

## AUDIT COMMITTEE

**Date and Time :-** Thursday 29 July 2021 at 2.00 p.m.

**Venue:-** Rotherham Town Hall, Moorgate Street, Rotherham. S60 2TH.

**Membership:-** Councillor Baker-Rogers (Chair); Councillors Barley, Hoddinott (Vice-Chair), Wilson and Wyatt

**Maternity Leave Substitute – Councillor Browne**

**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

### **Town Hall Covid Guidance**

#### **1. Apologies for Absence**

To receive the apologies of any Member who is unable to attend the meeting.

#### **2. Minutes of the previous meeting held on 26th June, 2021 (Pages 5 - 11)**

To consider and approve the minutes of the previous meeting held on (insert date) as a true and correct record of the proceedings.

#### **3. Declarations of Interest**

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

#### **4. Questions from Members of the Public or the Press**

To receive questions relating to items of business on the agenda from members of the public or press who are present at the meeting.

**5. Exclusion of the Press and Public**

Agenda Item 12 (Corporate Strategic Risk Register) has an exempt appendix and Agenda Item 17 (Risk Management – Adult Social Care, Health and Housing) is exempt from the press and public. Therefore, when considering those items, the Chair will move the following resolution:-

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

- 6. Draft Statement of Accounts (Pages 12 - 172)**
- 7. Annual Treasury Management Report and Actual Prudential Indicators 2020/21 (Pages 173 - 188)**
- 8. External Audit Progress Update - Deferred from Previous Meeting (Pages 189 - 206)**
- 9. Grant Thornton External Audit Plan 2020/21 (Pages 207 - 236)**
- 10. Annual Governance Statement 2020/21 (Pages 237 - 259)**
- 11. Internal Audit Annual Report 2020-21 (Pages 260 - 279)**
- 12. Corporate Strategic Risk Register (Pages 280 - 292)**
- 13. External Inspections, Reviews and Audits Update (Pages 293 - 316)**
- 14. Audit Committee Annual Report 2020/21 (Pages 317 - 330)**
- 15. Audit Committee Forward Work Plan (Pages 331 - 340)**
- 16. Items for Referral for Scrutiny**

To consider the referral of matters for consideration by the Overview and Scrutiny Management Board.
- 17. Adult Care, Housing and Public Health (ACPH) Directorate Risk Register (Pages 341 - 348)**

**18. Urgent Business**

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

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

The next meeting of the Audit Committee will be held on Tuesday, 28<sup>th</sup> September, 2021 commencing at 2.00 p.m. in Rotherham Town Hall.

*Sharon Kemp.*

**SHARON KEMP,  
Chief Executive.**

# KEEP SAFE WHILE VISITING RIVERSIDE HOUSE AND THE TOWN HALL



## HOUSE KEEPING TIPS

- Meeting rooms and the Council Chamber will be sanitised before and after every meeting.
- Follow the one-way systems in place.
- Only one person (and their carer) should use a lift at a time.
- Get tested regularly, either at home or by booking a test at Riverside Lateral Flow Test Site.
- If you have any symptoms of COVID-19, stay at home and order a test.

Further information about COVID-19 can be found at  
[www.rotherham.gov.uk/coronavirus](http://www.rotherham.gov.uk/coronavirus)

[www.rotherham.gov.uk/coronavirus](http://www.rotherham.gov.uk/coronavirus)

**AUDIT COMMITTEE**  
**22nd June, 2021**

Present:- Councillor Baker-Rogers (in the Chair); Councillors Barley, Hoddinott, Wilson and Wyatt together with John Barber (Independent Person).

Apologies for absence were received from Gareth Mills and Thilina De Zoysa (Grant Thornton).

**1. COUNCILLOR WYATT**

The Chair thanked Councillor Wyatt for his excellent Chairmanship of the Audit Committee during the past 6 years.

**2. MINUTES OF THE PREVIOUS MEETING HELD ON 23RD MARCH, 2021**

The minutes of the previous meeting held on 23<sup>rd</sup> March, 2021, were noted.

**3. DECLARATIONS OF INTEREST**

There were no Declarations of Interest made at the meeting.

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

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

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

The Chair advised that Appendix C to Item No. 6, Internal Audit Progress Report 1<sup>st</sup> March-31<sup>st</sup> May, 2021, was exempt by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. However the Appendix was not discussed during the meeting and as such, the meeting remained open to the press and public up to Item No. 12 when the meeting went into private session.

**6. EXTERNAL AUDIT PROGRESS REPORT**

The Committee noted the apologies of the external auditors due to pressure of other work commitments.

Consideration was given to the report submitted but noting that any questions would have to be raised at the next meeting when representatives of Grant Thornton would be in attendance.

The progress report, as at 4<sup>th</sup> June, 2021, indicated the provisional dates for the 2020-21 deliverables. However, as reported to previous Audit Committee meetings, attention was drawn to the challenging nature of the

availability of specialist public sector external audit staff and the volume of local authority audits which continued after last year's target date of 30<sup>th</sup> November, 2020, completion. This, coupled with the impact of Covid remote working and the need to prioritise their Housing Benefit delivery in the early part of 2021 and then the NHS clients given their earlier audit deadline of June 2021, meant that Grant Thornton was behind in its local authority planning and interim work compared to their normal timings and profile of delivery.

The MHCLG had set an indicative date of 30<sup>th</sup> September, 2021, for audited local authority accounts, 2 months earlier than 2020, which, given the context above, Grant Thornton believed was highly unrealistic for 2020-21 audits.

It was also noted that the Council's Finance Team would be under considerable pressure at that time dealing with the production of annual accounts alongside other commitments including budget setting and the Medium Term Financial Strategy.

Grant Thornton was proposing to target completion of their audit fieldwork in October before dealing with completion tasks and targeting signing off of the accounts in November.

This was further complicated by the new Code of Practice which required an external auditors' report to be more detailed particularly on Value for Money, making judgements on a council's performance and to make a series of recommendations around weaknesses/perceived weaknesses. It was difficult at the present time to assess what impact this may have upon the Council's resources.

The new Accounting Standards also placed increased pressure on external auditors which then placed extra pressure on local authorities to produce extra working papers for an increased intensive audit process.

The Council was on track to provide a draft set of accounts in July

Resolved:- That the report be re-submitted to the July meeting of the Audit Committee.

## **7. UPDATE REPORT ON THE USE OF SURVEILLANCE AND ACQUISITION OF COMMUNITY DATA POWERS**

Bal Nahal, Head of Legal Services, presented an update on the use of covert surveillance and covert human intelligence sources (CHIS) carried out by Council officers under the Regulation of Investigatory Powers Act 2000 (RIPA).

As previously with the Office of Surveillance Commissioners (OSC), the Council was required to notify IPCO of the number of directed surveillance/CHIS authorisations granted in each financial year. Since the

last report, the Council had not used its powers under RIPA to use directed surveillance, covert human intelligence sources or to acquire communications data. A statistical return was completed and submitted to the Investigatory Powers Commissioners Office on 2nd March, 2021.

Following on from a desktop inspection conducted by the Investigatory Powers Commissioners Office, training was to be rolled out to the individual Directorates with a view to providing an explanation of the RIPA legislation in order to reduce any potential risk arising from any unauthorised activity. The training had been delayed due to resources having had to be re-directed to deal with the Covid-19 pandemic.

The Council's Policies were considered by the Committee on 18<sup>th</sup> August, 2020, and re-adopted with minor amendments. The RIPA Policy had been reviewed and found that there were no major changes required.

Discussion ensued with the following issues raised/clarified:-

- That the recommendation arising from the Investigatory Powers Commissioners Office regarding training be included on the external inspections, reviews and audits report
- There had been no requests received for the use of RIPA
- Officers who were authorised to submit applications would have had training in the past but it would be ensured that the training was refreshed
- Every case for RIPA activity was passed to Legal Services who would then submit it to the Magistrates Court. All the Council's legal officers knew what to look for in an application and would pick up on any unauthorised activity
- In general no-one in South Yorkshire had used the powers. The reasons for using RIPA had changed a few years ago making it more difficult rather than easier to get RIPA authorisation. A Magistrate would have to decide whether it was proportionate or not for the protection and detection of crime and that could be the reason why there was less use of the powers
- It had to be quite serious circumstances before a Magistrate would consider granting an application. The work the Council did jointly with the Police could fall within this category but for which the Police would be responsible for obtaining the RIPA authorisation

Resolved:- (1) That it be noted that the Council had not made use of surveillance or acquisition of communication data powers under RIPA since the previous report on 18<sup>th</sup> August, 2020.

(2) That it be noted that there were no changes to the RIPA Policy and that the current Policy be approved.

**8. INTERNAL AUDIT PROGRESS REPORT 1ST MARCH-31ST MAY 2021**

Consideration was given to a report presented by David Webster, Head of Internal Audit, which provided a summary of Internal Audit work completed during 1st March to 31st May, 2021, and the key issues that had arisen therefrom. The current position of the plan was outlined in Appendix A to the report.

Eleven audits had been finalised since the last Committee meeting of which 5 had received Reasonable Assurance, 5 Substantial Assurance and one Partial Assurance as set out in Appendix B to the report.

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

Internal Audit's performance against a number of indicators was summarised in Appendix D. Target performance was almost achieved in March due to sickness, however, all indicators had been achieved in April/May.

Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. The number of outstanding actions had decreased to 7 of which 4 had not yet received their agreed due dates and 3 were deferred because of the election in May.

The Chief Executive and Strategic Leadership Team had been very supportive in reducing the number of outstanding recommendations over the past 6 months and that support was continuing. The Head of Internal Audit reported to the Strategic Leadership Team every month on the current numbers.

Discussion ensued with the following issues raised/clarified:-

- An estimated number of investigative days was included in the Plan every year. However, there were contingency days that could be used as necessary throughout the year
- Investigations did take priority and if, towards the end of the year, the number of days set aside were near to expiry, some of the lower priority work would be set to one side to allow the investigations to be fully investigated as necessary
- The Plan did include red or amber risks and were spread throughout the year taking into account resources and the impact on the Departments concerned
- Stretched targets in terms of performance indicators had not been considered in the past

Resolved:- (1) That the Internal Audit work undertaken between 1st March and 31st May, 2021, and the key issues arising 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.

**9. AUDIT COMMITTEE FORWARD PLAN**

Consideration was given to the proposed forward work plan for the Audit Committee covering the period July, 2021 to March, 2022.

Resolved:- (1) That the Audit Committee forward plan, now submitted, be supported with the comments above taken into account.

(2) That an update from the external auditors, Grant Thornton, be a standing agenda item.

**10. ITEMS FOR REFERRAL FOR SCRUTINY**

There were no items for referral to Scrutiny.

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

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

**12. CHILDREN AND YOUNG PEOPLE'S SERVICES RISK REGISTER**

Suzy Joyner, Strategic Director, Children and Young People's Services, presented a report providing details of the Risk Register and risk management activity within the Children and Young People's Services Directorate.

She was joined in her presentation by Dean Fenton, Risk Management Champion, and Councillor Cusworth, Cabinet Member for Children and Young People.

The Committee sought reassurance on the Risk Register and risk management activity in particular highlighting how the Register was maintained/monitored and at what frequency as well as how risks were included on and removed from the Register.

Discussion ensued with the following issues raised clarified:-

- The Risk Register had been subjected to a full review during April this year incorporating feedback from the Corporate Risk Manager
- The Register was considered by the Directorate Leadership Team on a quarterly basis as well as the wider Directorate Team to ensure full understanding of the risks and asset management
- The 4 identified areas of risk were monitored by specific Service Directors with the ability for any to escalate any Service risk into the Directorate Risk Register
- Assistant Directors would be attending risk management training. 5 officers had successfully completed the 2 days accredited risk management course
- The Risk Register aligned with Service Plans
- Regular assurance clinics and performance clinics were held
- Strategic Risk Champions Forum established by the Directorate's Risk Champion
- Detailed Performance Management Framework and a large number of national indicators around children's services as well as links into Ofsted
- The Ofsted re-inspection of Children Services and the Ofsted focus visit in October 2020 had provided assurance
- Education Recovery Cell put in place as a result of the pandemic which would continue to develop as issues emerged. The Education Strategic Partnership was aligned to the Recovery Cell
- Any issues raised through Operation Stovewood would be fed through to the Multi-Agency Safeguarding Hub. There was a very close working relationship between the 2. There was a robust approach to the "front door" for both historic and any new cases of CSE
- Work on the transformation programme and budget setting across the Directorate
- National issue of Social Worker recruitment

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

### **13. RISK MANAGEMENT ANNUAL SUMMARY 2020-2021**

Simon Dennis, Corporate Improvement and Risk Manager, presented an annual summary of risk management activity in accordance with the Risk Management Standard ISO31000.

The report summarised the principal risk management activity that had been carried out in the Council throughout the past financial year. It covered a wider range of topics than those reported on the Strategic Risk Register reports and aimed to cover not only the key movements in Strategic Risks that had occurred over the period, but also the key elements of the Council's activity throughout the year.

The report also provided an up-to-date on the impact of the Covid-19 pandemic on risk management activity.

The report set out:-

- Risk Management Responsibilities
- Training Summary
- Risk Management Process
- Risk Profile 2020/21
- Future Developments.

The total number of strategic risks included on the Risk Register had increased by one from 12 to 13 over the period January, 2020 to April, 2021. Two risks had been removed from the Corporate Strategic Register with 3 being added. Of the risks that remained, 2 had a decreasing risk score and 8 had been constant. Apart from the 2 new risks that remained on the Register as at April, 2021, one risk had increased in risk level from January 2020 to January 2021.

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

- Accreditation and content of the proposed training
- Reasoning for the addition of risks
- Lessons learnt from the Covid-19 pandemic
- Discussion at the Strategic Leadership Team of the Risk Register and progress (or not) of risks

Resolved:- That the annual summary of Risk Management activity be noted.

#### **14. URGENT BUSINESS**

There was no urgent business to report.

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

Resolved:- That a further meeting be held on Thursday, 29<sup>th</sup> July, 2021, commencing at 2.00 p.m. in Rotherham Town Hall.

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 July 2021

**Report Title**

Publication of unaudited Statement of Accounts 2020/21

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

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

Borough-Wide

**Report Summary**

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

The report to Audit Committee in March 2021 highlighted the approach taken by the Council in ensuring that the draft unaudited Statement of Accounts would be published in accordance with the revised timescales and the Accounts and Audit Regulations 2015. This report factored in the revised timetable for the production of accounts in light of the Covid-19 impact and as a result of the Redmond Review (Sir Tony Redmond's review into the effectiveness of external audit and transparency of financial reporting in local authorities).

The draft unaudited Statement of Accounts 2020/21 will be published on the Council's website on 31 July 2021.

