous page) and loss of income compensation claims from October 2020 to March 2021, the Council is in a position to deal with the Covid-19 pandemic impact in 2020-21. This is without the need for any requirement to draw on further funding requests from MHCLG (for example capitalisation orders) or the need to set an emergency budget</li> </ul> <p><b>2021-22 and 2022-23:</b></p> <ul style="list-style-type: none"> <li>• The updated MTFS covering 2021-22 and 2022-2023 will be presented for approval to the Cabinet on 23 November. We have considered the revised MTFS which incorporates the impact of Covid-19. The MTFS update is a interim review and it will be further reviewed in advance of the Council's Budget setting meeting in March 2021 to take account of the Local Government Finance Settlement for 2021-22 when issued.</li> <li>• The updated MTFS shows that a balanced budget can be maintained for 2021-22. The two year MTFS includes achievement of £30m savings requirement which was set in 2019. The 2021-22 budget includes £8.5m treasury management savings and utilisation of £4m budget contingency budget and £2m budget contingency reserve carried forward from 2019-20 as indicated on page 14. The GF and earmarked reserves at end of 2020-21 and 2021-22 are currently projected at £37.9m and £35.7m respectively. At this stage, a funding gap of £7.6m is anticipated for 2022-23. Further review will be conducted in March 2021 when funding mechanisms and Covid-19 impacts are more clearer than now as at November 2020.</li> </ul> <p>The key challenges for the Council remain increasing costs and demand pressures on social care services. As a result of these key challenges, there is a continuing risk of delivering budgets and savings plans as approved. These challenges are further intensified by the Covid-19 pandemic. Therefore, prudent budget setting (including maintaining an adequate level of reserves) with reasonable assumptions, monitoring and taking appropriate action against any budget variations should continue to be an integral part of the Council's financial sustainability. <b>[Rec 2: Action Plan]</b></p>	See page 20

## Significant risk per our Audit Plan

Reported in January 2020

## Dedicated School Grant (DSG) deficit position and recovery plan

The DSG reserve was materially in deficit at £15.1m as at 31 March 2019. This was an increase of £5.4m during 2018-19 period. During 2017-18 the reserve increased by £4.5m to £9.6m deficit. Therefore, during the two years (2016-17 and 2017-18), the DSG deficit has increased by c10m.

DSG net expenditure continues to be a challenging service area for the Council in 2019-20 and for the foreseeable future. The Council set a 3 year recovery plan at the end of 2018-19 to reduce the rate of deficit increase from £15.1m in 2018-19 to £17.6m in 2021-22 (a £2.5m increase over 3 year period).

The forecast at the end of October 2019 shows an in-year pressure of £3.3m which may increase the deficit to £18.4m at the year end against a planned deficit of £16.5m for 2019-20. The main pressures are linked to alternative provision, high cost external residential and independent sector placements. As part of our Value for Money arrangements work we will continue to consider the Council's arrangements in place to achieve the DSG recovery plan, other contingency plans and accounting for the DSG deficit in line with relevant guidance available.

## Findings

## 2019-20 outturn

- The outturn position on the DSG reserve was a deficit of £19.9m. This was over £3m above the agreed plan for 2019-20, which was a planned £16.5m deficit.
- As part of our 2019-20 work, we conducted detail discussions with senior management on a regular basis regarding the DSG deficit position in order to understand the reasons behind the increase in the DSG deficit.
- During recent years Rotherham has faced growing pressure on the High Needs Budget (HNB) which has resulted in year on year deficits. In 2015-16 the HNB in-year deficit was £1m, in the subsequent three years the annual HNB deficit has been £5m, with a further deficit in 2019-20 of £4.6m. This has been a major contributing factor in the reported DSG deficit reserve of £19.9m.
- 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 over 16 young people with an Education Health and Care Plans (EHCP) who are now the responsibility of the LA to fund (potentially until they are age 25) and an increase in the number of young people accessing higher cost provision. The DSG deficit recovery plan is predominantly linked to resolving the budget pressures in the HNB.
- 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 by Education and Skills Funding Agency (ESFA).
- The Government's spending review announced additional funding for schools and high needs. Compared to 2019-20 funding, this 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. For Rotherham this is an additional £6.2m for schools and £4.8m in the High Needs Block for the 2020-21 financial year. This will help the 2020-21 DSG budget and spending pressures to an extent.
- We have seen regular updates to the Audit Committee and the Cabinet on the DSG reserve and performance against the Council's plan throughout 2019-20. This was one of our key recommendations from our 2018-19 audit and it is pleasing to see this implemented.

## Updated Guidance for auditors from the NAO – September 2020:

- The NAO in its regulatory role provides guidance for public sector auditors and details auditor's responsibilities in relation to the work required on the VFM conclusion. The latest NAO guidance, issued in September 2020, indicated the following (key messages) in respect of material deficit DGS reserves:
- New regulations from 2020-21 mean that when setting budgets for 2020-21 onwards, material cumulative DSG deficits no longer have a direct impact on the general fund, as the DSG reserve cannot be funded from it without explicit permission from the Secretary of State. So, while the general fund position relative to the DSG deficit may be a concern as at 31 March 2020, it will not be a relevant consideration from 1 April 2020.

## Conclusion

The Council did not achieve its deficit reduction plan set in July 2019 for 2019-20. The overall deficit target was £16.5m as at 31 March 2020 but the actual deficit was £19.9m, missing the target by £3.5m.

However, the NAO issued further guidance to public sector auditors in September 2020, when considering material DSG deficits.

Having considered the NAO guidance covering the 4 criteria specified (see pages 23 -24), our view is that our proposed VFM conclusion is unqualified in relation to the DSG deficit as at 31 March 2020.

However, we have made a recommendation to the Council on its revised DSG deficit plans in order to continue to reduce this deficit. Please see the Action Plan at Appendix A. **[Rec 1]**

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<b>Dedicated School Grant (DSG) deficit position and recovery plan (continued)</b>	<ul style="list-style-type: none"> <li>• Therefore, the existence of a material negative DSG reserve (which is the case for Rotherham at £19.9m as at 31 March 2020) is of itself not relevant to the 2019-20 VFM arrangements conclusion in terms of arrangements for sustainable resource deployment over the medium term.</li> <li>• Instead, the NAO guidance notes the VFM arrangements conclusion considerations for DSG in 2019-20 should include a focus on the following and any other matters that the auditor deems relevant. Therefore we have assessed the Council's material DSG deficit against the four criteria set out by the NAO guidance. This forms the key part of our VFM conclusion on the Council's DSG deficit.</li> </ul> <p><b>(1) Has the body demonstrated engagement with DfE in respect of its DSG deficit and what are the actions arising from these discussion?</b></p> <ul style="list-style-type: none"> <li>• Our work indicates that the Council continues to engage with the ESFA and discuss these matters. As indicated at page 22, actions are then reported to the Cabinet, Audit Committee and the School's forum on Council's plans to control the increasing deficit. The disapplication request which was discussed and agreed by the Secretary of State to transfer £2.9m from the Schools Block to the High Needs Block in 2020-21 was a result of these engagements. Our discussions with senior management and review of papers and associated discussions at Audit Committee also highlighted the commitment of management to address this issue.</li> <li>• This criteria is sufficient met by the Council's arrangements.</li> </ul> <p><b>(2) Does the authority have a deficit recovery plan based on reasonable assumptions?</b></p> <ul style="list-style-type: none"> <li>• The latest recovery plan was produced and presented to the School's Forum in September 2020. The DSG deficit is currently forecasting to increase by £420k in 2020-21 leading to a forecast closing deficit of £20.3m for 2020-21. In headline terms, the current working assumption for 2020-21 is that if the Council is successful in securing a further 1.5% movement between blocks on disapplication in 2021-22, then the deficit forecast would reduce by around £1.5m in the following financial year (2021-22).</li> <li>• In terms of the HNB, where the deficit was £4.63m in 2019-20, there is a recovery plan to reduce this in the next three years with a deficit of £508k in 2020-21, a surplus of £781k in 21-22 and further surpluses in 22-23 and 23-24 years after Schools Block Transfers.</li> <li>• At this time last year, the Council was projecting a planned £16.5m DSG deficit as at 31 March 2020, however, actually delivered a £19.9m outturn - missing the target by £3.5m. Therefore there are some reservations in terms of meeting the NAO's criteria on this question, albeit the Council has continued to update the recovery plan based on its best assumptions.</li> <li>• This criteria is partially met by the Council's arrangements.</li> </ul> <p><b>(3) Where deficits are continuing to grow, does the authority understand why? Is there evidence of a correlation between increasing demand and the rising costs?</b></p> <ul style="list-style-type: none"> <li>• There is a very clear understanding of why the deficit has grown over the last four years which is due to HNB demand. Review of the Council's reporting of this issue and our discussions with senior management indicates the Council has a very clear understanding why this has increased at Rotherham.</li> </ul>	See page 22