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

**Recommendations**

1. The Audit Committee is asked to receive the draft unaudited Statement of Accounts 2020/21.

**List of Appendices Included**

Appendix 1 Narrative Report  
Appendix 2 Highlights Report setting out key matters reported in the 2020/21 accounts  
Appendix 3 Unaudited Statement of Accounts 2020/21

**Background Papers**

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21  
Accounts and Audit Regulations 2015  
Audit Committee meeting – 23 March 2021

**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 2020/21**

### **1. Background**

- 1.1 The Code of Practice on Local Authority Accounting 2020/21 together with the Accounts and Audit Regulations 2015 set out the accounting and statutory framework for local authority financial reporting.
- 1.2 Under the Accounts and Audit Regulations 2015, local authorities are required to publish their unaudited accounts no later than 31 May accompanied by a Narrative Report and draft Annual Governance Statement. This triggers a period of 30 working days for local electors to exercise their rights to inspect the accounts and supporting records and to ask questions of the external auditor.
- 1.3 However, following recognition of the deliverability of quality accounts by this date in light of the Covid-19 outbreak the regulations were amended for the 2020/21 accounts to require publication of unaudited accounts by 31 July 2021. The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) came into force on 31st March 2021 and extended the publication of the Statement of Accounts for the next two financial years (2020/21 and 2021/22). These amended regulations require draft accounts to be published by the 31st July (one month earlier than 2019/20) and final audited accounts by the 30th September (two months earlier than 2019/20).
- 1.4 A revised timetable for the production of the Council's accounts was presented to Audit Committee in March 2021, indicating the Council's draft accounts would now be published on 31 July 2021. The draft unaudited Statement of Accounts 2020/21 will be published on the Council's website alongside the Narrative Report and draft Annual Governance Statement on 31 July 2021, in line with these revised timelines. The period for local electors to exercise their rights will commence on 2n August 2021 and cease on 13 September 2021.
- 1.5 The external audit of the 2020/21 accounts had not commenced at the point of writing this report. The Council's external auditors have already indicated via an update report to Audit Committee in June 2021 that they don't expect to meet the timeframes for the audit of the Council's accounts for 2020/21. They are due to bring a further update to the Audit Committee in July. At this point in the process an interim audit would normally have been undertaken, with Audit Committee receiving a report from the external auditor on the progress and findings from that interim audit. Due to this time pressures for the Council's external auditors, it is expected that the Council will produce and publish its final accounts without external audit's final opinion on the 30 September 2021.
- 1.6 In order to comply with the Accounts and Audit Regulations, the Council needs to include a brief statement on its website by 30 September, explaining that the

audit process is still ongoing. Grant Thornton will work with the Council to agree a form of words to go onto the website by that date. As Grant Thornton noted in their update report to the Committee in June, there are a number of factors that have led to them being unable to conclude the audit by 30 September. These factors are out of the Council's control. It should be noted that there are no financial penalties arising from not publishing our audited accounts by 30 September.

- 1.7 Where appropriate, Grant Thornton will set out any material adjustments made to the accounts and any uncorrected differences of a non-trivial nature. Grant Thornton have indicated in their audit plan that the accounts materiality is £8.75m (£9m in 2019/20). Individual transactional level materiality, will be set at £437k (£450k for 2020/21).
- 1.8 Audit Committee will be asked to formally approve the audited Statement of Accounts for publication having regard to Grant Thornton's findings and opinion on whether the accounts give a true and fair view of the Council's financial performance for the year and its financial position at the end of the year and whether they have been prepared in accordance with proper practice. The deadline for publishing the audited accounts is now 30 September 2021. As set out in Grant Thornton's proposed audit timetable in their report to the Committee in June, they are targeting a November 2021 sign off date and this is expected to be confirmed in their Audit Plan

## **2. Key Issues**

- 2.1 The Council's draft unaudited Statement of Accounts 2020/21 to be published on the Council's website are attached as Appendix 3. The accompanying Narrative Report is attached as Appendix 1.
- 2.2 The accounts have been produced in accordance with The CIPFA code of practice, there have been no new International Financial Reporting Standards (IFRS) to consider and include.

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

- 3.1 Compliance with the Accounts and Audit Regulations 2015 is a statutory requirement. The Regulations state that the Council's "responsible financial officer" is required to sign-off the draft unaudited Statement of Accounts by the statutory date and confirm that they are satisfied it presents a true and fair view of the Council's financial position for the financial year. However, the Audit Committee does have discretion over whether it wishes to receive the unaudited accounts before they are formally required to approve them for publication post audit.

**4. Consultation on proposal**

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

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

5.1 The statutory deadline for publishing the draft unaudited Statement of Accounts for 2020/21 by 31 July will be met. The statutory deadline for publishing the audited financial statements for 2020/21 is 30 September, as indicated above, the Council will not be able to meet this deadline, as Grant Thornton have indicated they will not complete the audit work in time, for the various reasons highlighted in their June update to Audit Committee.

**Financial and Procurement Advice and Implications**

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

**6. Legal Advice and Implications**

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

**7. Human Resources Advice and Implications**

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

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

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

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

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

**10. Implications for Partners**

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

## 11. Risks and Mitigation

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

## 12. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Assistant Director of Legal Services (Monitoring Officer)	Named officer	Click here to enter a date.
Assistant Director of Human Resources (if appropriate)	Lee Mann	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](#).



# **ROTHERHAM MBC**

**NARRATIVE REPORT 2020/21**

## **Narrative Report 2020/21**

### **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 2020/21, 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 and as such it was announced that the revised deadline for production of unaudited accounts would be pushed back to 31<sup>st</sup> July 2021, with final accounts due for publication by 30<sup>th</sup> September 2021. The statement of accounts covers the Council's views on the concerns around the potential financial impact of Covid-19, however, what is clear at the time of producing the accounts is that the ultimate medium and long term implications of Covid-19 and the recovery from it remain unclear.

Throughout 2020/21 the Council has incurred significant additional costs in its efforts to manage and mitigate the impact of Covid-19, these financial pressures cut across three main themes - additional costs incurred due to the pandemic; lost sales, fees and charges income as a result of closed services; and delayed delivery of planned savings. The Council has been able to mitigate these pressures through the use of Government's

provision of £18.9m emergency funding to support the COVID-19 response; Sales, Fees and Charges Income Compensation Claims of £4.8m; and use in 2020/21 of £5.2m from the Control Outbreak Management Fund (COMF). These grants have been used to fund new and additional costs that the Council has incurred in its response to Covid-19. These resources have also been used to fund budgeted costs where teams had been diverted away from their normal role to carry out a Covid specific role. Whilst Government have provided specific targeted funding to support many of these financial pressures, the direct net financial impact to the Council of Covid-19, during 2020/21 was £20.4m, this represents the additional costs that the Council has incurred to manage the outbreak, it therefore does not include staff who were re-prioritised onto Covid-19 tasks.

Looking forward to 2021/22, at the point of production of this report, the Council's most recent financial monitoring report (presented to Cabinet 19 July 2021) indicated a financial overspend for the 2021/22 financial year of £5.9m largely as a result of the Covid-19 impacts. These financial pressures cut across three main themes - additional costs incurred due to the pandemic; lost sales, fees and charges income as a result of closed services; and delayed delivery of planned savings. This pressure is mitigated in year by governments provision of £8.3m of emergency support funding. At this point it is far too early to fully and accurately estimate the financial impacts of Covid-19 on 2021/22, nor estimate the speed of the longer-term recovery of the Councils finances. However, at the current time the overall financial outturn for 2021/22 is projected to be within overall budget including use of the remaining Covid grant funding.

### **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 population of just under 265,000 which is also ageing, with 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. Prior to the pandemic, 44,000 people travelled 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 50th 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).

## **Governance**

Cabinet approved on 21 September 2020, the Council's Year Ahead Plan. The purpose of the report was to support residents and businesses in these uncertain times, helping them to build resilience and adapt. The plan would effectively act as the Council Plan for operating within and recovering from the Covid-19 pandemic. It captured the key actions through to May 2021 and provided a basis for the development of a longer-term plan for the borough, it has since been extended up to November 2021.

The following arrangements were put in place to oversee the Year Ahead Plan:

- Executive group – it is proposed that Cabinet would act as the executive group, with strategic oversight of direction of travel and recovery priorities.
- Tactical management group – the tactical group made up of relevant council officers continues to meet as services resume, overseeing business continuity and recovery.
- Year Ahead Plan theme groups – cross-directorate groups will lead on the delivery of each theme. Facilitated by ACEX team, the aim is to utilise existing groups where possible (e.g. economic recovery cell, humanitarian cell), adapting these as required.

## **Vision and Priorities**

The Council Plan expressed our vision as:

“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.”

In recognition that Covid-19 has had a fundamental effect on the way the Council works and will continue to affect how the Council operates in the short, medium and long term, the Council Plan was replaced by a Year Ahead Plan during 2020. This stated that the impact of the pandemic will continue to be felt across the borough for a long time, affecting the economy, the community and daily life.

The purpose of the Council's Year Ahead Plan is to support residents and businesses in these uncertain times, helping them to build resilience and adapt. This plan will effectively be the Council Plan for operating within and recovering from the Covid-19 pandemic. It captures the key actions through to November 2021 and provide a basis for the development of a longer-term plan for the borough.

The key aims of the Year Ahead Plan are to:

- Continue to work with our residents and stakeholders, supporting them and adapting with them to meet current needs in light of the pandemic
- Continue to manage the ongoing effects of the pandemic, including the local outbreak control plan
- Continue to drive our ambitious plans for the borough wherever possible
- Continue to develop and embed new ways of working

The plan is based around five themes and two cross-cutting strands;

### 5 Themes

- *Thriving Neighbourhoods*
- *Better Health and Wellbeing*
- *Economic Recovery*
- *New Ways of Working*
- *Hope and Confidence in Rotherham*

### 2 Cross-cutting strands

- Climate Impact
- Equalities and Social Justice

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**

Despite the impact of the pandemic, 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 2021/22 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 savings of £18m still to be delivered which were agreed as part of the two-year budget for 2019/20 and 2020/21 approved by Council in February 2019. Delivery of these savings to the original profile has been significantly impacted by the pandemic. As such the majority of these savings will now be delivered across 2021/22 and 2022/23 financial years.

In responding to the cross-cutting theme within the Year Ahead Plan of “New ways of working”, the Council will continue to examine service change and improvement work across all of its operations. 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 a delivery agenda that covers its elements of the Year Ahead Plan and is intended to be deliverable within the Medium Term Financial Strategy. A focus on continuous improvement, early intervention, cross-directorate working, implementing good practice and raising standards underpins the Year Ahead Plan and these delivery 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 works within the framework of 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.

During the global pandemic through the Year Ahead Plan all Services were able to focus on their priorities throughout the year and maintain the critical 'golden thread' to ensure that the Council is working effectively together, across all services, to achieve its strategic priorities.

The Year Ahead Plan sets out the Council's overall vision and includes outcomes that will demonstrate its delivery. Quarterly reports on Council performance were presented to Cabinet during 2020/21. The Year Ahead Plan was schedule to run until November 2021 and at the end of the final monitoring period for 2020/2021 36% (27) of the activities outlined within the Year Ahead Plan had been completed; 47% (36) were on track; 13% (10) were behind schedule and 4% (3) were off track.

Some of the Council's key achievements in 2020/21 were:

- 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 Government grant support local businesses (with processes in place prior to April 1st when the scheme was expected to officially commence) and households. This work continued throughout 2020/21 into 2021/22 with the Council administering the provision £83.7m of business support grants to over 5,000 businesses (many businesses have been able to access support through multiple schemes). The Council continues to deliver business support grants through the remaining live schemes.
- Through the Council's administration of the £500 Test and Trace Support main and discretionary scheme, to date the Council has awarded 1,277 payments to individuals, with a total value of £638k. The scheme is due to end on the 30th September 2021, based on the Government's current timeline. To further support the Contain Strategy, to support and encourage self-isolation where required, Cabinet approved, on 25 January 2021, to introduce a local self-isolation support payment scheme. Providing payments of £250, to individuals required to self-isolate, having lost income as a result but not deemed to be in financial hardship. This scheme has provided a further 349 payments at a cost of £87k.
- In total, 17,875 council tax accounts have received hardship funding during 2020/21 through the Council's administration of the £2.8m, Council Tax Hardship Fund. Around 15,000 council tax support claimants had their council tax bills reduced to zero in 2020/21, either for the whole year or for the period they qualified for Local Council Tax Support. Over 2,000 claimants received the maximum hardship award of £450, leaving them with a much reduced Council Tax bill.
- On the **Forge Island** site, the Arc Cinema has signed a long-term lease with national urban regenerator, Muse Developments, to operate the cinema, and discussions with a hotel are at an advanced stage with construction work expected to begin later in 2021
- A **Towns Fund** bid was submitted to government in January and the Council was awarded £31.6 million to carry out ambitious regeneration projects across the town centre, Eastwood and Templeborough,
- Demolition work has been completed at the Primark site, which is to be transformed into a pocket park as part of the Towns Fund accelerator programme and further funding has been offered from the government's **Future High Streets Fund**.
- Creation of Rotherham's first **specialist education provision** for children with social, emotional and mental health difficulties at the former Dinnington College Campus was approved by Cabinet in December 2020
- **Hope Fields** COVID-19 memorial opened to the public at Thrybergh Country Park on 27 March with a pre-recorded ceremony.

### 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 2021 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 2020/21 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*

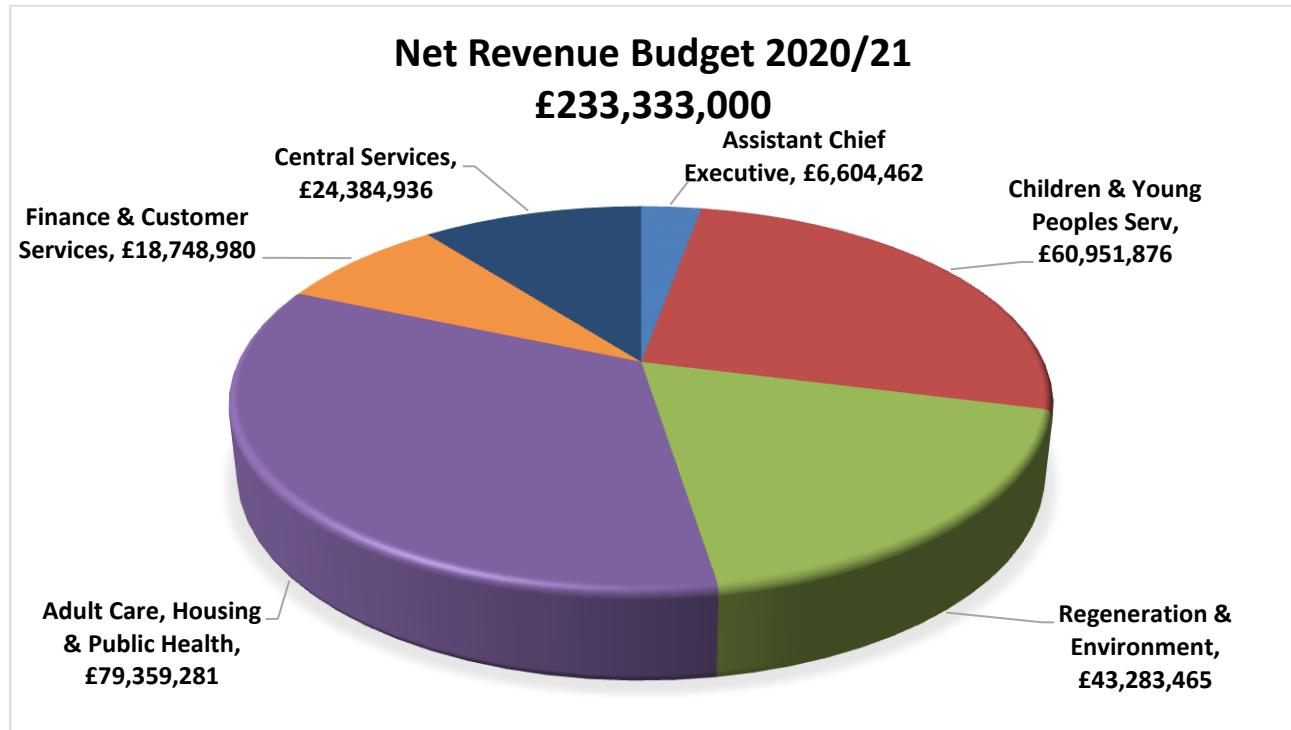
This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue and the Police and Crime Commissioner).