Significant risk per our Audit Plan (January 2020)	Findings	Conclusion
<b>Dedicated School Grant (DSG) deficit position and recovery plan - continued</b>	<ul style="list-style-type: none"> <li>• The Rotherham District has had historic and well publicised Child Sexual Exploitation cases, culminating in the Jay report and subsequent Operation Stovewood. Special needs children and child welfare is a key priority for the Council over the last five years and continues to be. We covered this area in detail in last year's VFM conclusion and is undoubtedly a factor in why significant costs within the HNB have occurred.</li> </ul> <p><b>(4) Do Members fully understand the position, risks and actions being taken?</b></p> <ul style="list-style-type: none"> <li>• The Council's DSG deficit position has been a standard agenda item during our routine liaison meetings with senior management throughout 2019-20 and to date. These discussions have also indicated management has a sound understanding of the local issues, reasons behind HNB budget challenges and actions to be taken to reduce that.</li> <li>• Importantly, management has reported and updated the Cabinet and Audit Committee members throughout the 2019-20 year regarding the DSG deficit. As indicated in going concern section, there is monthly reporting to the Cabinet on budget monitoring and these financial performance reports include an item on the DSG deficit. In addition, the annual 2019-20 outturn report to the Cabinet, presented in July 2020, summarises DSG performance including the High Needs Block budget pressures and actions.</li> <li>• This criteria is sufficiently met by the Council's arrangements.</li> </ul> <p><b>Summary:</b></p> <ul style="list-style-type: none"> <li>• Before reaching our conclusion, it should be noted that the Council did not achieve its deficit DSG reduction plan set in July 2019 for 2019-20. As indicated, the overall deficit target was £16.5m as at 31 March 2020 but the actual deficit was £19.9m, missing the target by £3.5m. Were it not for the new guidance from the NAO issued in September 2020, our conclusion could have ultimately been somewhat different.</li> <li>• We acknowledge this 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. In accordance with current Government policy, this deficit can be carried forward to be addressed in future years and only be used for schools budget and cannot be netted off against any other general fund reserves. (see Appendix C, page 30).</li> <li>• On the basis that three of the four NAO criteria are met and one partially met, we proposed a 'clean' unqualified VFM conclusion on this issue. Given the material deficit position of the DSG reserve, the audit team had to present our findings to the Firm's national VFM consistency Panel. The Panel considered our submission and has agreed with our proposed conclusion on this issue.</li> <li>• Notwithstanding the unqualified VFM conclusion on the DSG deficit reserve, the Council should continue to ensure the revised DSG plans: <ul style="list-style-type: none"> <li>- continue to be closely monitored</li> <li>- prompt action is taken on any variations from plan, particularly in respect of any changes to the financial performance of the HNB</li> <li>- regular engagement with DfE is maintained along with the ESFA and the schools forum</li> <li>- are regularly reported to Cabinet, Audit and Scrutiny committees as appropriate, ensuring Members are kept informed of key developments on reducing the material DSG deficit. <b>[Rec 1 Action Plan]</b></li> </ul> </li> </ul>	See page 22

## 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are included at Appendix D.

### Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
<b>Audit related:</b>			
Certification of Housing Benefits Subsidy return	*19,000 base fee	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,000 base fee in comparison to the total fee for the audit of £129,288 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
s14 Children and Young People Grant from DfE – expenditure certification	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 base fee in comparison to the total fee for the audit of £129,288 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
DfT grant on Local Transport Plan Major Projects	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 base fee in comparison to the total fee for the audit of £129,288 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related:</b>			
None	-	-	-

### NOTE:

\* The £19,000 is the base fee for Housing Benefit Subsidy certification plus for each 40+ testing undertaken:

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

# Appendix A: Action Plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020-21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<b>High</b>	<p><b>1. DSG deficit reduction plan 2020-21 and beyond</b></p> <p>Our work identified the Council did not achieve its deficit reduction plan set in July 2019 for 2019-20. The overall deficit target was £16.5m as at 31 March 2020 but the actual deficit was £19.9m, missing the target by £3.5m. This is a material DSG deficit.</p> <p>If not for new guidance from the NAO issued in September 2020, our overall VFM conclusion reached on page 22 could have been different on this material DSG deficit as at 31 March 2020.</p> <p>We acknowledge that this 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. Accordance with current Government policy, this deficit can be carried forward to be addressed in future years and only be used for schools budget and cannot be netted off against any other general fund reserves.</p>	<ul style="list-style-type: none"> <li>• Notwithstanding the unqualified VFM conclusion on the DSG deficit reserve, the Council should continue to ensure the revised DSG plans: <ul style="list-style-type: none"> <li>- continue to be closely monitored</li> <li>- prompt action is taken on any variations from plan, particularly in respect of any changes to the financial performance of the HNB</li> <li>- regular engagement with DfE is maintained along with the ESFA and the schools forum</li> <li>- are regularly reported to Cabinet, Audit and Scrutiny committees as appropriate, ensuring Members are kept informed of key developments on reducing the material DSG deficit.</li> </ul> </li> </ul> <p><b>Management response:</b> The Council maintains regular engagement with the ESFA and the Schools Forum with regard to DSG plans. Regular reporting is provided to Cabinet, through Financial Monitoring Reports. Audit Committee and Overview and Scrutiny Committee are also kept informed through specific reports providing updates on the DSG position and plans. This approach to engagement and reporting will continue to be maintained.</p>
<b>Medium</b>	<p><b>2. Financial impact on Covid-19, budget monitoring 2020-21 and beyond:</b></p> <p>There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services and lost income through reduced activities. In the Q2 budget monitoring report for 2020-21, the Council is already estimating a net overall impact of Covid-19 for 2020-21 to be £2.3m, after government funding including loss of income compensation.</p> <p>The updated MTFs covering 2021-22 and 2022-2023 indicates a balanced budget for 2021-22 but the 2022-2023 plan has a gap of £7.6m.</p> <p>As the sector and the country recover from the Covid-19 pandemic in 2020-21, the Council's major challenges in managing its costs in demand led services are likely to remain. In common with a number of other local authorities, delivering a balanced budget and maintaining a level of adequate reserves will remain a key challenge.</p>	<p>We recommend the Council continues to update its budget setting and budget projections as the challenges and impact from Covid develop. Officers should continue to report in a regular and transparent manner to Members in terms of any corrective actions required in delivering the budget, the impact of Covid on costs and income, achieving the required savings and in terms of liaising with MHCLG and other government departments.</p> <p>The Council should consider the adequacy of its reserves going forward and the appropriate level of balances which should be linked to the approved MTFs and which should be reviewed each year.</p> <p><b>Management response:</b> Regular reporting on the budget is provided through financial monitoring reports to Cabinet. These reports have clearly identified the impact of Covid on the Council's finances. An interim update of the Medium Term Financial Strategy has been submitted to November Cabinet and will be refined further once the Local Government Finance Settlement for 2021/22 is released. The Council's reserves strategy is an integral part of the overall budget and financial strategy. Development of these strategies has included strengthening the Council's level of uncommitted reserves. Subject to the anticipated balanced financial outturn being achieved for 2020/21, the General Fund Minimum Balance Reserve will be £25m at the end of March 2021, increased from a balance of just over £11m at the end of March 2018.</p>

# Appendix B: Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated in 2018-19 Audit Finding Report	Update on actions taken to address the issue
<b>Action completed</b>	<p><b>Delivery of 2019-20 budget, savings plan and achievement of Medium Term Financial Strategy (MTFS)</b></p> <p>Our work on the Value For Money conclusion highlighted the significant financial pressures in which the Council operates. This reflected an increasing pattern across the local authority sector. Continuing reduction in central government funding, uncertainty around the timing and detail of future funding mechanisms coupled with increasing service demands (e.g. adult social care and children's services), achievement of savings plans and MTFS is becoming increasingly challenging.</p> <p>During our VFM work, we identified that the Council has a good financial management and reporting system to the Council and the Cabinet.</p> <p>However, any non-achievement of the savings plans and MTFS would result in difficulties around sustainable resource deployment and could impact on the essential services provide by the Council to its local population.</p> <p><b>Recommendation:</b></p> <p>Management should continue to asses its financial performance and monitoring procedures regularly to ensure the savings plans for 2019-20 and resulting achievement of the budget and MTFS are on track.</p> <p>This should include continuing assessment of the demand for key services and address the funding gaps to ensure the Council continues to be financially resilient and sustainably delivering services against its key priorities</p>	<p><b>GT comment:</b></p> <p>Action completed. An updated recommendation on this issue has been included in the 2019-20 Action Plan at Appendix A.</p>
<b>On going</b>	<p><b>Dedicated Schools Grant reserve deficit and Recovery Plan</b></p> <p>Our work on Value For Money conclusion on page 19 highlighted there was a material deficit of DSG reserve of £15.1m as at 31 March 2019. We identified that in two year period, the DSG deficit had increased by c10m.</p> <p>This is a significant increase during a time where the Council is undergoing increasing pressures for its services resulting in other financial challenges.</p> <p>Our work indicated the Council has complied with the latest guidance available in this area and has submitted a deficit recovery plan to Education &amp; Skills Funding Agency (ESFA). Further national guidance on dealing with DSG reserve deficits is expected to be issued in 2019-20. Should the deficit continue to increase in 2019-20 this may have implications for our 2019-20 VFM conclusion.</p> <p><b>Recommendation:</b></p> <p>The Council should:</p> <ul style="list-style-type: none"> <li>• Discuss the recovery plan with ESFA and agree a clear action plan on how the deficit can be recovered</li> <li>• Monitor the recovery plan to ensure correct actions are taken as necessary with the involvement of senior management</li> <li>• Continue to report the DSG deficit issues to the Cabinet to keep the members informed of actions undertaken</li> <li>• Continue to discuss relevant matters with the School Forum so key stakeholders are involved and kept up to date of Council's actions.</li> </ul>	<p><b>Management comment – progress</b></p> <p>See management response to recommendation at Appendix A, page 26 on DSG deficit reduction plan 2020-21 and beyond.</p> <p><b>GT comment:</b></p> <p>Action ongoing. An updated recommendation on this issue has been included in the 2019-20 Action Plan at Appendix A, page 26.</p>