## **Revenue & Capital Expenditure Outturns**

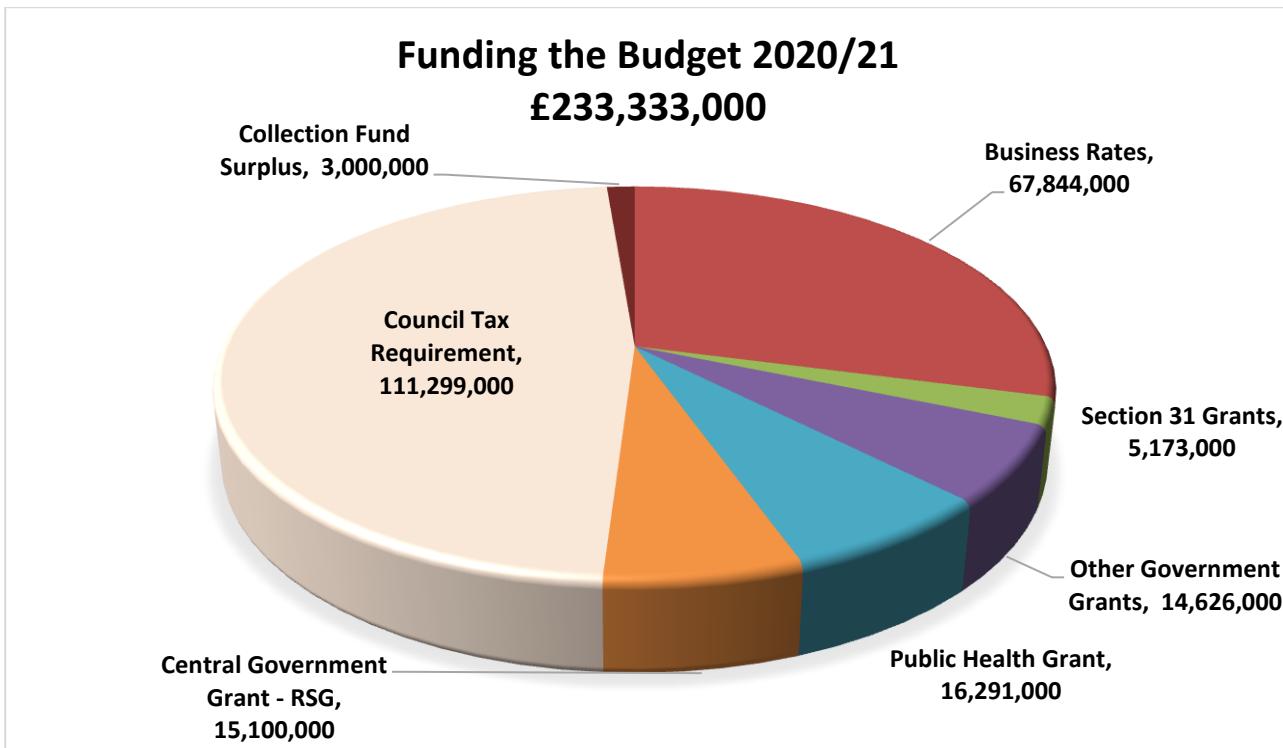
A summary of the Council's revenue and capital outturns for 2020/21 is included in the following paragraphs. Further details have been reported to Cabinet on the 19 July 2021. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. ([Financial Outturn Report 2020/21](#))

### Revenue expenditure overview

Revenue expenditure covers the day-to-day running costs of the Council's services. The net revenue budget for 2020/21 was £233.333m (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 Revenue Budget 2020/21 was approved by Council on 26th February 2020. A budget of £233.3m was set for General Fund services; this excludes schools' budgets and Housing Revenue Account (HRA). The Council had a final underspend against budget of £6.1m, following mitigating actions taken to manage the financial impacts of Covid-19. This incorporates the late receipt of £2m of Government support towards costs associated with Operation Stovewood and after a proposed transfer of £2m to create a new Children and Young Peoples Services Social Care Reserve. The mitigating actions included the application of Government's provision of £18.9m emergency funding to support the COVID-19 response and cost implications of this, the submission of compensation claims totalling £4.8m relating to the adverse impact of Covid on Sales, Fees and Charges income and the use in 2020/21 of £5.2m from the Control Outbreak Management Fund (COMF). Without the provision of these grant funding streams the Council's financial outturn would have been a £22.8m overspend.

Significant uncertainty remains about the financial consequences of the pandemic, potential restrictions, further in-year pressures on the Council's budget and government funding.

The resulting £6.1m underspend has been transferred to the Council's reserves, from this, an allocation of £2m will be earmarked for a Covid Recovery Fund, to take proactive steps in order to support local residents as we emerge from the pandemic. A further £2.4m will be earmarked to support the budget gap within the Council's Medium Term Financial Strategy (MTFS) for 2022/23, as reported to Council within the Council's Budget and

Council Tax Report 2021/22. This £4.4m will be held within the Council's Budget Strategy Reserve, with the remaining £1.7m held within the Council's Budget Contingency Reserve, as per the approved strategy and recommendations within the Council's Budget and Council Tax Report 2021/22.

The key variances within the outturn position are summarised below;

- Children & Young People Services continue to implement the budget recovery plan with budget savings of £10.2m across the 2020/21 to 2022/23 financial years. The outturn position at the end of March 2021 was a £5.5m overspend, largely as a result of additional pressure from the use of agency social workers, and additional placement pressures across Residential placements, Emergency placements, and Foster placements. Placement spend has been impacted by COVID and the inability to find appropriate placements to meet children's needs.
- Adult Care, Housing and Public Health services overspent due to Covid pressures, £0.3m net. This includes: £1.8m of support to the independent sector provider market (e.g. Care Homes) via grants and alternative payment arrangements (e.g. paying home care providers based on planned hours); expenditure on PPE of £936k; and a net additional cost of funding Covid related care and supporting the new hospital discharge pathway of £2.7m (net overall pressures of £5.5m). These pressures have been offset by a reduction in non-Covid related placement costs (£5.9m). These mainly relate to older people as the number in receipt of care has reduced. Some Covid related placements will be ongoing and will become part of the non-Covid Adult Care budget in 2021/22
- Regeneration and Environment Services outturn was an overspend of £7.9m. The outturn position reflects the significant impact that lockdown restrictions have had on income generation and the cost pressures that have arisen as a result of social distancing requirements and other Covid linked measures that have been required to be put in place. Progress on delivering outstanding revenue budget savings within the Directorate has been affected by the Council's pandemic response.
- A £0.3m underspend within the Council's Finance & Customer Services and Assistant Chief Executive's Directorates, predominantly due to reduced demand on legal services, and ICT contracts;
- In presenting the final outturn position, the Covid-19 support grants, £28.9m, that had previously been reported separately to the Directorate outturns, have now been included within Central Services. This is to reflect the outturn position as per the Council's financial accounts, as these grants have to be charged to a service. Taking these grants into Central Services means the net outturn position for Central Services was a £19.5m underspend.
- Within Central Services, savings were delivered from a range of activities within the treasury management strategy (£3.1m), including effective cash flow planning and monitoring, along with management of the loans portfolio to take advantage of the continuing low cost of short-term funds. These activities, together with a number of

general efficiencies on centrally managed budgets delivered savings of £3.5m as at the year end. In addition, the planned use of a £4m budget contingency was not required during 2020/21. This £7.5m has been taken into the Budget Strategy 2021/22 reserve as per approval outlined within the Budget and Council Tax Report 2021/22.

### Schools' Outturn

In addition to General Fund balances and reserves the Council also holds £3.181m relating to School Delegated Budgets. As can be seen below, this represents an increase of £0.657m on the previous year.

2019/20 £m		2020/21 £m
2.524	Unspent Schools' Budgets	3.181

### Housing Revenue Account Income and Expenditure Account

For 2020/21, the Income and Expenditure Account shows a surplus on the provision of HRA services of £10.644m. 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 £17.160m and led to an overall deficit of £6.517m for 2020/21 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 2020/21 was £10.599m. 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.

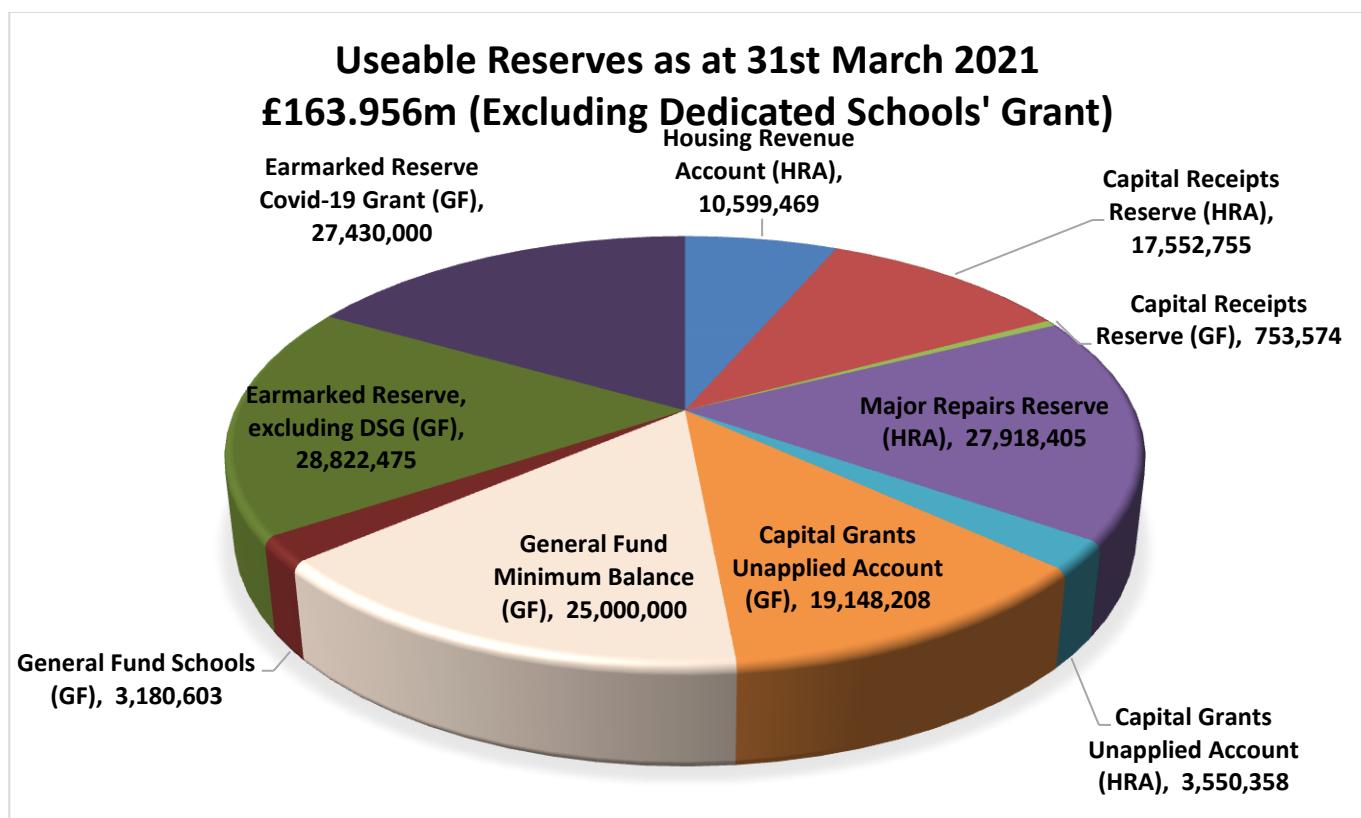
*Usable reserves* are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support 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 2021, the Council held £163.956m of usable reserves, General Fund (£104.335m) and HRA (£59.621m), (but excluding Dedicated Schools Grant). Included within this balance are capital reserves of £68.923m, 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 (£21.2m), 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 £95.033m 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 £27.430m of emergency Covid-19 funding.



Reserves	General Fund	HRA	Total Reserves
Housing Revenue Account	£0	£10,599,469	£10,599,469

Capital Receipts Reserve	£753,574	£17,552,755	<b>£18,306,329</b>
Major Repairs Reserve	£0	£27,918,405	<b>£27,918,405</b>
Capital Grants Unapplied Account	£19,148,208	£3,550,358	<b>£22,698,566</b>
General Fund Minimum Balance	£25,000,000	£0	<b>£25,000,000</b>
General Fund Schools	£3,180,603	£0	<b>£3,180,603</b>
Earmarked Reserve, excluding DSG	£28,822,475	£0	<b>£28,822,475</b>
Earmarked Reserve Covid-19 Grant	£27,430,000	£0	<b>£27,430,000</b>
<b>Total Reserves</b>	<b>£104,334,859</b>	<b>£59,620,987</b>	<b>£163,955,846</b>

The uncommitted General Fund balance of £25m is considered to be a reasonable level of reserves to protect the Council against unforeseen events and the realisation of contingent liabilities.

A breakdown of the in-year movement on each of the usable reserves can be found in the Movement in Reserves Statement.

### Capital Expenditure Overview

Capital spending is generally defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure was incurred.

Total capital expenditure in 2020/21 amounted to £80.644m and is analysed by Directorate as follows:

Directorate	2020/21 £m
Children and Young Peoples Services	10.710
Assistant Chief Executive	0.243
Adult Care & Housing	2.515
Finance & Customer Services	5.325
Regeneration & Environment	26.601
Housing Revenue Account	35.250
<b>Total</b>	<b>80.644</b>

The capital expenditure was financed as follows:

Funding Stream	2020/21 £m
Borrowing need	16.150
Major Repairs Allowance (MRA)	9.369
Grants & Other Contributions	30.857
Capital Receipts	10.703
Internal Funds (e.g. Reserves, etc)	13.565
<b>Total</b>	<b>80.644</b>

Major items of capital expenditure incurred are as follows:

Major Capital Expenditure	2020/21 £m
<u>Non Housing:</u>	
Waverley New Primary School	3.103
Beighton Link Project Growth Fund	5.204
Carriageway Resurfacing	3.212
Pothole Grant	1.649
Unclassified Roads	3.443
Parkway widening	3.457
College Road	2.728
<u>Housing Investment Programme:</u>	
Physically Handicapped Conversions / Improvements (Public)	2.826
Voids Programme	2.796
Refurbishment of Council Stock	10.164
Physically Handicapped Adaptations (Private)	2.143
Site Clusters	14.116
New Build Provision - Bellows Road	4.373
New Build Provision - Rothwell Grange	2.572

### Treasury Management & Prudential Indicators

A summary of the Council's borrowing position as at the 31<sup>st</sup> March 2021 is shown below. Further details of the Council's Treasury Management activities and prudential indicators were reported to the Cabinet Meeting on the 19<sup>th</sup> July 2021. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. [\(Treasury Management Annual Report 2020-21\)](#)

The Council's borrowing levels are summarised below:

As At 31 March 2020 £m	Long Term Borrowing	As At 31 March 2021 £m
184.389	Public Works Loans Board (PWLB)	172.069
213.000	Market (e.g. Banks, Other Local Authorities)	213.000
239.000	<b>Short Term Borrowing</b> Temporary Borrowing	302.500
(0.000)	<b>External Investments</b> Debt Management Office	(0.000)
(39.675)	Money Market Funds	(47.830)

596.714	Net Borrowing	639.739
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## 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 2020/21. 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 2020/21, 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 and the results of the Redmond Review (a report on External Audits of Public Sector accounts) the deadline for publication of unaudited accounts has been pushed back to 31<sup>st</sup> July 2021.