# Appendix C: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

**Impact of adjusted misstatements :** All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Other Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on Useable Reserves £'000
<b>(1) Pension fund liability:</b>			
Updating pension fund valuation to 31 March 2020 to reflect the updated pension fund asset return as at 31 March 2020. This results in a net increase in the pension fund liability of £7.1m.	Dr Actuarial (gains) / losses on pension assets liabilities £7.1m	Cr Retirement Benefit Obligations (Long Term Liabilities) £7.1m	-
	Cr The movement in Reserves Statement £7.1m	Dr Pension Reserve (Unusable Reserves) £7.1m	-
<b>(2) Disclosure note 42 – Capital Expenditure and Financing (CFR)</b>	N/A	N/A	-
A correction was done to this CFR disclosure note amounting to £10.673m in 2018-19 to reflect MRP reprofiling on finance leases. This disclosure adjustment was already in the draft accounts submitted for audit. Our work highlighted that closing and opening CFR requirement calculations and all other related transactions based on the CFR have always being correctly calculated and included in the previous years. Therefore, this is purely a disclosure line omitted from note 42 rather than error in CFR and other related calculations.			
However, since this amount is material and this is an error (e.g. disclosure error), it is captured under IAS8, Accounting policies, changes in accounting estimates and errors and is considered as a prior period adjustment for this specific disclosure note, CFR.			
However, it has no impact to the financial performance, position and brought forward reserves for 2018-19 and 2019-20.			
<b>Overall impact:</b>			<b>No impact</b>

# Appendix C: Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	Updating the 'Events After the Balance Sheet Date' note in order to include the latest government funding and update on Covid-19 impact which was not included in the draft note.	Note 51, Events After the Balance Sheet Date	TBC
2.	Disclosure	Various minor amendments were made to the Narrative Report to ensure the content was consistent with the financial information and the Council's activities during year ended 31 March 2020.	Narrative Report	TBC
3.	Disclosure	Minor amendments were made to the Annual Governance Statement in line with Code Guidance requirements. Updates also made to areas of the AGS which were not completed at draft stage.	AGS	TBC
4.	Disclosure	Audit Fees to Grant Thornton regarding, accounts audit and non-audit fees in respect of Housing Benefit, Major Transport Grant and s14 Children and Young People Grant from DfE. This note was updated to reflect the accurate fees for audit and non audit related services to be in line with those disclosed in Appendix D of this report.	External Audit Costs Note 15	TBC
5.	Disclosure	Disclosure of Material Valuation Uncertainty relating to land and building valuations (including investment properties) – included under assumptions made about future and other major sources of estimation uncertainty section.	Note D, Assumptions made about future and other major sources of estimation uncertainty section	TBC
6.	Disclosure	Adding an additional note under Financial Instruments (FI) to indicate that PFI liabilities are part of FIs and its valuation method and referencing to PFI liability note of the Statement of Accounts for further information.  Also making disclosure amendments to the FI notes to better reconcile with reported balances in the financial statements	Note 24, Financial Instruments	TBC
7.	Disclosure	Accounting Standards issued but not yet adopted – update this note in line with CIPFA Bulletin 5, closure of the financial statements 2019-20 with accounting standards issued with not yet adopted	Note B: Accounting Standards issued but not yet adopted	TBC

# Appendix C: Audit adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
8.	Disclosure	Expanding the disclosure around PFI note to further clarify that these are captured by IFRIC 12 (service concession arrangements)	Note 44 , PFI	TBC
9.	Disclosure	Expanding the Accounting policy on Metropolitan Debt on how the Council accounts for RMBC share in the financial statements.	Accounting policies note 24	TBC
10.	Disclosure	Note 42 – linked to page 28, item 2, additional disclosures were added to explain the matter described at page 28, item 2.	Note 42	TBC
11.	Disclosure	Disclosure amendment to note 8 to capture correct classification of grant income. No changes to total income	Note 8	TBC
12.	Disclosures	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	Various	

# Appendix C: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

**Impact of unadjusted misstatements :** All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

The following adjustments were not made on the basis of materiality. All these are above our triviality level of £450k but less than the materiality figure of £9m. Also, all these unadjusted misstatements have no impact on financial position , performance or Council's usable reserves as at 31 March 2020.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1.	Disclosure	We have noted the DSG deficit reserve of £19,892k has been included with other reserves and netted off against other earmarked reserves to arrive at £15,022k in the draft accounts (note 37). As a Firm, we remain of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years, these should form part of the un-earmarked general fund due to its deficit.	Note 37, Usable Reserves	No . However this would not impact our audit opinion
2.	Disclosure	Our work on critical judgments applying accounting policies indicated that some of the judgements are not clearly indicating a judgement and/or are not material. <ul style="list-style-type: none"> <li>• Back funding pension contribution paid during the year is not material for 2019-20</li> <li>• Business rates appeal – the judgement is not very clear and it is not material for 2019-20</li> <li>• Covid-19 – not clear what is the significant judgement to be included in this section of the Financial Statements</li> </ul> We have discussed these matters with management and requested the Council enhances details of the judgement and the link to materiality. These disclosures have not impacted our overall audit approach.	Note C - Critical Judgements in applying accounting policies	No . However this would not impact our audit opinion
3.	Disclosure	Our work on assumptions made about future and other major sources of estimations uncertainty section indicated that IAS1 ( presentation of financial statements) principals have not being fully applied to either describe the future material uncertainty and link to material nature of the uncertainty. These included: <ul style="list-style-type: none"> <li>• PPE useful lives</li> <li>• MRP</li> </ul> We have discussed these matters with the Council and requested the disclosure is enhanced to increase the compliance with IAS1. These disclosures have not impacted our overall audit approach.	Note D, Assumptions made about future and other major sources of estimations section	No . However this would not impact our audit opinion

# Appendix C: Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

**Impact of unadjusted misstatements :** All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

The following adjustments were not made on the basis of materiality. All these are above our triviality level of £450k but less than the materiality figure of £9m. Also, all these unadjusted misstatements have no impact on financial position , performance or Council's usable reserves as at 31 March 2020.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
4.	Disclosure	<p>Our work on related party transactions (RPTs) highlighted that there are some over disclosures in RPTs in Note 17. Some of the disclosures made in Note 17 did not strictly satisfy IAS 24, Related Party Disclosures criteria. In all these circumstances, the Council had over-disclosed when some of these disclosures were not required to be reported under IAS 24.</p> <p>We did not identify any under disclosures in relation to RPTs. Our work indicated, where the transactions are captured by IAS 24, they have been fully disclosed.</p> <p>We have discussed these matters with the Council and requested where IAS 24 was not satisfied those disclosure be removed.</p>	Note 17, Related Party Transactions	No . However this does not impact our audit opinion
5	Disclosure	<p>Our work on Surplus Assets at note 19 to the accounts highlighted there are Surplus Assets additions of £7.683m which are not Surplus Assets at the time of their addition. We have challenged the Council on the basis this is capitalised under Surplus Assets column at note 19. The reason is some of these assets could be used as Council Dwellings in the future.</p> <p>Therefore, these additions are assets under construction (AUC) until they are completed and should be classified under the AUC column at note 19. When the asset construction is complete, the Council decides whether the asset is surplus to requirement or not. Then, it should be appropriately classified and valued under 2019-20 LG Code guidance, depending on whether it is a Council Dwelling or a Surplus Asset. If the asset is still with the Council at the reporting date (e.g. 31 March) and if there are plans for selling the asset rather than using as Council Dwellings, the asset will be reported under non current assets held for sale category and valued accordingly.</p> <p>This is a disclosure issue. Our work indicated that closing balances reported under Surplus Assets category (note 19) are correctly classified and valued as Surplus Assets per 2019-20 LG Code guidance.</p> <p>We have discussed this matter with the Council and requested for the correct classification during the addition stage. E.g. to be included as AUC rather than Surplus assets until asset construction is complete.</p>	Note 19, Surplus Assets column	No . However this does not impact our audit opinion and asset valuations as at 31 March 2020.