## Risks and Opportunities

The two-year budget for 2019/20 and 2020/21 set at Council in February 2019 and reviewed during 2020/21 required £34m of budget savings and cost reductions to be delivered to meet estimated funding gaps over the two years, including savings that had been agreed in previous years for delivery across this timescale. Delivery of over £16m of these savings and cost reductions have been completed by the end of the 2020/21. However, whilst recognising the COVID impact on savings delivery, as noted above, it is still anticipated that the remaining agreed savings and cost reductions, £18m, can be delivered as planned, but over a longer timescale, with most, but not quite all, of them being delivered by 2022/23. It is expected that of the remaining savings and cost reductions to be delivered, £12.5m will be outstanding at the end of 2021/22, reducing to £4.5m by the end of 2022/23. This updated profile is incorporated into the updated MTFS for 2022/23.

Delivery of these agreed budget savings 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 MTFS. 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 2021.

A proportion of the budget options for 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 updates on progress against the agreed savings provided to Cabinet as part of the Council's Financial Monitoring reports.

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 continue to 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. Significant uncertainty remains about the financial consequences of the pandemic, potential restrictions, further in-year pressures on the Council's budget and government funding. In addition the longer term financial implications of the pandemic remain unclear. It is likely that Covid-19 will impact the planned delivery of savings in 2021/22 that will ultimately impact 2022/23 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 (the Council has been required to reduce its budget by over £200m to mitigate reductions in Government funding for the 10 years prior to 2020/21), 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. The Council also faces uncertainty over the medium term as Government have only provided a financial settlement for 2021/22.

The Council's 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 stretching already squeezed health and social care budgets

The Council continues to change the way in which it works with other agencies in order to implement these changes. Despite the unprecedented financial pressures, the Council will continue to focus on delivering better services, focussed on the priorities set by the public.

Though significant financial challenges have been faced, the Council has made significant strides over the last few years to establish robust, effective and prudent financial management arrangements. Through prudent budget planning, establishment of a more effective medium-term financial strategy and introduction of robust financial controls the Council's financial outlook is now far more positive. The Council's sound financial planning

has enabled the creation of a reserves strategy that provides a reasonable level of general fund reserves, allowing reserves to be created to support the Council's budgetary plans, whilst streamlining the type and volume of reserves. The Council's treasury management strategies have been utilised used effectively to support the Council's budget pressures, whilst putting the Council in a stronger position to manage its longer term capital financing.

Whilst the future funding of local authorities remains uncertain and the Council faces significant challenges moving forwards in regards to the funding of social care, the Council faces these challenges from a sound financial footing, with a robust budget for 2021/22 and medium term financial strategy.

The benefits of this new and improved financial reporting environment have been demonstrated clearly through the Council's management of the financial impact of Covid-19. The Council, like all authorities across the country, faced significant financial challenges, from additional Covid related costs, lost income and delays to planned savings, impacting on the Council's ability to manage its budget position for 2020/21.

However, the Council was able to quickly mobilise financial resources to manage these pressures, establishing monitoring tools to track, report and control Covid-19 related pressures, gaining an understanding of emergency Covid-19 funding and the wide variety of new Covid specific grant streams so that they could be effectively deployed. In particular, the Council was able to successfully deliver in excess of £85m of vital business support grants to over 5,000 local businesses, £2.8m of Council Tax relief to over 15,000 households through Government's Hardship Grant and £0.8m Test and Trace payments to over 1,500 individuals required to self-isolate. Further, through the redeployment of staff during the pandemic to the critical services required to manage the Council's response, significant additional costs of agency workers have been prevented.

The Council has updated its Medium Term Financial Strategy and made budget proposals for 2021/22 financial year. The Council set a balanced budget for 2021/22 in the Council's Budget and Council Tax Report 2021/22, approved by Council, 3 March 2021.

It is also important to underline the spending level of the Council despite the previous funding cuts. With a current revenue budget of £236m in 2021/22 together with capital expenditure of £205m, 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 decisions through to 2024 and ensuring that agreed savings are delivered in line with revised timeframes. The updated Capital Programme includes a total of £416m of planned capital investment across the current year and up to 2023/24.

Covid-19 has generated a significant amount of uncertainty in both national and local context and the financial challenges it presents remain are complex to project forward within any certainty. The national recovery from the pandemic is underway but the financial impacts of Covid-19 will place a burden on the Council for some time to come. 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 Council's financial position.

**Judith Badger CPFA**

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

Date      30 July 2021

**Draft Statement of Accounts 2020/21 – Financial Highlights Report**

This financial highlights report draws Members attention to key financial disclosures reported in the 2020/21 draft Statement of Accounts. The primary financial statements that Members should be aware of are:

- The Comprehensive Income and Expenditure Statement (CIES) on page 6, which is inclusive of the HRA figures shown in the separate statement on page 109, shows what the Council's financial performance would have been on an accounting basis under International Financial Reporting Standards (IFRS). This is very different to the revenue outturn reported on the basis on which local government is funded and which is used to determine the amount to be raised from council tax payers and rent payers.
- The Movement in Reserves Statement on page 7 of the accounts which sets out the change in the overall level of usable reserves (revenue and capital) available to support revenue spending and the capital programme in future years. It provides the reconciliation of the deficit reported in the (CIES) on an accounting basis to the net change in the General Fund balance and HRA balance on a local government funding basis.
- The Balance Sheet on page 9 of the accounts which sets out the assets and liabilities of the Council at the end of 2020/21.

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

- The Collection Fund on page 117 of the accounts which shows separately the surplus or deficit to be distributed or recovered relating to council tax and retained business rates.

**Draft**

**METROPOLITAN BOROUGH OF ROTHERHAM**

**STATEMENT OF ACCOUNTS 2020/21**

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**AUDIT OF ACCOUNTS 2020/21**

**ROOTHERHAM METROPOLITAN BOROUGH COUNCIL**

**Statement of Accounts 2020/21 Public Inspection Notice**

**Notice of the Commencement of the Period for the Exercise of Public Rights**

**Local Audit and Accountability Act 2014 Sections 26 and 27**

**Accounts and Audit (England) Regulations 2015 Regulations, 14 and 15**

The period for the Exercise of Public Rights commences at 9.30am on Monday 2 August 2021 and will conclude at 4pm on Monday 13 September 2021.

**The following documents will be made available:**

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

The draft Statement of Accounts may be subject to change.

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

1. The period for the Exercise of Public Rights commences on Monday 2 August 2021 and will conclude on Monday 13 September 2021 (between 9.30am and 4.00 pm Monday to Friday). Any person interested, on application to the Strategic Director of Finance and Customer Services, Rotherham Metropolitan Borough Council, Riverside House, Main Street, Rotherham, S60 1AE, may inspect and make copies of the accounts of the above-named Council for the year ended 31 March 2021, and all books, deeds, contracts, bills, vouchers and receipts relating thereto.
2. Notice is also given that on or after Monday 2 August 2021 until Monday 13 September 2021, a local government elector for the area to which the accounts relate or his/her representative may ask any questions of the auditor. Please contact the auditor at the above address to make arrangements to ask any questions.
3. These rights do not permit a person to require disclosure of personal information as defined in section 26 of the Local Audit and Accountability Act 2014.
4. From 9.30am on Monday 2 August 2021 until Monday 13 September 2021, a local government elector for the area of the Authority, or his/her representative, may object to the Council's accounts asking that the auditor issue a report in the public interest (schedule 7, Local Audit and Accountability Act 2014) and/or apply to the Court for a declaration that an item in the accounts is contrary to law (section 27, Local Audit and Accountability Act 2014). No such objection may be made unless the Auditor has previously received written notice of the objection and the grounds on which it is made and a copy of that notice has been provided to the Strategic Director of Finance and Customer Services, Rotherham Metropolitan Borough Council.

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

**Friday 30 July 2021**

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's responsibilities

The Council is required:

The Authority is required to:

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

### The Chief Financial Officer's responsibilities

The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- Covid-19 – the impact of the Covid-19 pandemic is not considered at this time to effect a change in 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 2021 and of its income and expenditure for the year then ended.

**Judith Badger CPFA**  
**Strategic Director - Finance and Customer Services**  
30 July 2021

## Explanation of the Financial Statements

The Statement of Accounts summarises the Council's financial performance during the year ended 31 March 2021 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 Financial 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 2020/21 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 109) – 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 117) – 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 120) 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. As at 31 March 2021 the debt in relation to the former South Yorkshire County Council was fully repaid.

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.

The Council has seen an increase in gross expenditure and income, largely as a direct result of the Covid-19 response, with expenditure incurred providing the Council's response offset by an increase in Government grant income.

2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Cost £000		2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Cost £000	Notes
114,807	(48,276)	66,531	Adult Care and Housing	119,477	(53,832)	65,645	49
67,564	(83,941)	(16,377)	Local Authority Housing (HRA)	67,969	(83,756)	(15,787)	
120,843	(41,797)	79,046	CYPS Excl Schools	119,670	(47,582)	72,088	
67,844	(64,329)	3,515	Schools	61,971	(60,798)	1,173	
84,121	(33,511)	50,610	Regeneration and Environment Services	84,139	(27,160)	56,979	
16,037	(15,918)	119	Public Health	17,555	(16,744)	811	
10,665	(2,819)	7,846	Assistant Chief Executive Office	10,644	(3,248)	7,396	
87,522	(66,806)	20,716	Finance and Customer Services	84,194	(60,627)	23,567	
14,205	(22,510)	(8,305)	Central Services	26,512	(39,841)	(13,329)	
583,608	(379,907)	203,701	Cost of Services	592,131	(393,588)	198,543	
25,161	(0)	25,161	Other Operating Expenditure	36,658	(46)	36,612	4
43,990	(1,920)	42,070	Financing and Investment Income and Expenditure	49,251	(1,607)	47,644	5
0	(245,273)	(245,273)	Taxation & Non-Specific Grant Income and expenditure	0	(271,530)	(271,530)	7
652,759	(627,100)	25,659	Deficit on Provision of Services	678,040	(666,771)	11,269	
		(27,201)	(Surplus) on Revaluation of Non Current Assets			(41,383)	38b
		(1,896)	Write down of Met Debt			(2,085)	38a
		(38,851)	Remeasurements of the Pensions Net Defined Benefit Liability/Asset			40,880	18
		(67,948)	Other Comprehensive Income & Expenditure			(2,588)	
		(42,289)	Total Comprehensive Income & Expenditure			8,681	

## Movement in Reserves Statement

This Statement shows the movement from the start of the year to the end of 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 movement in reserves statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to Council Tax [or rents] for the year. The net increase/decrease line shows the statutory General Fund Balance and Housing Revenue Account balance movements in the year following those adjustments.

The General Fund reserves balance contains £27.5m of Covid-19 grants held to fund the ongoing Council response to the pandemic, including £16.9m of S31 grants to support additional business rates relief provided during 2020/21 that will impact the General Fund in 2021/22.

2019/20	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 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>	

2020/21	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 20</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>	37/38
Movement in reserves during the year:									
<b>Total Comprehensive Income and Expenditure</b>	(21,913)	10,644	0	0	0	(11,269)	2,588	(8,681)	
Adjustments from income & expenditure charged under the accounting basis to the funding basis	53,815	(17,160)	1,335	11,944	6,329	56,263	(56,263)	0	
<b>Increase / (Decrease) in Year</b>	<b>31,902</b>	<b>(6,516)</b>	<b>1,335</b>	<b>11,944</b>	<b>6,329</b>	<b>44,994</b>	<b>(53,675)</b>	<b>(8,681)</b>	
<i>Schools Balances transferred out on conversion to academy</i>	(744)					(744)		(744)	
<b>Balance as at 31 March 21 carried forward</b>	<b>63,175</b>	<b>10,600</b>	<b>18,306</b>	<b>27,918</b>	<b>22,699</b>	<b>142,698</b>	<b>(98,021)</b>	<b>44,677</b>	

## Balance Sheet

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

2019/20 £000		2020/21 £000	Notes
1,197,214	Property, Plant and Equipment	1,237,952	19
9,083	Heritage Assets	9,096	23
32,578	Investment Property	26,599	20
7,151	Intangible Assets	7,255	21
190	Long Term Investments	190	30
1,022	Long Term Debtors	993	33
1,247,236	Long Term Assets	1,282,085	
34	Short Term Investments	0	24/29
3,019	Assets Held For Sale	1,115	22
761	Inventories (Stock)	845	31
59,170	Short Term Debtors	81,879	33
59,106	Cash and Bank Balances	100,702	34
122,091	Current Assets	184,541	
(7,219)	Bank Overdraft	(7)	34
(255,778)	Short Term Borrowing	(249,869)	24
(76,052)	Short Term Creditors	(112,173)	35
(5,153)	Short Term Provisions	(5,625)	36
(344,201)	Current Liabilities	(367,674)	
(3,795)	Long Term Provisions	(3,771)	36
(1,550)	Long Term Creditors	(519)	35
(385,069)	Long Term Borrowing	(442,241)	24
(573,646)	Other Long Term Liabilities	(605,714)	50
(6,963)	Capital Grants Received in Advance	(2,030)	8
(971,023)	Long Term Liabilities	(1,054,275)	
54,102	Net Assets	44,677	
(98,448)	Usable Reserves	(142,698)	37
44,346	Unusable Reserves	98,021	38
(54,102)	Total Reserves	(44,677)	

## Cash Flow Statement

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

	2019/20 £000	2020/21 £000	Notes
Deficit on the provision of services	25,659	11,269	
Adjustments to net surplus or deficit on the provision of services for non-cash movements :			
Depreciation & Impairment	(40,344)	(52,053)	
Carrying Amount of Non- Current Assets Sold	(22,825)	(32,458)	
Pension Fund Adjustments	(29,386)	5,825	
(Increase)/Decrease in Provisions	992	(448)	
Increase/(Decrease) in Inventories	102	83	
Increase/(Decrease) in Debtors	7,712	6,205	
(Increase)/Decrease in Creditors	(9,017)	(26,309)	
Other Non Cash Adjustments	(264)	316	
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	37,462	52,577	39
Net cash inflows from Operating Activities	(29,909)	(34,993)	
Investing Activities	44,582	30,726	40
Financing Activities	(43,783)	(44,540)	41
Net decrease in cash and cash equivalents	(29,110)	(48,807)	
Cash and cash equivalents at the beginning of the reporting period	22,778	51,888	34
Cash and cash equivalents at the end of the reporting period	51,888	100,695	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 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 ("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.

Any 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 IFRS 15 Revenue from Contracts with Customers.

Revenue is recognised when Council satisfies a performance obligation by transferring a promised good or service to a service recipient, this can be over a period of time or at a point in time.

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 21). 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 21). 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.

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

## **9 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.

## **10 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.

### 11 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 was mitigated in 2020/21 through the provision of Government support grants without an unplanned call on any reserves. However it is not possible to determine whether an additional call on the Council's reserves will be necessary in 2021/22.

### 12 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 2020/21 grants has been undertaken to confirm that the impact of the pandemic has not prevented the Council meeting the grant terms and conditions. Some Covid-19 grants have been accounted for as 'agent' as the Council's role was to simply passport the grant from Government to a business, supplier or individual, with no decision making process required.

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.

### 13 Non-current Assets – Property, Plant and Equipment

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

## Recognition

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

## Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

- infrastructure, community assets – depreciated historical cost,
- property, plant and equipment and intangible assets under construction are measured at historical cost,
- dwellings – current value based on existing use value for social housing (EUV-SH),
- all other assets – current value based on existing use (existing use value – EUV) for non-specialised operational assets where there is an active market or where

there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost.

- Should an asset be re-classified as a Surplus Asset, it will be measured at fair value. Should an asset be re-classified as a Asset Held for Sale, it will be measured at fair value less cost to sell.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum they are revalued 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.

## **14 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 was 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 could continue to realign the existing overpayment as the new code is not to be applied retrospectively. The Council's use of the MRP holiday identified in 2014/15 ended in 2019/20, no MRP holiday was used in 2020/21 with the process concluded, all available MRP holiday has been utilised.

### **15 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.

**16 PFI and PPP Arrangements**

Private Finance Initiative (PFI) and similar contracts fall within scope of IFRIC 12 and 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 the point of transfer 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.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.  
each year are analysed into five elements: -

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 – Recognised as additions to Property, Plant and Equipment in the Balance Sheet as the scheduled works are carried out and the expenditure is incurred.
- 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 13.

## 17 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.

## 18 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.

## 19 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.

## 20 Heritage Assets

Heritage assets' principal purpose is to contribute to knowledge and culture and are assets 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.

## 21 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.

## **22 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.

## **23 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 it was extinguished during 2020/21. As at 31 March 2021 the debt in relation to the former South Yorkshire County Council was fully repaid.

## **24 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.

## **25 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 2021 some of the potential financial impacts of the Covid-19 pandemic were known and to a degree mitigated through Government emergency grant, there is potential for the financial implications of Covid-19 to impact the Council over the medium to longer term. It is recognised that the pandemic is potentially an Adjusting Balance Sheet Event in the context of the 2020/21 Financial Statements, however there is still considerable uncertainty with respect to the progress of the pandemic and of the national recovery. Detailed notes are included where appropriate within the statements identifying the impact of Covid-19 in 2020/21.

## **26 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.

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

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

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

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

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

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

Where local Council maintained schools convert to academies during the year, the assets, liabilities and reserves of the school are deconsolidated from the Council's single entity accounts at their carrying amount at the date of conversion unless the school has a deficit for which the Council retains responsibility. The Non-Current Assets

of the school are derecognised when the Council relinquishes control over school premises which it had held as a local Council maintained school through ownership, legally enforceable rights or some other means.

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

## **28 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 2022/23 financial year. 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:

- Following the 2019 Triennial revaluation an agreement was reached with South Yorkshire Pensions Authority to prepay 80% of estimated employer's ongoing service contributions of 17.2% of pensionable pay for the three year valuation period in return for a discount. The payment of £42.858m made in April 2020 related to the financial years 2020/21, 2021/22 and 2022/23 and the discount of £2.550m has been apportioned over the three years in accordance with the Pensions Authority methodology.
- 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 recognises this as a joint operation under joint arrangements in accordance with IFRS11 in respect of accounting for the income and expenditure and assets and liabilities proportionate to the risks and rewards it enjoys. The total available BCF funding for 2020/21 was £42.690m, of which the Council was allocated and recognised in its accounts £31.511m of income and £27.728m of expenditure, resulting in an underspend of £3.783m 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 2020/21 which may have to be refunded as a result of outstanding appeals as at 31 March 2021. 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 £4.624m is shown as a provision in Note 36.

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

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.

**Pensions liability**

Included in the Council's Balance Sheet at 31 March 2021 is an estimated pensions liability of £485m. This compares to £450m at 31 March 2020 and £460m at 31 March 2019. 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 remains unknown, this includes any potential impact on projected investment returns. The Pensions Authority that administers the Council's Pension Fund has directly held properties within the pension fund. The valuation specialists for these properties attached a 'material valuation uncertainty' in the accounts for 2019/20, for this year ending 31 March 2021 the valuers consider the additional uncertainty arising from the pandemic has reduced sufficiently that their valuation report is no longer subject to a material uncertainty clause. This is also disclosed in the Pensions Authority's financial statements for the year ended 31 March 2021. Rotherham Metropolitan Borough Council's share of these property assets is considered material to the Council's financial statements. The Council's share of these assets has been included in the pension asset valuation reported in the Council's financial statements as at 31 March 2021.

**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 Council's valuations are reported on the basis of 'material valuation estimation 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, the valuation of property should remain under frequent review.

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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.

2019/20				2020/21		
Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000		Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
62,539	3,992	66,531	Adult Care and Housing	62,342	3,303	65,645
9,458	(25,835)	(16,377)	Local Authority Housing (HRA)	6,516	(22,303)	(15,787)
74,731	4,315	79,046	Children and Young People's Services excluding schools	68,870	3,218	72,088
299	3,216	3,515	Schools	(2,464)	3,637	1,173
44,692	5,918	50,610	Regeneration and Environment Services	51,176	5,803	56,979
15,986	(15,867)	119	Public Health	17,400	(16,589)	811
6,764	1,082	7,846	Assistant Chief Executive Office	6,188	1,208	7,396
17,615	3,101	20,716	Finance and Customer Services	18,647	4,920	23,567
(229,128)	220,823	(8,305)	Central Services	(254,060)	240,731	(13,329)
2,956	200,745	203,701	<b>Net Cost of Services</b>	(25,385)	223,928	198,543
0	25,161	25,161	Other Operating Expenditure	0	36,612	36,612
0	42,070	42,070	Financing and Investment Income and Expenditure	0	47,644	47,644
0	(245,273)	(245,273)	Taxation & Non-Specific Grant Income and expenditure	0	(271,530)	(271,530)
2,956	22,703	25,659	<b>(Surplus) / Deficit</b>	(25,385)	36,654	11,269
		(52,954)	Opening General Fund and HRA Balance as at 1 April			(49,133)
		2,956	Less (Surplus) / Deficit on General Fund Balance in year			(25,385)
		865	Transfer from/to reserves to/from Academies			744
		(49,133)	<b>Closing General Fund and HRA Balance at 31 March</b>			(73,774)

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

2019/20					2020/21			
Capital Adjustment	Pension Adjustment	Other Adjustment	Total		Capital Adjustment	Pension Adjustment	Other Adjustment	Total
£000	£000	£000	£000		£000	£000	£000	£000
2,426	2,753	(1,187)	3,992	Adult Care and Housing	2,111	2,380	(1,188)	3,303
807	973	(27,615)	(25,835)	Local Authority Housing (HRA)	276	910	(23,489)	(22,303)
584	3,823	(92)	4,315	Children and Young People's Services excluding schools	34	3,317	(133)	3,218
6,372	(3,691)	535	3,216	Schools	4,873	(791)	(445)	3,637
9,628	4,342	(8,052)	5,918	Regeneration and Environment Services	10,493	3,911	(8,601)	5,803
0	0	(15,867)	(15,867)	Public Health	0	0	(16,589)	(16,589)
186	904	(8)	1,082	Assistant Chief Executive Office	436	763	9	1,208
1,340	1,766	(5)	3,101	Finance and Customer Services	3,284	1,618	18	4,920
1,713	0	219,110	220,823	Central Services	909	0	239,822	240,731
8,892	0	16,269	25,161	Other Operating Expenditure	17,756	0	18,856	36,612
361	11,317	30,392	42,070	Financing and Investment Income and Expenditure	6,766	10,580	30,298	47,644
2,794	0	(248,067)	(245,273)	Taxation & Non-Specific Grant Income and expenditure	2,915	0	(274,445)	(271,530)
35,103	22,187	(34,587)	22,703		49,853	22,688	(35,887)	36,654

Notes:

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

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

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

Expenditure/Income	2019/20 £000	2020/21 £000
<b>Expenditure</b>		
Employee benefits expenses	204,927	198,404
Other services expenses	355,715	376,682
Depreciation, amortisation, impairment	35,009	37,408
Interest payments	31,947	28,935
Precepts and levies	15,710	15,875
Payments to Housing Capital Receipts Pool	1,906	1,861
Loss on the disposal of assets	7,545	18,875
<b>Total expenditure</b>	<b>652,759</b>	<b>678,040</b>
<b>Income</b>		
Fees, charges and other service income	(167,714)	(161,771)
Interest and investment income	(320)	(91)
Income from council tax and non domestic rates	(149,288)	(138,071)
Government grants and contributions	(309,778)	(366,838)
<b>Total income</b>	<b>(627,100)</b>	<b>(666,771)</b>
<b>Deficit on the Provision of Services</b>	<b>25,659</b>	<b>11,269</b>

Note: There has been a significant increase in expenditure for 2020/21 due to the Covid-19 response and additional cost pressures this created across the Council, in addition sales, fees and charges and income from NNDR were down year on year. However, Government grants were significantly increased to assist the Council in mitigating these pressures.

### 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:

2019/20 Income from contracts with service recipients £000	2019/20 Other income £000	2019/20 Total income £000		2020/21 Income from contracts with service recipients £000	2020/21 Other income £000	2020/21 Total income £000
(15,602)	(5,749)	(21,351)	Adult Care and Housing	(13,623)	(10,250)	(23,873)
(82,998)	(944)	(83,942)	Local Authority Housing (HRA)	(83,041)	(712)	(83,753)
(2,426)	(1,353)	(3,779)	Children and Young People's Services excluding schools	(2,621)	(1,995)	(4,616)
(2,568)	(2,581)	(5,149)	Schools	(1,332)	(3,081)	(4,413)
(30,650)	(1,106)	(31,756)	Regeneration and Environment Services	(23,006)	(1,945)	(24,951)
(2)	(20)	(22)	Public Health	(25)	(13)	(38)
(2,374)	(25)	(2,399)	Assistant Chief Executive Office	(2,083)	(73)	(2,156)
(733)	(1,434)	(2,167)	Finance and Customer Services	(416)	(569)	(985)
0	(15,549)	(15,549)	Central Services	0	(15,423)	(15,423)
0	(1,600)	(1,600)	Other income below Cost of Service	0	(1,563)	(1,563)
(137,353)	(30,361)	(167,714)	<b>Total Income analysed on a segmental basis</b>	(126,147)	(35,624)	(161,771)

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 2019/20					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £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	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 the Capital Receipts Reserve 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>						
Reversal of Major Repairs Allowance credited to the HRA	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					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £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) Employer's pension contributions and direct payments to pensioners payable in the year	44,883 (24,323)	3,116 (1,490)	0 0	0 0	0 0	(47,999) 25,813
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u> Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	1,010	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)

	Movements in Usable Reserves 2020/21					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	
<u>Adjustments primarily involving the Capital Adjustment Account:</u>						
Charges for depreciation and impairment of non current assets	17,686					(17,686)
Amortisation of intangible assets	2,683	328				(3,011)
Revaluation losses on Property, Plant and Equipment & Investment Properties	6,609	7,561				(14,170)
Capital grants and contributions applied	(28,468)	(10,230)			6,329	32,370
Revenue expenditure funded from capital under statute	4,348	213				(4,561)
Gain/loss on disposal of non current assets charged to the Comprehensive Income and Expenditure Statement	17,541	1,116	13,801			(32,458)
Debt Repayment			49			(49)
Statutory provision for the financing of capital investment	(6,581)		0			6,581
Capital expenditure charged against the General Fund and HRA balances		(13,565)				13,565
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>						
Use of the Capital Receipts Reserve to finance new capital expenditure			(10,703)			10,703
Use of receipts to repay debt			(49)			49
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1,861		(1,861)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			98			(98)
<u>Adjustment primarily involving the Major Repairs Reserve:</u>						
Transfer from HRA to Major Repairs Reserve re notional MRA		(4,134)		4,134		0
HRA depreciation to capital adjustment account				17,179		(17,179)
Use of the Major Repairs Reserve to finance new capital expenditure				(9,369)		9,369
<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	(57)					57

	Movements in Usable Reserves 2020/21 continued					Movements in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £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) Employer's pension contributions and direct payments to pensioners payable in the year	40,672 (19,524)	2,778 (1,237)				(43,450) 20,761
<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	17,412					(17,412)
<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	(366)	10				356
Total Adjustments	53,815	(17,160)	1,335	11,944	6,329	(56,262)

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

	Bal at 1 Apr 19 £000	Trans between Reserves 2019/20 £000	Trans out 2019/20 £000	Trans in 2019/20 £000	Bal at 31 Mar 20 £000	Trans between Reserves 2020/21 £000	Trans out 2020/21 £000	Trans in 2020/21 £000	Bal at 31 Mar 21 £000
<u>General Fund</u>									
Transformation	2,733	1,387	0	0	4,120	0	0	0	4,120
Insurance Fund	350	(350)	0	0	0	0	0	0	0
Business Rates	4,000	0	0	0	4,000	0	0	0	4,000
Pensions	4,925	(4,925)	0	0	0	0	0	0	0
PFI - Education (Schools)	3,140	0	(1,711)	0	1,429	0	0	0	1,429
Corporate Revenue Grants Reserve	2,236	0	(1,124)	0	1,112	0	(100)	0	1,012
Budget Strategy	0	0	0	0	0	0	11,900	11,900	
Budget Contingency	3,182	0	(1,174)	0	2,008	0	0	1,644	3,652
Housing Transformation Fund	702	0	(104)	87	685	0	(95)	0	590
Area Assembly Ward	14	0	(11)	0	3	0	0	1	4
Memb Comm Leadership Fund	22	0	(18)	1	5	0	0	3	8
Rotherham Partnership	43	0	0	6	49	0	0	58	107
HRA Sinking Fund	0	0	0	0	0	0	0	1	1
CYPS Social Care Reserve	0	0	0	0	0	0	0	2,000	2,000
<b>Total</b>	<b>21,347</b>	<b>(3,888)</b>	<b>(4,142)</b>	<b>94</b>	<b>13,411</b>	<b>0</b>	<b>(195)</b>	<b>15,607</b>	<b>28,823</b>
<b>Total HRA (within grant reserve 19/20)</b>	<b>35</b>	<b>0</b>	<b>(35)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Total General Fund</b>	<b>21,312</b>	<b>(3,888)</b>	<b>(4,107)</b>	<b>94</b>	<b>13,411</b>	<b>0</b>	<b>(195)</b>	<b>15,606</b>	<b>28,822</b>
<b>Covid-19 Grants Reserve</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,274</b>	<b>15,274</b>	<b>0</b>	<b>(15,274)</b>	<b>27,430</b>	<b>27,430</b>
<b>DSG Grant Reserve</b>	<b>(15,114)</b>	<b>0</b>	<b>(10)</b>	<b>(4,768)</b>	<b>(19,892)</b>	<b>0</b>	<b>(1,366)</b>	<b>0</b>	<b>(21,258)</b>
<b>Total Earmarked Reserves</b>	<b>6,233</b>	<b>(3,888)</b>	<b>(4,152)</b>	<b>10,600</b>	<b>8,793</b>	<b>0</b>	<b>(16,835)</b>	<b>43,037</b>	<b>34,994</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 2020/21. 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) 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 was therefore cleared in 2019/20.