# Appendix D: Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee 2019-20 per Audit Plan £	Final fee 2019-20 £
Council Audit	129,288	TBC+
<b>Total audit fees (excluding VAT)</b>	<b>129,288</b>	<b>TBC+</b>

Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances, financial guarantees, and other provisions. We have include an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values.
- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.
- Review and work done in respect of the DSG deficit – we have closely monitored the Council's performance regarding its DSG deficit. This has involved meetings with senior management, school finance lead, consideration of the Council's DSG recovery plan and an assessment against the NAO guidance issued in September 2020. In addition, we have held a number of internal meetings with the Firm's national VFM consistency panel.
- Remote working – a further impact in terms of delivery is the move to remote working. We, as other auditors, have experienced delays and inefficiencies as a result of remote working, including the delays in receiving accounts and extended lead time in receiving responses to audit queries. These are understandable and arise from the availability of the relevant information and/or the availability of key staff , due to your key finance staff having a number of competing demands as a result of Covid pandemic responses.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

As a result of the above, increased costs have been incurred due to the additional time taken to deliver the audit this year. We have discussed the likelihood of an additional fee variation with the senior finance team, noting an expected variation of c15% of the above fee. We will provide a full breakdown of proposed fees on completion of our audit and this will be included in the Annual Audit Letter later this year. Please note that any proposed additional fees would be subject to approval by PSAA in line with the Terms of Appointment.

## Appendix D: Fees (continued)

Non-audit fees for other services	Proposed fee £	Final fee £
<b>Audit Related Services:</b>		
Housing Benefit Subsidy return 2019-20	19,000*	TBC
s14 Children and Young People Grant from DfE – expenditure certification	5,000	5,000
DfT grant on Local Transport Plan Major Project	4,000	4,000
<b>Non-Audit Related Services:</b>		
None	-	-
<b>Total non- audit fees (excluding VAT)</b>	<b>28,000*</b>	<b>TBC</b>

**NOTE:**

\* The £19,000 is the base fee for Housing Benefit Subsidy certification plus for each 40+ testing undertaken:

£2,200 – where the work is completed by the Council

£4,200 – where the work is undertaken by Grant Thornton

We expect the total audit fees of £129,288 on page 31 per the Audit Plan issued in February 2020, and the £28,000 non-audit fees will reconcile to the updated note 15 in the revised accounts – we will confirm this upon receipt of the updated accounts.

# Appendix E: Draft Audit Opinion **(DRAFT ONLY)**

**We anticipate we will provide an unqualified audit report with an Emphasis of Matter paragraph, relating to the material uncertainty around the valuation of land and buildings as a direct impact of Covid-19. We also anticipate issuing a 'clean' unqualified VFM conclusion.**

## Independent auditor's report to the members of Rotherham Metropolitan Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Rotherham Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, Statement of Accounting Concepts and Policies, Accounting Standards Issued But Not Yet Adopted, Critical Judgements in Applying Accounting Policies, Assumptions Made About the Future And Other Major Sources of Estimations, Notes to the Core Financial Statements, the Housing Revenue Account Income and Expenditure Statement, Notes to the Housing Revenue Account, the Collection Fund and Notes to the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter – Metropolitan Debt Administration statement unaudited

The Authority has included a Metropolitan Debt Administration statement and notes to that statement in its Statement of Accounts. This statement is not required by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20 or the Local Audit and Accountability Act 2014. Accordingly, the figures in the Metropolitan Debt Administration statement and the notes to the statement are unaudited.

#### The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Strategic Director- Finance and Customer Services and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.



# Appendix E: Draft Audit Opinion **(DRAFT ONLY)**

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Strategic Director - Finance and Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Director - Finance and Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Strategic Director - Finance and Customer Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

## Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings including investment properties

We draw attention to Accounting Policies, section D, Assumptions made about the future and other major sources of estimation of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings including investment properties as at 31 March 2020. As, disclosed in this note, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's reports. Our opinion is not modified in respect of this matter.

## Other information

The Strategic Director - Finance and Customer Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon, the Narrative Report and Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Appendix E: Draft Audit Opinion **(DRAFT ONLY)**

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report, the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority, the Strategic Director – Finance and Customer Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director - Finance and Customer Services. The Strategic Director - Finance and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019-20, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director- Finance and Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Director - Finance and Customer Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Appendix E: Draft Audit Opinion **(DRAFT ONLY)**

### Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

#### Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

#### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Signature – To be signed*

**Gareth Mills, Key Audit Partner**  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date: TBC



**Public Report****Audit Committee**

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**Committee Name and Date of Committee Meeting:**

Audit Committee – 24<sup>th</sup> November 2020

**Report title:**

Code of Corporate Governance

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

No

**Strategic Director Approving Submission of the Report:**

Judith Badger (Strategic Director Finance and Customer Services)

**Report Author(s):**

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**Ward(s) Affected:**

All

**Report****Summary:**

In April 2016 CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in local government. The Council's Code of Corporate Governance was rewritten at that time to set out how it would comply with this new guidance. There have been no new revisions to the guidance in the last three years.

It is good practice to review and revise the Council Code on an annual basis. The Corporate Governance Group has completed this review. In addition, some changes have been made to the Code to reflect relevant elements of the Council's response to the COVID pandemic. These are included in the Code for this year but are likely to be temporary. The revised Code is presented here for consideration by the Audit Committee.

**Recommendations:**

The Audit Committee is asked to:

- Consider the refreshed version of the Code of Corporate Governance and;
- After consideration, advise if any amendments or further development work deemed necessary

**List of Appendices Included:**

Appendix 1 – Code of Corporate Governance.

**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.

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

None

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Code of Corporate Governance**

### **1. Background**

- 1.1 In April 2016, CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in Local government. The Council's Code of Corporate Governance was rewritten to set out how it complied with this new guidance. The new guidance set out seven key principles of good governance and the Council's new Code reflected these principles. The Code was presented to the Audit Committee in February 2017 with updates in November 2017, November 2018 and November 2019.
- 1.2 Although there have been no subsequent changes to the guidance, an annual review of the Code has been completed in order to ensure it remains up to date and relevant to the Council. In particular, amendments have been made to include relevant elements of the Council's response to the COVID pandemic as well as recognition of the new Year Ahead Plan which replaces the Council Plan until mid-2021.

### **2. Key issues**

- 2.1 Good governance leads to good management, performance, public engagement, stewardship of public money and, through all this, good outcomes for citizens and service users.
- 2.2 Rotherham Metropolitan Borough Council is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities. Integrity, openness and accountability are fundamental principles by which the Council operates and these are specifically reflected in two of the Council's values – "Honest" (Being open and truthful in everything we do) and "Accountable" (We own our decisions, we do what we say and we acknowledge and learn from our mistakes).
- 2.3 The guidance sets out the seven key principles which underpin the governance of each local government organisation. The Rotherham Code follows these principles and demonstrates how they are applied and evidenced in practice. The seven key principles are:
- Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law
  - Ensuring Openness and comprehensive stakeholder engagement
  - Determining outcomes in terms of sustainable economic, social and environmental benefits
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Developing the Councils capacity, including the capability of its leadership and the individuals within it
  - Managing risks and performance through robust internal control and strong public financial management
  - Implementing good practice in transparency, reporting and audit to deliver effective accountability

2.4 The first two principles underpin the operation of the other five and represent a change in approach from earlier versions of the Code. As can also be seen from the list above, the Council's own values align closely to the key principles in the CIPFA/SOLACE code.

2.5 The Council has adopted this approach in producing its Code of Corporate Governance to give citizens and customers a clear understanding of how the Council manages its decision making, service planning, service delivery and accountability processes, how it ensures that the Council sets out its vision and priorities and how it provides effective and efficient outcomes to its citizens and customers.

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

3.1 "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) is widely acknowledged as the authoritative guide in this area.

3.2 All Local Authorities within the UK construct their Codes of Corporate Governance utilising the methodology advocated by this guidance. The framework was published in April 2016 and it is important that the Council complies with this code. There have been no changes to the guidance in the last year. An annual review of the Rotherham Code has been completed by the Corporate Governance Group.

3.3 The Audit Committee is invited to review the attached Code and provide any comments. For ease of reference a version showing tracked changes from the previous year is attached.

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

4.1 Research has been undertaken into sector codes of governance. The attached Code takes account of current arrangements in Rotherham.

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

5.1 The refreshed code is to be presented to the Audit Committee for consideration at its meeting on 24<sup>th</sup> November 2020.

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

6.1 There are no immediate financial and procurement implications associated with the refreshed code although, previously stated, good governance leads to good stewardship of public money.

### **7. Legal Advice and Implications**

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



**8. Human Resources Advice and Implications**

8.1 There are no specific Human Resources implications associated with the proposals.

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

9.1 There are no immediate implications associated with the proposals.

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

10.1 There are no immediate implications associated with the proposals.

**11. Implications for Partners**

11.1 There are no immediate implications associated with the proposals.

**16. Risks and Mitigation**

16.1 The implementation of an effective Governance framework is designed to minimise the Authority's exposure to risk.

**17. Accountable Officer(s)**

Simon Dennis, Corporate Improvement and Risk Manager  
David Webster, Head of Internal Audit

**Approvals Obtained from:-**

Strategic Director of Finance and Customer Services: Judith Badger

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**Rotherham Metropolitan Borough  
Council**

**Code of Corporate  
Governance  
~~2019/20~~21**

November 2020~~19~~

## CODE OF CORPORATE GOVERNANCE

### Introduction

Governance is about organisations ensuring that they are doing the right things in the correct manner for the right people in a timely, open, honest, inclusive and accountable manner. It follows that good governance leads to good management, performance, public engagement, stewardship of public money and, through all this, good outcomes for citizens and service users.

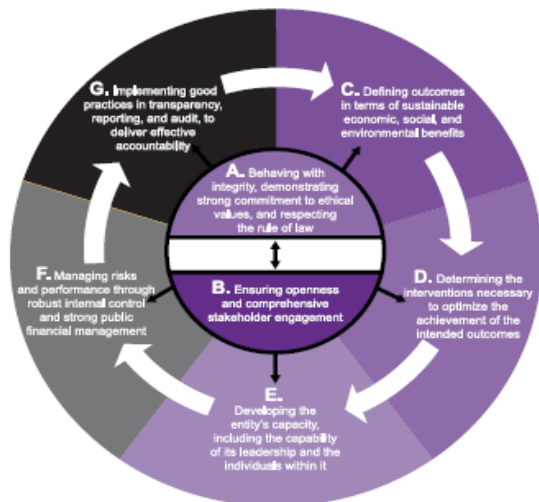
Good governance enables Rotherham Council to pursue its vision effectively, as well as reinforcing that vision with the mechanisms for control and management of risk.

All of the decisions made by Rotherham Council about the services it delivers, and how to deliver them, are supported by a set of systems and processes which make up the Council's 'governance arrangements'. These include holding meetings where decisions are made, the Council's legal framework, setting out priorities and roles clearly, holding decision makers to account through scrutiny, risk management processes, financial monitoring and ensuring high standards of conduct. Local authorities are encouraged to demonstrate how they ensure effective governance arrangements by setting these out in a local code of governance.

Rotherham Metropolitan Borough Council's 'Code of Corporate Governance' is based on the guidance "Delivering Good Governance in Local Government", published in 2016 by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives).

The main principle underpinning the Delivering Good Governance in Local Government: Framework continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policies and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. A diagram of the Framework from the guidance is copied below:

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The International Framework notes that:

*Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.*

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever forms of arrangements are in place, authorities should test their governance structures and partnerships against the principles contained in the Framework by:

- Reviewing existing governance arrangements
- Developing and maintaining an up-to-date code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance and governance arrangements reflecting the principles set out.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council has adopted this Code of Corporate Governance (Code) with the intention of giving citizens and customers a clear understanding of how the Council intends to manage its decision making, service planning, service delivery and accountability processes, how it aims to ensure that the Council sets out its vision and priorities and how it aims to provide effective and efficient outcomes to its citizens and customers.

This Code of Corporate Governance explains all of the Council's policies and practices in one document, making them open and explicit. Appropriate procedures and processes are being integrated into the Council's Governance Framework to ensure there will be routine application and ongoing review of the arrangements described in the Code.

The Code is subject to annual review to ensure its adequacy and its effectiveness is assessed as part of a process that leads to the production of the Council's Annual Governance Statement.

Every Council officer and Member has a responsibility to ensure that their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader ensure that an annual review of corporate governance arrangements is completed and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Strategic Leadership Team ensures that the Code is reviewed regularly (at least yearly) to reflect ongoing developments and planned improvements to the ~~framework,~~ and framework and authorises any amendments.

For the 2020/21 financial year, the Code has been amended, where necessary, to reflect the changes to governance made as a result of the Council's response to the COVID pandemic. These changes will be reviewed once the pandemic response has stepped back.

## How Rotherham Council intends to meet the Principles of Good Corporate Governance

This section sets out how Rotherham Council aims to work to the principles of good corporate governance.

### Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

#### Summary:

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<b>Behaving with integrity</b>	<ul style="list-style-type: none"> <li>Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</li> <li>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</li> <li>Demonstrating, communicating and embedding the standard operating principles</li> </ul>	<ul style="list-style-type: none"> <li>Member's Code of Conduct</li> <li>Employees' Code of Conduct</li> <li>Anti-Fraud and Corruption Policy &amp; Strategy</li> <li>Dignity at Work Policy</li> <li>Equal Opportunity in Employment Policy</li> <li>Equality and Diversity Policy</li> <li>Whistle-blowing Policy</li> <li>Corporate Safeguarding Policy</li> <li><a href="#">Council Plan The Year Ahead Plan</a></li> <li>LADO (Local Authority Designated Officer) to investigate allegations made against people working with children</li> <li>Standards and Ethics Committee</li> </ul>

	<p>or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	
<p><b>Demonstrating strong commitment to ethical values</b></p>	<ul style="list-style-type: none"> <li>• Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>• Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</li> <li>• Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</li> <li>• Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</li> </ul>	<p>• <a href="#">Council Plan The Year Ahead Plan</a></p> <ul style="list-style-type: none"> <li>• Human Resources Policies</li> <li>• Induction Procedures</li> <li>• Registers of Interests</li> <li>• Registers of Gifts and Hospitality</li> <li>• Member's Code of Conduct</li> <li>• Employees' Code of Conduct</li> <li>• Member / Officer Relations Protocol</li> <li>• Standards and Ethics Committee</li> </ul>
<p><b>Respecting the rule of law</b></p>	<ul style="list-style-type: none"> <li>• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</li> <li>• Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</li> <li>• Striving to optimise the use of the full powers available for the benefit of citizens, communities and stakeholders.</li> <li>• Dealing with breaches of legal and regulatory</li> </ul>	<ul style="list-style-type: none"> <li>• Legal (Monitoring) Officer Role</li> <li>• Internal Audit</li> <li>• External Auditors</li> <li>• Corporate Complaints Procedure</li> <li>• Standards and Ethics Committee (supporting Members' observation of their Code of Conduct)</li> <li>• Employees' Personal Development Reviews</li> <li>• Publicising the process of how to complain about Members' conduct</li> <li>• Publicising the process of how to make a complaint to the Local Government Ombudsman</li> <li>• Overview and Scrutiny functions</li> <li>• Anti-Fraud and Corruption Policy and Strategy</li> </ul>

	provisions effectively. <ul style="list-style-type: none"><li>• Ensuring corruption and misuse of power are dealt with effectively.</li></ul>	<ul style="list-style-type: none"><li>• Whistleblowing and Serious Misconduct Policy</li><li>• Anti-Money Laundering Policy</li></ul>
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**Principle B - Ensuring openness and comprehensive stakeholder engagement.**

**Summary:**

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<b>Openness</b>	<ul style="list-style-type: none"> <li>Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</li> <li>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided</li> <li>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</li> <li>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Council Plan The Year Ahead Plan</a></li> <li>The Rotherham Plan 2025</li> <li>Forward Plan listing key decisions to be made</li> <li>Council Website</li> <li>Formal consultation arrangements</li> <li>Community and voluntary sector representation on Partnership Boards</li> <li>Freedom of Information publication scheme</li> <li>Overview and Scrutiny functions</li> <li><a href="#">Data Transparency Code</a></li> <li><a href="#">Public meetings held virtually and publicly accessible through the internet</a></li> </ul>
<b>Engaging comprehensively</b>	<ul style="list-style-type: none"> <li>Effectively engaging with institutional</li> </ul>	<ul style="list-style-type: none"> <li>Formal consultation arrangements</li> </ul>

<p><b>with institutional stakeholders</b></p>	<p>stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <ul style="list-style-type: none"> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> <li>• Ensuring that partnerships are based on: trust; a shared commitment to change; and a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Community and voluntary sector representation on Partnership Boards</li> <li>• Council Website</li> <li>• Rotherham Local Safeguarding Children Board</li> <li>• Rotherham Safeguarding Adults Board</li> <li>• Community Safety and Anti-Social Behaviour Unit</li> <li>• Neighbourhood working group</li> <li>• Rotherham Together Partnership</li> </ul>
<p><b>Engaging with individual citizens and service users effectively</b></p>	<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</li> <li>• Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement.</li> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</li> <li>• Balancing feedback from more active</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">The Year Ahead Council Plan</a> published on RMBC website</li> <li>• Key decisions are published at least 28 days prior to consideration at Cabinet</li> <li>• External Auditor provides an annual assessment of the Council's performance through the Value for Money conclusion</li> <li>• Council Website</li> <li>• Council minutes and agendas available on website</li> <li>• Formal consultation arrangements</li> <li>• Community and voluntary sector representation on Partnership Boards</li> <li>• Satisfaction Surveys</li> <li>• Freedom of Information publication scheme</li> </ul>

	stakeholder groups with other stakeholder groups to ensure inclusivity <ul style="list-style-type: none"><li>• Taking account of the interests of future generations of tax payers and service users.</li></ul>	
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**Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