(iii) Business Rates Reserve

This reserve is to cover residual risks relating to appeals.

(iv) 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 was therefore cleared in 2019/20.

(v) 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.

(vi) 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.

(vii) Budget Strategy Reserve

This reserve is available to support the Council's revenue budget position for as approved within the Council's Budget Report for 2021/22. The reserve contains £2m for a Covid recovery fund to support those residents most impacted by the pandemic and a £2.4m fund to support the Council's Medium Term Financial Strategy budget gap for 2022/23 as per the Council's budget report for 2021/22.

(viii) 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.

(ix) 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.

(x) HRA Sinking Fund Reserve

The HRA Sinking Fund reserve is used to retain contributions from Shared Ownership leaseholders that are a compulsory requirement of their lease. The reserve will be used to fund future capital repairs and replacements to their properties. The monies can only be used to fund works to their individual property or estate, they cannot be used for any other purpose.

(xi) CYPS Social Care Reserve

The Children's and Young Peoples Services Social Care Reserve has been set up to help mitigate the continued cost pressures in relation to Children's and Social Care costs.

(xii) Other Reserves

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

(xiii) 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.

(xiv) Covid 19 Grant Reserve

Government allocated the Council Covid-19 emergency support funding and specific Covid-19 grants to mitigate the financial pressures as a result of the Covid-19 response. These payments were made to the Council in 2020/21 to support budget planning and cashflow management, however many of the grants are for financial implications that will require mitigation post 2020/21. The Covid-19 Grants Reserve holds these balances until they are deployed. The reserve includes £16.9m of S31 grants to support additional business rate relief provided during 20/21 that will impact on the General Fund during 2021/22.

Note 4Other Operating Expenditure

2019/20 £000		2020/21 £000	Notes
2,977	Parish Council precepts	3,135	49 22
12,733	Levies payable	12,740	
1,906	Payments to the Government Housing Capital Receipts Pool	1,861	
7,545	Loss on disposal of non current assets	18,824	
0	Loss on revaluation & disposal of Assets Held for Sale	51	
25,161	Total	36,611	

Note 5Financing and Investment Income and Expenditure

2019/20 £000		2020/21 £000	Notes
31,947	Interest payable and similar charges	31,455	26 18 26 20
11,317	Net interest on the net defined benefit liability (asset)	10,580	
(320)	Interest receivable and similar income	(91)	
(874)	Income and expenditure relating to Investment Properties and changes in their fair value	5,700	
42,070	Total	47,644	

Note 6Surplus / 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:

2019/20				2020/21		
Expenditure £000	Income £000	(Surplus) / Deficit £000		Expenditure £000	Income £000	(Surplus) / Deficit £000
15,199	(14,990)	209	Construction, Street Cleansing and Landscaping	15,070	(15,654)	(584)
961	(888)	73	Vehicle Maintenance	1,438	(1,077)	361
1,599	(2,684)	(1,085)	Property Services – Fee-billing	1,596	(2,883)	(1,287)
827	(710)	117	Engineering – Fee-billing	854	(620)	234
6,419	(5,263)	1,156	Cleaning of buildings	6,189	(5,114)	1,075
1,207	(757)	450	Markets	961	(216)	745
431	(400)	31	Building Regulations Control	396	(460)	(64)
8,533	(7,873)	660	School Support Services	6,349	(4,959)	1,390
35,176	(33,565)	1,611	(Surplus) / Deficit	32,853	(30,983)	1,870

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 and the provision of supply staff to schools, teachers absence in-house insurance scheme and schools finance support team.

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

2019/20 £000		2020/21 £000	Notes
112,486	Council Tax Income	115,920	
36,802	Non Domestic Rates	22,151	
41,149	Business Rates grants	46,534	
35,727	Non Ring-fenced government grants	51,142	8
19,109	Capital Grants and Contributions	35,783	8
245,273	Total	271,530	

**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:

2019/20 £000		2020/21 £000
14,857	Revenue Support Grant	15,100
9,822	PFI Grant	9,822
8,922	Covid19 Funding	25,033
2,126	Other Non Specific Revenue Grants	1,187
35,727	Total	51,142

Capital Grants Credited to Taxation and Non Specific Grant Income:

2019/20 £000		2020/21 £000
10,335	Department for Transport	8,882
152	Environment Agency	456
735	Education Funding Agency: LA Maintained Maintenance Grant	1,538
443	Education Funding Agency: Basic Need Pupil Places	-1,399
17	Education Funding Agency: LA Maintained Devolved Formula	96
146	Education Funding Agency: Targeted Basic Need	0
14	Department of Health	-16
3,229	S106 Contributions	4,692
882	Ministry of Housing, Communities & Local Government	3,648
323	SOAHP Grant Housing England	0
169	Other Local Authorities and Partners	286
96	Sheffield City Region	7,198
1,013	Department of the Environment	8,268
0	Department of Business, Energy & Industrial Strategy	1,137
245	European Development Fund	288
9	Forestry Commission	0
0	Heritage Asset Donations	13
1,302	CIL Contributions	696
19,109		35,783

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:

2019/20 £000		2020/21 £000
84,341	Dedicated Schools Grant (Note 16)	84,974
62,758	Housing and Council Tax Benefit: subsidy	58,533
0	Covid 19 Funding	25,460
587	Flood Grant	-18
121	Sixth Form Funding	10
1,338	Troubled Families & Troubled Families Co-ordinator	1,139
4,739	Pupil Premium	4,165
1,266	Housing Benefit and Council Tax Benefit Administration	1,238
430	Youth Offending Teams Grant	441
422	Rotherham Music Hub	420
1,289	Universal Free School Meals	1,155
6,166	Social Care Funding	6,033
19,641	Other NHS Funding (including Better Care Fund)	25,082
193	Local Reform & Community Voices Grant	193
1,442	Independent Living Fund	1,442
15,873	Public Health Funding	16,590
213	Police and Crime Commission	239
641	Discretionary Housing Payments (DHPs)	766
478	Adoption Support Fund	419
500	Fusion Funding	500
916	Elections Grant	73
262	Local Sustainable Transport Fund	181
210	Home Office Trusted Relationship Fund	258
351	Asylum Seekers	280
208	Building Stronger Communities (Controlling Migration Fund)	220
163	LA EU Exit preparation	45
1,270	Winter Pressures	459
653	PE & Sport Grant	547
63	Home to School Transport	0
193	House Project	128
124	Towns Fund	122
142	School Improvement Monitoring	122
554	Teachers Pay Grant	561
1,097	Teachers Pensions Employer Contributions Grant	2,052
1,302	Section 14 Grant	2,000
178	Flexible Homelessness Support	318
305	New Burdens	452
179	Early Outcomes Grant	0
141	Clean Air Zone	52
39	Rough Sleeper Initiative	325
0	Next Steps Accommodation Programme	160
0	Emergency Active Travel Fund	136

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 is shown in the table below, this includes a debit balance in relation to the repayment of Homes England grant, the grant had to be repaid as the property it was used to fund was subjected to a Right to Buy:

31 Mar 20		31 Mar 21
£000		£000
6,589	Section 106 Developer Contributions	1,990
374	CIL Contributions	184
0	Homes England Recycled Grant	-144
6,963	Total of Capital Grants Received in Advance	2,030

### Section 106 Developer Contributions

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

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

Income £000	Expenditure £000	2019/20 £000		Income £000	Expenditure £000	2020/21 £000
(34)	13	(21)	F&CS/ACE - General Fund	(50)	8	(63)
(265)	216	(1,144)	Regeneration & Environment – General Fund	(45)	64	(1,125)
(7,838)	3,104	(4,967)	CYPS - General Fund	(1)	4,659	(309)
(60)	0	(455)	HRA	(37)	0	(492)
(8,196)	3,332	(6,588)	Total	(133)	4,732	(1,990)

### Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in 2020/21.

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:

2019/20 £000		2020/21 £000
(2,018)	Gross income	(2,071)
2,018	Gross expenditure	2,071
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.

An assessment carried out by the Council recognises this as a joint operation under joint arrangements in accordance with IFRS11 which is managed through a Section 75 Framework Agreement for the commissioning of services.

The Better Care Fund is split into two Pools. RMBC host Pool 1 with income of £31.511m, 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 £11.179m 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:

2019/20 £000	<b>Better Care Fund - Pool 1 RMBC</b>	2020/21 £000
(509)	<b>Balance B/F</b>	(561)
(10,812)	Rotherham CCG	(12,093)
(2,700)	Rotherham MBC - Capital	(3,064)
(15,788)	Rotherham MBC - Revenue	(15,793)
(29,809)	Total Gross Income	(31,511)
2,700	Capital Expenditure	1,341
26,704	Revenue Expenditure	26,502
29,404	Total Gross Expenditure	27,843
(405)	Overspend / (Underspend)	(3,668)
(156)	Use of balances	(115)
(561)	Net Balance as at 31 March	(3,783)

2019/20 £000	<b>Better Care Fund - Pool 2 RCCG</b>	2020/21 £000
(11,020)	Rotherham CCG	(11,129)
(50)	Rotherham MBC	(50)
(11,070)	Total Gross Income	(11,179)
10,914	Revenue Expenditure	11,064
10,914	Total Gross Expenditure	11,064
(156)	Overspend / (Underspend)	(115)
156	Transfer of balances	115
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, Leeds City Council £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.

2019/20 £000	YOS Pooled Budget	2020/21 £000
(70)	Rotherham CCG	(70)
(153)	South Yorkshire Police & Crime Commissioner	(153)
(5)	National Probation Service	(5)
0	Leeds City Council	(5)
(215)	Rotherham MBC - Revenue	(272)
(443)	Total Gross Income	(505)
0	Capital Expenditure	0
443	Revenue Expenditure	505
443	Total Gross Expenditure	505
0	Underspend/Overspend	0
0	Use of balances	0
0	Net Balance as at 31 March	0

2019/20 £000	Rotherham Safeguarding Board	2020/21 £000
(83)	Rotherham CCG	(110)
(52)	South Yorkshire Police & Crime Commissioner	(52)
(2)	Other Income	(1)
(204)	Rotherham MBC - Revenue	(139)
(341)	Total Gross Income	(302)
341	Revenue Expenditure	302
341	Total Gross Expenditure	302
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 £899,229 excluding Joint Council allowances (2019/20 £926,133).

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.

2019/20 £000	Members Allowances	2020/21 £000
723	Basic allowance	691
203	Special responsibility allowances	208
0	Travel	0
926	Total Members' Allowances and Expenses	899
926	Total	899

**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 2020/21 payroll information, expressed in bands of £5,000 is as follows:

2019/20			2020/21	
Officers Total	Teachers Total		Officers Total	Teachers Total
34	8	50,000.00 to 54,999.99	48	10
29	17	55,000.00 to 59,999.99	24	9
15	2	60,000.00 to 64,999.99	17	10
11	5	65,00.00 to 69,999.99	21	3
4	8	70,000.00 to 74,999.99	3	2
3	2	75,000.00 to 79,999.99	2	2
2	1	80,000.00 to 84,999.99	3	1
11	1	85,000.00 to 89,999.99	3	0
1	0	90,000.00 to 94,999.99	8	1
1	0	95,000.00 to 99,999.99	1	0
1	0	100,000.00 to 104,999.99	0	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 2020/21, the number of such employees was 0 (0 officer and 0 teachers).

The number of officers and teachers whose remuneration fell between £50,000 - £124,999, has increased year on year by 12 overall, in the main, due to a pay award taking a pay scale into the over £50,000 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 2019/20 and 2020/21 are shown in the Senior Officer notes below.

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 the Monitoring Officer.

#### 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 £
<b>Senior Officer Salary Costs:</b>					
Sharon Kemp - Chief Executive - Refer to Note (i)	168,129.00	0.00	0.00	168,129.00	24,763.32
Assistant Chief Executive - Refer to Note (ii)	102,948.00	0.00	0.00	102,948.00	15,339.24
Former Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	135,575.00	0.00	0.00	135,575.00	19,968.52
Interim Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	57,516.67	0.00	0.00	57,516.67	8,471.49
Strategic Director or Regeneration & Environment - Refer to Note (iv)	120,336.00	0.00	0.00	120,336.00	17,930.04
Strategic Director of Adult Care and Housing - Refer to Note (v)	130,176.00	0.00	0.00	130,176.00	19,396.20
Strategic Director of Finance & Customer Services - Refer to Note (vi)	120,336.00	0.00	0.00	120,336.00	17,930.04
Former Assistant Director of Legal Services - Refer to Note (vii)	11,693.45	0.00	26,968.05	38,661.50	1,090.07
Head of Legal Services - Refer to Note (vii)	64,289.68	9,579.13	0.00	73,868.81	11,006.44
<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>

## Senior Officers 2020/21

Job Title/Employee	Salary 2020/21 £	Additional Payments 2020/21 £	Compensation & Ex-gratia 2020/21 £	Total remuneration excluding employer pension contributions 2020/21 £	Pension employer contribution 2020/21 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive - Refer to Note (i)	170,767.32	0.00	0.00	170,767.32	29,371.92
Former Assistant Chief Executive - Refer to Note (ii)	8,427.05	5,133.30	0.00	13,560.35	2,332.38
Assistant Chief Executive - Refer to Note (iii)	26,444.76	0.00	0.00	26,444.76	4,548.51
Former Strategic Director of Children and Young Peoples Services - Refer to Note (iv)	87,224.71	6,411.88	0.00	93,636.59	15,002.66
Strategic Director of Children and Young Peoples Services - Refer to Note (v)	65,037.43	0.00	0.00	65,037.43	11,186.45
Strategic Director or Regeneration & Environment - Refer to Note (vi)	123,645.00	0.00	0.00	123,645.00	21,267.00
Strategic Director of Adult Care and Housing - Refer to Note (vii)	133,755.96	0.00	0.00	133,755.96	23,006.04
Strategic Director of Finance & Customer Services - Refer to Note (viii)	123,645.00	0.00	0.00	123,645.00	21,267.00
Head of Legal Services - Refer to Note (ix)	68,730.96	10,449.96	0.00	79,180.92	13,619.16
<b>Total</b>	<b>807,678.19</b>	<b>21,995.14</b>	<b>0.00</b>	<b>829,673.33</b>	<b>141,601.12</b>

- (i) Sharon Kemp commenced her employment as the Chief Executive on 18 January 2016.
- (ii) The previous post holder of Assistant Chief Executive officially left the Council on 18 May 2020. Additional payment related to unused leave entitlement on leaving.
- (iii) The current post holder of Assistant Chief Executive commenced their employment on 1 January 2021.
- (iv) The previous post holder of Strategic Director of Children and Young People's Services officially left the Council on 30 October 2020. Additional payment related to unused leave entitlement on leaving.
- (v) The current post holder of Strategic Director of Children and Young People's Services commenced their employment on 26 October 2020.
- (vi) The Strategic Director of Regeneration and Environment commenced their employment on 28 February 2019.
- (vii) The Strategic Director of Adult Care and Housing commenced their employment on 8 August 2016.
- (viii) The Strategic Director of Finance and Customer Services commenced their employment on the 1 April 2016.