**Summary:**

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<p><b>Defining Outcomes</b></p>	<ul style="list-style-type: none"> <li>• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available.</li> <li>• Identifying and managing risks to the achievement of outcomes.</li> <li>• Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Council Plan The Year Ahead Plan</a></li> <li>• Forward Plan listing key decisions to be taken</li> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>• Community Safety and Anti-Social Behaviour Unit</li> <li>• Rotherham Housing Strategy 2019-2024</li> <li>• Rotherham Health and Wellbeing Strategy 2015-2018 (<a href="#">A healthier Rotherham by 2025</a>)</li> <li>• Safer Rotherham <a href="#">Partnership Plan Strategy</a> 2018-2021</li> <li>• Rotherham Economic Growth Plan 2015-2025</li> <li>• Early Help Strategy for children, young people and families</li> <li>• Medium Term Financial Strategy</li> <li>• Risk Management Policy &amp; Guide</li> <li>• Regular revision and consideration of Strategic Risk Register by Strategic Leadership Team and consideration by Audit Committee including Directorate Risk "deep dives"</li> <li>• Monthly consideration of Directorate Risk Registers</li> </ul>

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		<p>by Directorate Leadership Teams</p> <ul style="list-style-type: none"> <li>• Corporate report template contains 'risk implications' section</li> <li>• Audit Committee reviews risks and the Risk Management process</li> </ul>
<p><b>Sustainable economic, social and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>• Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>• Ensuring fair access to services.</li> </ul>	<ul style="list-style-type: none"> <li>• <del>Council Plan The Year Ahead Plan</del></li> <li>• Forward Plan listing key decisions to be taken</li> <li>• Receipt of reports from inspectorates and regulators throughout the year</li> <li>• Formal consultation arrangements</li> <li>• <del>Rotherham Economic Growth Plan 2015-2025</del></li> <li>• <del>Rotherham Economic Growth Plan 2015-2025</del></li> <li>• <del>Safer Rotherham Partnership Plan 2018-2021</del></li> <li>• <del>Safer Rotherham Strategy 2016-2019</del></li> <li>• <del>Rotherham Local Plan Core Strategy 2013-28</del></li> <li>• <del>Municipal Waste Management Strategy</del></li> <li>• <del>Rotherham Local Plan Core Strategy</del></li> <li>• <del>Municipal Waste Management Strategy</del></li> <li>• Rotherham Health and Wellbeing Strategy 2015-2018</li> </ul>

**Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.**

**Summary:**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<b>Determining interventions</b>	<ul style="list-style-type: none"> <li>Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided.</li> <li>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</li> </ul>	<ul style="list-style-type: none"> <li>Business decisions are accompanied by a business case and options appraisal</li> <li>Overview and Scrutiny functions</li> <li>Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required</li> <li>Council Website</li> <li>Formal consultation arrangements</li> </ul>
<b>Planning interventions</b>	<ul style="list-style-type: none"> <li>Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</li> <li>Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</li> <li>Considering and monitoring risks facing each</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Council Plan</a> <a href="#">Year Ahead Plan</a></li> <li>Directorate Service Plans</li> <li>Quarterly Performance Monitoring Reports aligned to <a href="#">Year Ahead Council</a> Plan priorities</li> <li>Contract Monitoring Reports</li> <li>Medium Term Financial Strategy</li> <li>Capital Programme</li> </ul>

	<p>partner when working collaboratively including shared risks.</p> <ul style="list-style-type: none"> <li>• Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</li> <li>• Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.</li> <li>• Ensuring capacity exists to generate the information required to review service quality regularly.</li> <li>• Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.</li> <li>• Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue budget process</li> <li>• Value for Money judgement by External Auditor</li> <li>• Jointly developed risk register with RTP with covers the key elements of the Rotherham Plan.</li> </ul>
<p><b>Optimising achievement of intended outcomes</b></p>	<ul style="list-style-type: none"> <li>• Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</li> <li>• Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</li> <li>• Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</li> <li>• Ensuring the achievement of 'social value' through service planning and commissioning.</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy</li> <li>• Revenue budget process</li> <li>• Capital Programme</li> <li>• Procurement Policy</li> <li>• Procurement Standing Orders</li> <li>• <u>Action Plans developed in response to external audit and inspections</u></li> <li>• <u>6 monthly public reporting on completion of inspection and external audit recommendations</u></li> <li>• Value for Money judgement by external auditor</li> </ul>

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**Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

**Summary:**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<p><b>Developing the entity's capacity</b></p>	<ul style="list-style-type: none"> <li>• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>• Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.</li> <li>• Recognising the benefits of partnerships and collaborative working where added value can be achieved.</li> <li>• Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>• <del>Refreshed Council Plan published May 2018</del> <a href="#">Year Ahead Plan covering the period to July 2021 published in September 2020</a></li> <li>• Organisational restructure in key service areas</li> <li>• Officer participation in regional groups appropriate to their particular service</li> <li>• Involvement in Sheffield City Region</li> <li>• Benchmarking increasingly used to develop budgets</li> <li>• Peer Health Checks carried out February 2018 and February 2019</li> <li>• <a href="#">LGA review of Big Hearts, Big Changes programme</a></li> <li>• Workforce Strategy – Our Workforce Plan 2020</li> </ul>
<p><b>Developing the capability of the entity's leadership and other individuals</b></p>	<ul style="list-style-type: none"> <li>• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a</li> </ul>	<ul style="list-style-type: none"> <li>• The Council Constitution</li> <li>• Scheme of Delegation</li> <li>• Members' Code of Conduct</li> </ul>

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	<p>shared understanding of roles and objectives is maintained.</p> <ul style="list-style-type: none"> <li>• Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> <li>• Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.</li> <li>• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by <ul style="list-style-type: none"> <li>- Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.</li> <li>- Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Member training and seminars</li> <li>• Members' and officers' induction programmes</li> <li>• Personal Development Reviews</li> <li>• Job descriptions and person specifications produced for all posts</li> <li>• Recruitment and appointment policies and procedures</li> <li>• Members' Development Panel</li> <li>• Comprehensive training programme for officers</li> <li>• Workforce Development Plan</li> <li>• Workforce Plan (including employee health &amp; wellbeing)</li> <li>• Staff surveys</li> <li>• A-Z list of HR Policies and Guidance on intranet</li> </ul>
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	<p>responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</p> <ul style="list-style-type: none"> <li>- Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> <li>• Ensuring that there are structures in place to encourage public participation.</li> <li>• Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</li> <li>• Holding staff to account through regular performance reviews which take account of training or development needs.</li> <li>• Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>	
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**Principle F - Managing risks and performance through robust internal control and strong public financial management.**

**Summary:**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<p><b>Managing risk</b></p>	<ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.</li> <li>• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.</li> <li>• Ensuring that responsibilities for managing individual risks are clearly allocated.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Policy &amp; Guide in place and reviewed annually</li> <li>• Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance</li> <li>• <u>Directorate and Service level risk registers in place and reviewed monthly</u></li> <li>• <u>Threat and Risk assessment covering the Council's response to COVID and EU Exit in place and reviewed by the relevant workstreams and Tactical group</u></li> <li>• Corporate report template contains 'risk implications' section</li> <li>• Audit Committee reviews one risk register at each meeting and considers the Strategic Risk Register every six months.</li> <li>• Audit Committee receives an annual Risk</li> </ul>

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		Management Report
<b>Managing performance</b>	<ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.</li> <li>Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> <li>Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> <li>Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</li> <li>Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly Performance Monitoring Reports aligned to <a href="#">Council Plan Year Ahead Plan</a> priorities</li> <li>Contract Monitoring Reports</li> <li>Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>Corporate report template contains 'risk implications' section</li> <li>Overview and Scrutiny functions</li> <li>Monthly spend/budget reports sent to all budget holders</li> <li>Officers' make online monthly budget submissions as part of budget monitoring arrangements</li> <li>Service Plans for all services (<a href="#">temporarily suspended due to COVID but will be reinstated once pandemic response is complete</a>)-</li> </ul>
<b>Robust internal control</b>	<ul style="list-style-type: none"> <li>Aligning the risk management strategy and policies on internal control with achieving the objectives.</li> <li>Evaluating and monitoring risk management and internal control on a regular basis.</li> <li>Ensuring effective counter fraud and anti-corruption arrangements are in place.</li> <li>Ensuring additional assurance on the overall adequacy and effectiveness of the framework</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy &amp; Guide in place and reviewed annually</li> <li>Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance</li> <li>Directorate and Service level risk registers in place <a href="#">and reviewed monthly</a></li> <li><a href="#">Threat and Risk assessment covering the</a></li> </ul>