- (ix) 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. Additional payment related to honorarium for being the Monitoring Officer.
- (x) The LGPS Employer Pension contributions disclosed in 2020/21 are based on the common rate of contribution set by the Actuary of 17.2 percent. This has increased from 14.9 percent in 2019/20.

Senior Officer salary costs for 2020/21 have not materially increased or decreased compared to 2019/20.

#### 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 2020/21. 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 2019/20 but who were paid in 2020/21 and those staff whose severance was approved and agreed and to which the Council was committed at 31 March 2021 but who are planned to leave in 2021/22.

In 2020/21 no provision was made in respect of severance costs associated with the major restructuring of services (in 2019/20 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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
Non Schools								
£0 - £20,000	16	10	75	53	91	63	489	287
£20,001 - £40,000	1	3	10	2	11	5	299	149
£40,001 - £60,000	1	3	0		1	3	43	129
£60,001 - £80,000	0	0	3		3	0	202	0
£80,001 - £100,000	0	1	1		1	1	90	85
£100,001 - £150,000	0	0	0		0		0	0
£150,001 - £200,000	0	0	0		0		0	0
Total	18	17	89	55	107	72	1123	650

Exit package cost band (including special payments)	Number of compulsory redundancies		Total number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
Schools	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	16	2	20	13	36	15	104	77
£20,001 - £40,000	0	0	1	0	1	0	24	0
£40,001 - £60,000	0	0	0	1	0	1	0	32
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001-£100,000	1	0	0	0	1	0	81	0
Total	17	2	21	14	38	16	209	109

N.B. The above figures include 1 settlement agreement entered into no settlement agreements to terminate the employment relationship with the School/Council.

(xiv) Termination Benefits

As part of the rationalisation of Council services during 2020/21 88 employees (2019/20, 145) 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 2020/21 totalled £0.760m (2019/20 £1.332m) - composed of severance payments of £0.499m (2019/20 £0.793m) and £0.261m in pensions strain costs (2019/20 £0.538m).

**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:

2019/20 £000		2020/21 £000
148	Fees payable for external audit services carried out by the appointed auditor	113
28	Fees payable for the certification of grant claims and returns - to external audit services	35
0	Non-audit services	0
176	Total	148

## 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 2020/21 and the comparative year are as follows:

2019/20				2020/21		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		239,945 (155,744)	Final DSG before Academy recoupment Less Academy figure recouped			252,972 (167,769)
		84,201 (15,114)	Total DSG after Academy recoupment Brought forward from previous year			85,203 (19,892)
9,824	59,263	69,087	Agreed initial Budgeted Distribution	10,694	54,617	65,311
0	140	140	In Year Adjustments	0	(229)	(229)
9,824	59,403	69,227	Final Budgeted Distribution	10,694	54,388	65,082
(29,752)	0	(29,752)	Less actual Central expenditure	(33,061)	0	(33,061)
0	(59,367)	(59,367)	Less actual ISB deployed to schools	0	(53,279)	(53,279)
(19,928)	36	(19,892)	Carry forward to next year	(22,367)	1,109	(21,258)

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 and £2.1m in 2020/21 which has contributed to a net deficit in the DSG Central Reserve of £21.3m 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 held in Spring 2021.

The DSG deficit recovery plan is predominantly linked to resolving the budget pressures in the High Needs Block which had a £2.1m overspend in 2020/21. As part of the short term strategy to address the annual pressures a disapplication request was submitted to the Secretary of State to transfer £3m from the Schools Block to the High Needs Block in 2021/22. This request was approved.

A Social and Emotional Mental Health (SEMH) Strategy for Rotherham (to deliver 125 places) is now completed 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 – almost completed) 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 rose 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 £.7 billion to the High Needs Block, in 2021/22 the £4.8 billion is split £3 billion to the Schools Block and £.8 billion to the High Needs Block; the funding split for 2022/23 is still to be determined. For Rotherham this is an additional £5.5m for schools and £4.4m in the High Needs Block for the 2021/22 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 2019 were available and the details are as follows:

31 Dec 18 £000		31 Dec 19 £000
6	Turnover	34
(464)	Profit / (Loss) before taxation	(1,935)
(464)	Profit / (Loss) after taxation	(1,931)
1,272	Net Assets	(659)

(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 2020 were available and the details are as follow:

31 Mar 19 £000		31 Mar 20 £000
1,487	Turnover	1,080
(50)	(Deficit) for the year	(112)
372	Net Assets	260

Rotherham Metropolitan Borough Council's made no contribution to the company during 2020/21 (2019/20 nil).

During the financial year ended 31 March 2021, Creswell Groundwork Trust provided no services to the Council (2019/20 nil) and incurred no charges from the Council (2019/20 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 2020 were available and the details are as follows:

29 Mar 19 £000		29 Mar 20 £000
2,065	Turnover	2,227
(1,054)	(Deficit) for the year	(931)
8,127	Net Assets	7,196

During the financial year ended 31 March 2021, the company provided services to the Council to the value of £21.90 (2019/20 £39,400.65) and incurred a charge of £156 from the Council (2019/20 £1,113).

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 2021. The Council issued to Magna a short term loan of £250,000 during 2014/15. This was outstanding as at the 31 March 2021. 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.

2019/20	Related Parties	Nature of Transactions	2020/21
£			£
<b>Assisted Organisations:</b>			
99,354	Rotherham Ethnic Minority Alliance Ltd	Grants and Fees	35,263
303,279	Voluntary Action Rotherham	Grants and Fees	358,475
75,000	Speak Up	Commissioned Services	98,333
136,735	Healthwatch Rotherham	Commissioned Services	90,000
125,000	Rotherham Sight and Sound	Commissioned Services	125,000
<b>Member Related:</b>			
512,804	Rotherham RISE	Commissioned Services & Fees	527,831
14,323	Swinton Lock Activity Centre	Fees	29,510
5,846	Turner Hire & Sales Ltd	Fees and Charges	8,150
1,300	Richmond Park Tenants and Residents Association	Fees & Charges	1,271
1,835	Cortonwood Comeback Centre	Fees & Charges	2,238
<b>Officer Related:</b>			
69,156	The Source (Meadowhall Education Centre)	Fees	- 4,892
<b>Other Related Organisations:</b>			
10,275,527	Sheffield City Region Combined Authority	Transport Levy	10,256,365
952,315	Sheffield City Region Combined Authority	Contribution	915,989

### 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 2020/21 the Council paid employer's contributions calculated at 23.68%, amounting in total to £3.173m (2019/20 £4.320m). The total of contributions expected to be made to the Teachers' Pension Scheme by the Council in the year to 31 March 2022 is £3.690m.

#### (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). Since April 2015 it has been a career average scheme rather than a final salary scheme with the normal retirement age being the same as that for the State Pension.

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 2020/21 are tiered from 5% to 14.5% based on salary.

During 2020/21 the Council paid employer’s contributions calculated at 16.88% (including 0.08% in respect of administration costs) amounting in total to £0.056m (£0.037m 2019/20).

The 0.08% levy for the administration of the NHS Pension scheme was introduced in March 2017 by the Department of Health. In 2021/22 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 2022 is £0.033m.

(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 2029/21 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.

Covid 19 – the pandemic has resulted in substantial volatility in the financial markets affecting key indicators such as inflation and corporate bond yields which influence the value of the pension liability. While the level of volatility has reduced in recent months the potential for significant future volatility which would further influence the accounting value of the pensions liability remains.

During the year the Council paid employer’s superannuation contributions calculated at 17.2% amounting to £19.551m (2019/20 £16.869m at 14.9%). In 2020/21 the Council made a prepayment of £42.958m in respect of 80% of estimated annual pension contributions for the 3 years 2020/21, 2021/22 and 2022/23 of which £14.444m relates to 2020/21.

Total ongoing contributions of £19.600m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 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.

Court of Appeal Ruling – McCloud. The Court of Appeal has ruled in the Sergeant/McCloud cases that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. The Government has accepted that remedies relating to the McCloud judgement are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The figures in the accounts as provided by the actuary already include an allowance for McCloud that is substantially in line with this remedy. It has been concluded therefore, that no further adjustments to the valuation are required in relation to the McCloud ruling.

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 17 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 Pensions Authority, Floor 8 Gateway Plaza, Sackville Street, Barnsley, South Yorkshire, S70 2RD.

### 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 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000		Total Funded & Unfunded Local Government Pension Scheme 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000
(38,360)	0	Net Cost of Services	(35,811)	0
(4,319)	0	- Current Service Cost	(229)	0
5,997	0	- Past Service	3,170	0
(11,317)	(524)	- Gain / (loss) from settlements	(10,580)	(448)
(47,999)	(524)	Financing and Investment Income and Expenditure		
		- Net Interest Expense		
		Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(43,450)	(448)
		Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
16,651	1,567	- Experience gain / (loss) on liabilities	33,566	457
(65,080)	0	- Return on plan assets (excluding the amount included in the net interest expense)	193,058	0
59,050	616	- Actuarial gains and (losses) arising on changes in demographic assumptions	0	0
28,230	238	- Actuarial gains and (losses) arising on changes to financial assumptions	(267,504)	(1,982)
38,851	2,421	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(40,880)	(1,525)
22,186	(788)	Movement in Reserves Statement		
		- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	22,689	(847)
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(25,813)	0	- Employer's contributions payable to Scheme	(20,761)	0
0	(1,312)	- Rechargeable Pensions	0	(1,295)

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 £0.568m administrative expenses in relation to investments during 2020/21 (2019/20 £0.564m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial loss of £40.880m (£38.851m gain in 2019/20), 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	Total Funded & Unfunded Local Government Pension Scheme
	31 Mar 20 £000	31 Mar 21 £000
Fair Value of Scheme Assets	1,129,998	1,357,204
Present value of Funded Liabilities	(1,560,847)	(1,822,430)
Net (under) funding in Funded Plans	(430,849)	(465,226)
Present Value of Unfunded Discretionary Liabilities	(19,306)	(19,984)
Per Mercers Report	(450,155)	(485,210)
<u>Amount in the Balance sheet:</u>		
Liabilities - funded and unfunded	(1,580,153)	(1,842,414)
Assets - funded and unfunded	1,129,998	1,357,204
Add back Employer Contributions Prepayment for 2021/22 & 2022/23		(28,514)
Pensions Reserve	(450,155)	(513,724)
Pensions Liability	(450,155)	(485,210)

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

Total Funded & Unfunded Local Government Pension Scheme 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000		Total Funded & Unfunded Local Government Pension Scheme 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000
1,194,074	0	Fair Value of Plan Assets at beginning of period	1,129,998	0
28,366	0	Interest on plan assets	27,396	0
(65,080)	0	Remeasurement gain / (loss):		
(564)	0	- The return on plan assets, excluding the amount included in interest expense	193,058	0
(9,849)	0	- Administrative expenses	(568)	0
18,613	1,312	- Settlements	(4,303)	0
7,227	0	- Employer contributions	20,761	1,295
(42,789)	(1,312)	- Member contributions	7,258	0
		- Benefits/transfers paid	(44,910)	(1,295)
1,129,998	0	Fair Value of Scheme Assets at end of period	1,328,690	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)
2019/20	2019/20		2020/21	2020/21
£000	£000		£000	£000
(1,653,694)	(22,515)	Benefit Obligation at beginning of period	(1,580,153)	(19,306)
(38,360)	0	Current Service Cost	(35,811)	0
(39,119)	(524)	Interest Cost	(37,408)	(448)
(7,227)	0	Member Contributions	(7,258)	0
		Remeasurement gains and (losses):		
16,651	1,567	- Experience gain / (loss)	33,566	457
59,050	616	- Actuarial Gain / (loss) arising from changes in demographic assumptions	0	0
28,230	238	- Actuarial Gain / (loss) arising from changes in financial assumptions	(267,504)	(1,982)
0	0	- Past Service Cost	0	0
(4,319)	0	- (Loss) / gain on Curtailments	(229)	0
15,846	0	- Liabilities extinguished on Settlements	7,473	0
42,789	1,312	- Benefits/Transfers paid	44,910	1,295
(1,580,153)	(19,306)	Benefit Obligation at end of period	(1,842,414)	(19,984)

## 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 20 £000	31 Mar 21 £000
Cash & cash equivalents:		34,013	18,702
Equity Investments:			
- UK quoted	Y	167,691	142,411
- UK unquoted	N	113	0
- Overseas quoted	Y	417,195	525,048
Bonds:			
- UK Government fixed	Y	0	0
- UK Government indexed	Y	122,153	144,746
- Overseas Government fixed	Y	29,832	38,355
- Overseas other	Y	26,442	41,028
- UK other	Y	56,048	70,181
Property:			
- UK direct	Y	90,965	108,726
-Property Funds	Y	10,283	14,183
Alternatives:			
- Pooled Investment Vehicles	N	175,263	253,824
		1,129,998	1,357,204

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 2019/20	Discretionary Benefits 2019/20		Local Government Pension Scheme 2020/21	Discretionary Benefits 2020/21
		Mortality assumptions: Longevity at 65 for current pensioners: Men		
22.4 years	22.4 years	Men	22.5 years	22.5 years
25.2 years	25.2 years	Women	25.3 years	25.3 years
		Longevity at 65 for future pensioners: Men (in 20 years time)		
23.9 years	23.9 years	Men (in 20 years time)	23.9 years	23.9 years
27.1 years	27.1 years	Women (in 20 years time)	27.2 years	27.2 years
2.1%	2.1%	Rate of CPI inflation	2.4%	2.4%
3.35%	-	Rate of increase in salaries	3.95%	-
2.2%	2.3%	Rate of increase in pensions	2.5%	2.5%
2.4%	2.4%	Rate for discounting scheme liabilities	2.3%	2.3%

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 £55m 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 £32m 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 £3m 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 £31m 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**

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	46,555	15,994	1,284,223
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 as restated	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	52,919	11,574	1,338,000
Depreciation and Impairment								
At 1 Apr 19	(2)	(25,027)	(42,189)	(52,220)	(7,472)	0	(1,480)	(128,390)
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 - as restated	(10)	3	4	(1)	1	0	4	1
At 31 Mar 20	(3,360)	(24,981)	(46,515)	(56,965)	(7,490)	(0)	(1,474)	(140,786)
Net Book Value								
At 31 Mar 20	654,921	275,384	26,523	176,301	1,068	52,919	10,101	1,197,214
At 31 Mar 19	638,670	266,446	25,579	162,999	1,071	46,555	14,513	1,155,830

2020/21	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
<b>Cost or Valuation</b>								
At 1 Apr 20	658,281	300,365	73,038	233,266	8,558	52,919	11,574	1,338,001
Additions	18,115	8,477	6,048	13,137	33	26,285	669	72,764
Accumulated Depreciation and Impairment written out to gross cost/valuation	(19,852)	(9,804)	0	0	0	0	(1,474)	(31,130)
Revaluation increases/decreases to Revaluation Reserve	33,353	8,957	0	0	(16)	0	(127)	42,169
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,556)	(2,125)	0	0	(3)	0	(853)	(7,537)
Derecognition - Disposals	(3,363)	(33,296)	(18,053)	(72)	(1,096)	0	(55)	(55,934)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	0	0	0	0	0	0	(7,380)	(7,380)
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other Movements in cost valuation	12,462	9,719	709	5,310	5	(34,822)	6,032	(585)
At 31 Mar 21	694,440	282,294	61,743	251,641	7,483	44,383	8,388	1,350,368
<b>Depreciation and Impairment</b>								
At 1 Apr 20	(3,360)	(24,981)	(46,515)	(56,965)	(7,490)	(0)	(1,474)	(140,786)
Accumulated Depreciation and Impairment written out to gross cost/valuation	19,852	9,804	0	0	0	0	1,474	31,130
Depreciation Charge	(16,533)	(7,535)	(5,681)	(4,694)	(3)	0	(12)	(34,458)
Impairment losses/reversals to Revaluation Reserve	0	(785)	0	0	0	0	0	(785)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(268)	(39)	(85)	(15)	0	0	(408)
Derecognition - Disposals	46	14,346	17,405	0	1,096	0	0	32,893
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	(5)	5	0	0	1	0	0	1
At 31 Mar 21	1	(9,414)	(34,831)	(61,744)	(6,412)	(0)	(13)	(112,413)
<b>Net Book Value</b>								
At 31 Mar 21	694,440	272,881	26,912	189,897	1,071	44,382	8,374	1,237,955
At 31 Mar 20	654,921	275,384	26,523	176,301	1,068	52,919	10,101	1,197,214