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	<p>of governance, risk management and control is provided by the internal auditor.</p> <ul style="list-style-type: none"> <li>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment, and that its recommendations are listened to and acted upon</li> </ul>	<p><a href="#">Council's response to COVID and EU Exit in place and reviewed by the relevant workstreams</a></p> <ul style="list-style-type: none"> <li>Anti-Fraud and Corruption Policy &amp; Strategy</li> <li>Internal Audit annual opinion on governance, risk management and internal control.</li> <li>Audit Committee reviews risks at each meeting and the Risk Management process twice a year</li> <li>Corporate Information Governance Group</li> <li>Consideration of specified Fraud risks by Corporate Risk Champions</li> </ul>
<b>Managing data</b>	<ul style="list-style-type: none"> <li>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</li> <li>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Communications Policy</li> <li>Dedicated Information Governance Unit</li> <li>Freedom of Information publication scheme</li> <li>Digital Council Strategy</li> <li>Ongoing monitoring of Data Protection Act / Freedom of Information compliance</li> <li>Data Transparency Code</li> <li>Data Sharing Agreements</li> </ul>
<b>Strong public financial management</b>	<ul style="list-style-type: none"> <li>Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</li> <li>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Council Plan</a><a href="#">The Year Ahead Plan</a></li> <li>Medium Term Financial Strategy</li> <li>Revenue budget process</li> <li>Procurement Policy</li> <li>Procurement Standing Orders</li> <li>Value for Money judgement from the External Auditor</li> <li>External Auditors' Annual Audit letter</li> <li>Financial Regulations</li> <li>Capital Strategy</li> <li>Treasury Management Strategy</li> </ul>

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November 202019

**Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

**Summary:**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
<p><b>Implementing good practice in transparency</b></p>	<ul style="list-style-type: none"> <li>• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</li> <li>• Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Council website</li> <li>• <a href="#">Meeting papers and minutes published on website</a></li> <li>• <a href="#">Recordings of public meetings published on website</a></li> <li>• Budgets and spending published on website</li> <li>• Senior Officer remuneration published on website</li> </ul>
<p><b>Implementing good practices in reporting</b></p>	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and the stewardship of resources to stakeholders in a timely and understandable way.</li> <li>• Ensuring members and senior management own the results reported.</li> <li>• Ensuring robust arrangement for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Publication of Statement of Accounts on website</li> <li>• Annual Governance Statement produced and published on website</li> <li>• Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles</li> <li>• Documents are scrutinised and approved by Senior Leadership Team, Cabinet and Audit Committee prior to publication</li> <li>• Performance information and reports are published on the website</li> </ul>



	<p>including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement.</p> <ul style="list-style-type: none"> <li>• Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• VFM judgement by external auditors</li> </ul>
<p><b>Assurance and effective accountability</b></p>	<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon.</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and recommendations are acted upon.</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> <li>• Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement.</li> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</li> </ul>	<ul style="list-style-type: none"> <li>• The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within.</li> <li>• 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</li> <li>• Audit Committee meets five times a year and receives reports from both Internal and External Audit</li> <li>• The authority 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. Actions are reported to the Audit Committee.</li> <li>• Annual Governance Statement produced and published on website</li> <li>• The RTP Rotherham Plan and the supporting agreement. The partnership reports publicly periodically on its progress on the Plan and there is</li> </ul>

		an annual delivery plan and updates on its website.
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### **Council Report**

Audit Committee Meeting – 24<sup>th</sup> November 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](mailto:david.webster@rotherham.gov.uk)

Simon Dennis, Corporate Risk Manager

Tel: 01709 822114 Email: [simon.dennis@rotherham.gov.uk](mailto:simon.dennis@rotherham.gov.uk)

### **Ward(s) Affected**

All wards.

### **Report Summary**

On the 18<sup>th</sup> August 2020 the Audit Committee reviewed the Council's draft Annual Governance Statement (AGS) for the 2019/20 financial year. The draft AGS was published alongside the Council's financial statements on 31<sup>st</sup> July 2020. This report briefly reminds the Committee of the process that was followed to construct the AGS and provides an update on changes made to the draft AGS to produce this final version. The full AGS is attached to this report as Appendix A.

### **Recommendations**

The Audit Committee is asked to

- Agree the final 2019/20 Annual Governance Statement
- Note that following the Audit Committee's approval of the AGS, the Leader and Chief Executive will be asked to sign the statement to confirm the Council's approval of it.

### **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 27<sup>th</sup> 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 and the final will be published by 31<sup>st</sup> November 2020.
- 1.2 The committee will recall that a process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group, chaired by the Strategic Director Finance and Customer Services. The group included the Head of Internal Audit and the Corporate Risk Manager.
- 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.
- 1.4 Although the AGS relates to 2019/20, it has to be up to date at the time of publication and must include any planned changes in the coming year. As a result, a small number of updates to the draft AGS have been included to produce the final AGS. These updates are shown as tracked changes in the final AGS attached at Appendix A, for ease of review.

### **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 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. These actions have been updated where necessary since the publication of the draft AGS.

- 2.5 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored.
- 2.6 The Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.
- 2.7 The AGS will be published by 30<sup>th</sup> November, taking account of any further comments made by the Audit Committee.

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

- 3.1 This paper considers the final 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 final 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 November 2020 meeting.
- 5.2 The Corporate Governance Group will ensure that the final AGS is published by 30<sup>th</sup> November 2020.

### **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**

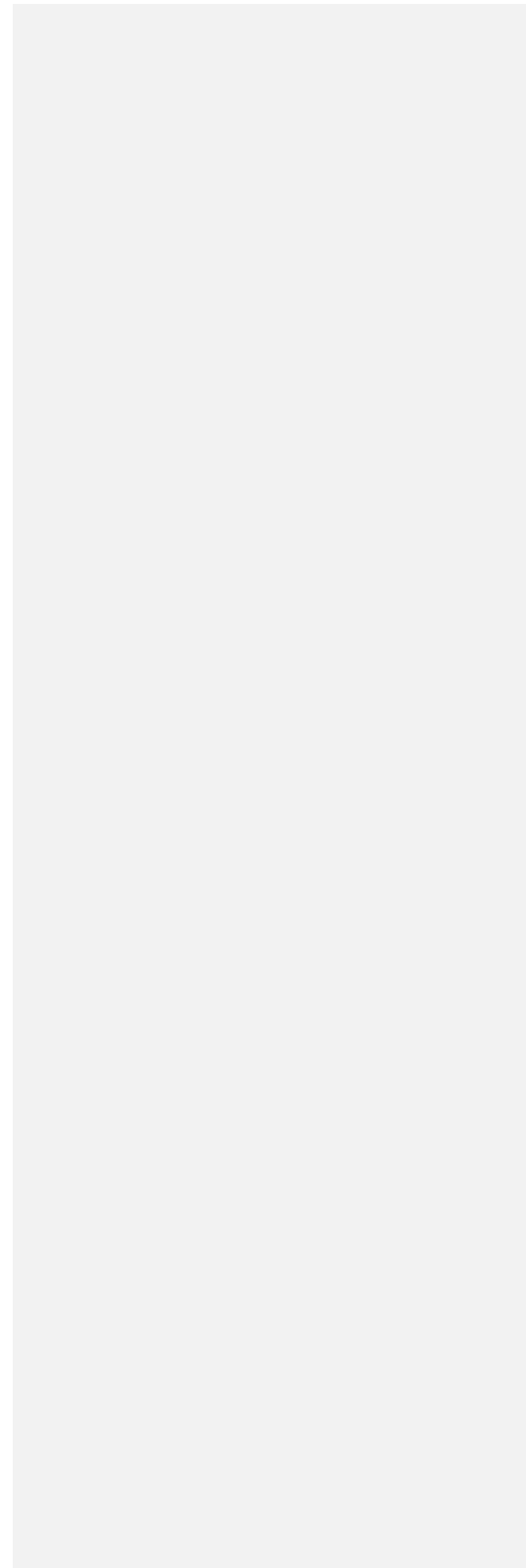
12.1 The AGS is expected to be completed each year to sit alongside the Financial Statements. The risk of failing to produce an AGS has been considered and, although this is a remote risk resources are in place to ensure that a complete and accurate AGS is delivered on time.

**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](http://www.rotherham.gov.uk)
- 1.4 This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

### 2 THE 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 Throughout 2019-2020, 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 define 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 Council Plan was replaced for the 2020-21 financial year by the “Year Ahead” Plan. This was approved by the Council’s Cabinet in September 2020 and it sets out how the Council will work with Rotherham communities, residents and businesses in these uncertain times; providing ongoing support to those who continue to be affected by the pandemic and helping to build resilience as we all adapt to the challenges ahead.

2.45 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.

2.65 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.

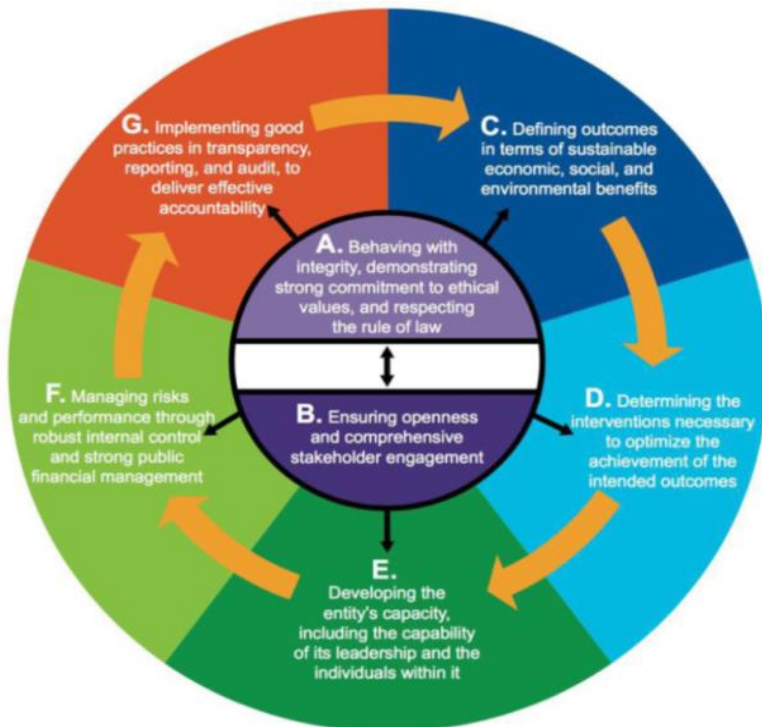
2.76 The table below sets out the key elements of an effective governance framework, and how these were delivered in the Council throughout the financial year.

<b>Council Committee or group</b>	<b>Governance Function</b>
Full Council	Endorses the Constitution Approves the policy and financial frameworks
Cabinet	Primary decision-making body of the Council Approves the Council Plan. Comprises the Leader of the Council and Cabinet members who have responsibility for specific areas
Audit Committee	Considers all issues relating 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
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**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
<p>Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements.</p> <p>All key decisions require review by Legal and Financial Services to ensure all relevant requirements and considerations are taken account of.</p> <p>The Council has arrangements for encouraging the reporting of suspected wrong-doing. The Council's Whistle-blowing policy has been revised in line with current guidance.</p> <p>The Council has a Member/Officer Protocol which has been adopted by the Council. It is communicated to all Members and is emphasized through training on the Code of Conduct which forms part of the induction programme for Members and their continuous development programme. Codes of Conduct for Members and Officers define conflicts of interest and how they should be treated.</p> <p>The Code of Practice, Officer/Member Protocol, constitution and Whistle-blowing Policy can be found at <a href="http://www.rotherham.gov.uk">www.rotherham.gov.uk</a></p>
<p>Principle B - Ensuring openness and comprehensive stakeholder engagement.</p>	<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 28<sup>th</sup> October 2015. The Council Plan can be found at <a href="http://www.rotherham.gov.uk">www.rotherham.gov.uk</a></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</p>

	<p>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 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.</p> <p>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 <a href="http://rotherhamtogetherpartnership.org.uk/">http://rotherhamtogetherpartnership.org.uk/</a></p>
<p>Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p>	<p>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.</p> <p>Sitting alongside the Council Plan are numerous other strategies which set out more detail around the required outcomes. These include the Rotherham Housing Strategy, Rotherham Economic Growth Plan, Safer Rotherham Strategy, Rotherham Local Plan Core Strategy, Municipal Waste Management Strategy and the Rotherham Health and Wellbeing Strategy.</p> <p>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.</p> <p>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.</p>
<p>Principle D - Determining the interventions necessary to optimise the</p>	<p>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</p>

<p>achievement of the intended outcomes.</p>	<p>require information explaining the legal and financial implications of decisions.</p> <p>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.</p> <p>All decisions need to be taken in the context of the Medium-Term Financial Strategy, the Capital Programme and the Revenue budget process.</p>
<p>Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<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>
<p>Principle F - Managing risks and performance through robust internal control and strong public financial management.</p>	<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 <del>is</del> <a href="#">comply with the CIPFA Code of</a></p>

	<p><a href="#">Practice frequently reviewed</a> 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>
<p>Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p>	<p>The Council has a Corporate Communications Strategy and this includes the publication on its website of details around budgets and spending, Senior Officer remuneration, Performance Information and reports, the Annual Report and Statement of Accounts and the Annual Governance Statement.</p> <p>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>

**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 [and other external /4](#) 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; (LGHA 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 26<sup>th</sup> 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 **and remain in place at the current time**. 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. [Work since then has shown that risks arising from the changes have been managed. The framework of governance, risk management and control has been maintained.](#)

#### **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 31<sup>st</sup> March 2019 year on 8<sup>th</sup> 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 8<sup>th</sup> 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 31<sup>st</sup> 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-on~~ the return to normal working arrangements following Covid-19 which will allow final works to be completed.

- 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, the Government has announced that the Spending Review to be reported on 25<sup>th</sup> November will now also be a one-year review to apply to 2021/22 only.~~

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#### 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. [Through the Council's Gold structure, decision records were published in relation to changes to services not mandated by Government.](#) The structure is currently being revised and simplified as the Council moves to focus on ["response and recovery."](#) ~~rather than "response".~~

- 5.6 There was some [minor](#) 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 23<sup>rd</sup> 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 [and Rotherham was the first council in the sub-region to hold a virtual Council meeting](#). 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 ~~was is currently being constructed and will be~~ reported to Cabinet in September 2020. [As noted in paragraph 2.4, the Council has now produced a new plan, the "Year Ahead" plan. This will be in place until the middle of 2021 and, like the Council Plan, progress will be reported quarterly, starting in December 2020.](#)
- 5.9 Service Plans for 2020/21 had been intended for completion by 31<sup>st</sup> 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 [restart of Council Services and delivery of the Year Ahead Plan](#). ~~development and delivery of recovery plans which will set out which services will restart and in what form. Each Directorate is now focused on the delivery of its elements of the Year Ahead Plan.~~
- 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 ~~were 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. ~~At the time of writing, it is intended that~~ the process ~~will is~~ gradually ~~reverting~~ to normal as the COVID response steps down and moves into recovery phases. Corporate Risk Management is also in the process of being re-aligned to the Year Ahead Plan.

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, the ongoing situation of the pandemic and consequent delays in progressing service transformation and cost reduction plans will impact the 2021/22 budget and beyond~~unless they are on track and fully in place by 31<sup>st</sup> March 2021~~. It is hoped that this risk will be reduced or eliminated by increased resources in future funding the 2021/22 settlements but this will not be known until later in the year. ~~However, —an~~ updated MTFS shows an anticipated balanced budget for 2021/22 with a remaining challenge for 2022/23. This update is being presented to Cabinet on 23<sup>rd</sup> November.

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 Council has responded to and dealt with the ongoing COVID-19 situation as it has changed during the year, 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

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~~have occurred after the year end have been included in the relevant sections. 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 [remainder of the financial 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 .....	Signed .....
<b>Councillor Chris Read,</b>	<b>Sharon Kemp,</b>
<b>Leader, Rotherham MBC</b>	<b>Chief Executive, Rotherham MBC</b>
<b>Date:</b>	<b>Date:</b>

**Committee Name and Date of Committee Meeting:**

Audit Committee - 24<sup>th</sup> November 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](mailto:david.webster@rotherham.gov.uk)

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
19 <sup>th</sup> January 2021	Financial Reporting	Training Final Accounts closedown and accounting policies	Graham Saxton
	External Audit	Accounts Audit Plan	Grant Thornton / Graham Saxton
	Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Governance Risk and Control	Corporate Risk Register	Simon Dennis
	Governance Risk and Control	Risk Management Strategy and Policy	Simon Dennis
	Governance Risk and Control	External Audit and Inspection recommendations	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
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
23 <sup>rd</sup> March 2021	Internal Audit	Training	
	Internal Audit	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 – Finance and Customer Services	Judith Badger
	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		Training	
	Financial Reporting	Draft Statement of Accounts	Graham Saxton
	Governance Risk and Control	Draft Annual Governance Statement	Judith Badger
	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	Review of Surveillance and use of Regulation of Investigatory Powers	Bal Nahal
	Governance Risk and Control	External Audit and Inspection Recommendations	Simon Dennis
	Governance Risk and Control	Risk Management Annual Report	Simon Dennis
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Risk Management Directorate Presentation – Children and Young Peoples Service	Suzanne Joyner
Audit Committee Accountability	Audit Committee Forward Plan	David Webster	

Meeting Date	Key Responsibility	Agenda Item	Author
July 2021		Training – Statement of Accounts	
	Financial Reporting	Final Statement of Accounts	Graham Saxton
	Governance Risk and Control	Final Annual Governance Statement	Judith Badger
	Governance Risk and Control	External Audit report on Accounts	Grant Thornton / Graham Saxton
	Treasury Management	Annual Treasury Management	Graham Saxton
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance Risk and Control	Risk Management directorate Presentation – Adult Care Housing and Public Health	Anne Marie Lubanski
	Audit Committee Accountability	Audit Committee Annual Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster
		Private meeting	



Meeting Date	Key Responsibility	Agenda Item	Author
September 2021	External Audit	Training External Audit Annual Letter	Grant Thornton / Graham Saxton
	Internal Audit	IA Charter review and update	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Information Governance Annual Report	Paul Vessey
	Governance Risk and Control	Risk Management Directorate Presentation – Assistant Chief Executive	Assistant Chief Executive
	Governance Risk and Control	Anti-Fraud and Corruption Policy and Strategy review and update	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
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	

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