(a) Carrying Value of PFI Assets

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

2019/20 £000		2020/21 £000
61,172	Cost or Valuation:	56,609
(708)	At 1 April	(1,875)
153	Accumulated Depreciation and Impairment written out to gross cost/valuation	240
822	Additions	2,988
(539)	Revaluation Increases / (Decreases) taken to Revaluation Reserve	933
(4,291)	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	0
	Derecognition - Disposals	
56,609	Cost or Valuation at 31 March	58,894
4,709	Depreciation & Impairment:	5,194
(708)	At 1 April	(1,875)
1,395	Adjustments between cost / value & depreciation/impairment	1,693
0	Depreciation Charge	0
0	Depreciation written out on Revaluation Reserve	0
42	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	129
106	Impairment Losses Recognised in the Revaluation Reserve	111
(350)	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	0
5,194	Derecognitions - Disposals	
5,194	Depreciation and impairment at 31 March	5,252
51,415	Net Book Value	
51,415	At 31 March	53,642

2019/20 £000		2020/21 £000
49,453	Land and buildings	51,853
1,962	Vehicles, Plant, Furniture and Equipment	1,789
0	Assets under Construction	0
51,415	Total	53,642

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 2020/21 the HRA assets were revalued by Damien Johnson BSc(Hons), Pg. Dip, MRICS (registered valuer), Principal Estates Surveyor, and General Fund assets by Mark Liversidge BSc (Hons), MRICS (registered valuer), acting as Internal Valuers within the Council's Regeneration and Environment Services. The Statement of Accounting Policies provides further information on revaluation and depreciation policies. The table below provides an analysis between the carrying value of assets carried in the balance sheet at historical cost and those carried in the balance sheet at fair value together with, in the case of the latter, when assets were revalued.

This year the Council's internal valuer was instructed to provide an assessment of those assets not revalued as part of the five year rolling programme, based upon those assets that were revalued. Where applicable valuation adjustments have then been processed against those assets not revalued in year to ensure the accounts are not materially misstated. In addition a detailed assessment of the movement of asset value in year has taken place, ie from the 1 April 2020 to the 31 March 2021, again where applicable, adjustments have been processed.

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

Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, valuers have recommended that the valuation of this property is kept under frequent review.

d) Revaluations and Impairment

In 2020/21 there was a net valuation increase of £33.438m. Contained within the net figure is a £34.631m revaluation increase, mainly due to valuation increases across Council Dwellings and Schools. This was offset by (£1.193m) of impairment losses. The Council implements a rolling 5 year valuation process for Council Dwellings and Other Land and Buildings categories, picking up 20% of assets per class each year. However, the Council also considers any potential movements on the 80% not revalued and on the potential movement in year on any of these assets. If a significant adjustment is identified and processed to the asset class it effectively acts as a new valuation, by way of example in 2020/21 Council Dwellings had a movement applied to the whole asset class as such the values in the table below are all shown at 31 March 2021 rather than spread across all five years.

	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	11,932	36,807	61,743	251,641	7,480	0	0	369,603
<u>Valued at fair value as at:</u>								
31 Mar 21	682,508	143,089	0	0	0	7,996	44,382	877,975
31 Mar 20	0	28,707	0	0	0	357	0	29,064
31 Mar 19	0	57,484	0	0	0	35	0	57,519
31 Mar 18	0	5,697	0	0	0	0	0	5,697
31 Mar 17	0	10,509	0	0	2	0	0	10,511
<b>Total Cost or Valuation</b>	<b>694,440</b>	<b>282,293</b>	<b>61,743</b>	<b>251,641</b>	<b>7,482</b>	<b>8,388</b>	<b>44,382</b>	<b>1,350,369</b>

e) Capital commitments

At 31 March 2021 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21. The Council had significant commitments of £1 million or more budgeted to cost £121.445m (£13.811m at 31 March 2020).

	Cost £000
<u>Neighbourhood and Adult Services:</u>	
Refurbishment of Dwellings	51,206
New Build	31,842
<u>Regeneration &amp; Environment</u>	
Parkway Widening	35,619
Holmes Tail Goit	2,778
<b>Total</b>	<b>121,445</b>

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

f) Fair Value Hierarchy – Surplus Assets

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

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

## 2020/21 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 2021
				£000
Land and Buildings	0	8,375	0	8,375
<b>Total</b>	<b>0</b>	<b>8,375</b>	<b>0</b>	<b>8,375</b>

## 2019/20 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 2020
				£000
Land and Buildings	0	10,101	0	10,101
<b>Total</b>	<b>0</b>	<b>10,101</b>	<b>0</b>	<b>10,101</b>

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 £8.375m (£10.101m as at 31 March 2020) 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:

2019/20 £000		2020/21 £000
(1,600)	Rental income from investment property	(1,516)
365	Direct operating expenses arising from investment property	450
(1,235)	Net income	(1,066)
361	Net (gain)/loss from fair value adjustments	6,576
0	(Gain)/loss on disposal	190
(874)	Total included in Finance & Investment Income	5,700

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

2019/20 £000		2020/21 £000
27,573	Balance at 1 April	32,576
5,824	Subsequent expenditure	239
0	Disposals	(190)
(360)	Net gains / (loss) from fair value adjustments	(6,576)
0	Net gain / (loss) through Revaluation Reserve	0
(461)	Transfers from Property, Plant & Equipment	550
32,576	Balance 31 March	26,599

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 estimation 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:

2020/21 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 2021
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Land and Buildings	0	26,599	0	26,599
Total	0	26,599	0	26,599

2019/20 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 2020
	Level 1 £000	Level 2 £000	Level 3 £000	£000
Land and Buildings	0	32,578	0	32,578
Total	0	32,578	0	32,578

#### 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 £26.599m (£32.578m as at 31 March 2020) 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 2021 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.

2019/20 £000		2020/21 £000
	Balance at 1 April:	
8,294	- Gross carrying amount	13,602
(5,260)	- Accumulated amortisation	(6,451)
3,034	Net carrying amount at 1 April	7,151
	Additions:	
5,308	- Purchases	3,116
0	- Reclassified from PP&E under Construction	0
(1,191)	Amortisation	(3,012)
7,151	Net carrying amount at 31 March	7,255
	Comprising:	
13,602	Gross carrying amounts	16,718
(6,451)	Accumulated amortisation	(9,463)
7,151	Balance at 31 March	7,255

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

	Assets Held for Sale-Current		Assets Held for Sale-Non-current	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Balance at 1 April	180	3,019	0	0
<u>Assets newly classified as held for sale:</u>				
- Property, Plant and Equipment	0	0	0	0
- Revaluation losses	0	(56)	0	0
- Revaluation gain	0	0	0	0
- Other Movements	0	0	0	0
<u>Assets declassified as held for sale:</u>				
- Reclassified to Property, Plant and Equipment	3,219	7,380	0	0
- Assets sold	(380)	(9,227)	0	0
Balance at 31 March	3,019	1,115	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 2020/21, 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.

	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 20	7,079	1,746	258	9,083
Additions	13	0	0	13
Revaluation increases/decreases to Revaluation Reserve	0	0	0	0
31 Mar 21	7,092	1,746	258	9,096
31 Mar 20	7,079	1,746	258	9,083

Disposal of Heritage Assets in 2020/21

There have been no Heritage Asset disposals in 2020/21.

Additions of Heritage Assets in 2020/21

There has been a donation of Heritage Assets valued at £0.013m in 2020/21.

**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	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Borrowings	385,069	442,241	251,320	245,328
Plus Accrued Interest	0	0	4,458	4,541
Plus Creditors	125,040	121,085	76,052	112,162
Plus bank overdraft	0	0	7,157	7
Plus(+)Less(-) Other accounting adjustments	0	0	0	0
Financial liabilities at amortised cost	510,109	563,326	338,986	362,038
Financial liabilities at fair value through profit and loss	0	0	0	0
Total Financial Liabilities	510,109	563,326	338,986	362,038
Non Financial Liabilities	3,795	3,771	5,153	5,625
Total	513,904	567,097	344,139	367,663
Investments	1,058	1,014	392	367
Plus Accrued Interest	0	0	44	36
Plus Debtors	586	599	38,166	58,094
Plus Cash & Cash Equivalents	0	0	59,044	100,496
Plus(+)Less(-) Other accounting adjustments	0	0	0	0
Financial Assets				
at Amortised Cost	1,644	1,613	97,646	158,963
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	1,834	1,803	97,646	158,963
Non-Financial Assets			16,339	16,406
Total	1,834	1,803	113,985	175,369

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 management 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 2020/21 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 21	
				£000	
		(a)	(b)	(c)	
<u>Deposits with banks and financial institutions – excluding Heritable Bank</u>					
AAA rated counterparties	47,830	0.000%	0.000%	0	
AA rated counterparties	0	0.020%	0.020%	0	
A rated counterparties	10,000	0.040%	0.040%	4	
Bonds	0	0.000%	0.000%	0	
Banks and Financial Institutions	57,830			4	
<u>Debtors</u>					
Long Term Debtors	599	3.341%	3.341%	20	
Loans to Third Parties	1,418	40.846%	40.846%	579	
Sundry Debtors	11,461	7.905%	7.905%	906	
Housing Tenants	7,612	65.107%	65.107%	4,956	
Other Short-Term Debtors	22,751	3.886%	3.886%	884	
Debtors	43,841			7,345	

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 £7.345m 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 2020/21 year-end position is required.

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

HRA levels of tenant debt have reduced and as robust and prudent levels of bad debt provision were included in the 2020/21 HRA accounts, it is considered that the 2020/21 debtor balances have not been impaired as a result of the pandemic and that no material restatement is required for the 2020/21 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 20 £000		31 Mar 21 £000
7,839	Less than three months	8,332
1,272	Three to six months	402
1,993	Six months to one year	792
2,422	More than one year	1,935
13,526		11,461

### Collateral

The Council initiates a legal charge on property where, for instance, clients require the assistance of social care services but cannot afford to pay immediately. The total collateral at 31 March 2021 was £0.649m (£0.774m as at 31 March 2020).

### 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 20 £000		31 Mar 21 £000
251,320	Less than one year	245,328
25,328	Between one and two years	75,571
34,982	Between two and seven years	42,163
12,326	Between seven and fifteen years	12,421
312,433	More than fifteen years	312,086
636,389		687,569

The maturity analysis of financial assets is as follows:

31 Mar 20 £000		31 Mar 21 £000
53,825	Less than one year	57,830
0	Between one and two years	0
0	Between two and three years	0
0	More than three years	0
53,825		57,830

All Sundry Debtors and other payables are due to be paid in less than one year. These Sundry Debtors of £11.461m 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:

2019/20 £000		2020/21 £000
0	Impact on Surplus or Deficit on the Provision of Services	0
0	Share of overall impact debited to the HRA	0
(192,422)	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)	(141,055)

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 2021 are as follows:

2019/20		Financial Liabilities	Financial Assets			2020/21
			Liabilities measured at amortised cost	amortised cost	fair value through profit or loss	
Total						Total
£000		£000	£000	£000	£000	£000
18,976	Interest expense	18,648	0	0	0	18,648
0	Impairment (gain)	0	0	0	0	0
104	Premium/discounts	0	0	0	0	0
12,867	Finance Lease Interest	12,807	0	0	0	12,807
31,947	Interest payable and similar Charges	31,455	0	0	0	31,455
(320)	Interest income	0	(91)	0	0	(91)
31,627	Net gain (-) / loss (+) for the year	31,455	(91)	0	0	31,364

**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 2021 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 31/3/20 £000	As at 31/3/21 £000
Fair Value through Other Comprehensive Income				
Equity shareholding in BDR Property Ltd	Level 3	Discounted cash flow	190	190
<b>Total</b>			<b>190</b>	<b>190</b>

**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 20			31 Mar 21	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
		<u>Long and Short-term</u>		
185,737	239,569	PWLB debt	173,333	239,301
215,134	566,064	Non-PWLB debt	215,124	469,371
239,976	239,976	Temporary Borrowing	220,500	220,500
640,847	1,045,608	Total Debt	608,957	929,173
83,209	83,209	Short Term Creditors	112,132	112,132
125,040	125,040	Long Term Creditors	121,085	121,085
849,095	1,253,857	Total Financial Liabilities	842,174	1,162,389

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 2021) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £173.333m 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 (£65.968m) 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 (£103.577m) that would not then be paid. The exit price for the PWLB loans including this charge would therefore be £276.910m.

31 Mar 20			31 Mar 21	
Carrying amount £000	Fair Value £000		Carrying amount £000	Fair Value £000
53,825	53,825	Money Market loans less than one year	57,830	57,830
5,219	5,219	Cash & Cash Equivalents	42,666	42,666
190	190	Equity	190	190
1,493	1,493	Third Party Loans	1,418	1,418
586	586	Long-term Debtors	599	599
13,526	13,526	Sundry Debtors	11,461	11,461
8,819	8,819	Housing Rents	7,612	7,612
15,822	15,822	Other Short-Term :	9,668	9,668
(7,918)	(7,918)	Bad Debts Provision	(7,345)	(7,345)
91,564	91,564	Total Financial Assets at Amortised Cost	124,098	124,098

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 2021 the Council no longer holds any soft loans requiring disclosure, following the conversion of the £1.5m soft loan from the Sheffield City Region to a capital grant. The loan was provided to allow the Council to purchase the key strategic Forge Island site, issued a 0% rate on the basis that if SCR funds allowed in future financial years it could be converted to a capital grant, this has now been completed.

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 2021 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	0.004

The Council has recouped almost all of the original investment (£1.796m / 99.72%) with an outstanding balance as at 31 March 2021 of £4,404. 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 received £27,858 in 2020/21. The administrators stated this to be the final payment.

**Recognition in the CIES**

There was impairment loss of £6,140 recognised in the Comprehensive Income and Expenditure Statement in 2020/21 combined with the previous impairment gain gives the total impairment of £4,404.

**Note 30 Long-Term Investments**

2019/20 £000		2020/21 £000
190	<u>Investments in Associates and Joint Ventures:</u> Investment in BDR Property Limited (formerly Arpley Gas Ltd)	190
190	Balance at 31 March	190

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

Note 31 Inventories

2019/20 £000		2020/21 £000
659	Balance at 1 April	761
3,644	Purchases	4,112
(3,530)	Recognised in year as expense	(3,999)
(12)	Written on / (off) in year	(29)
761	Balance at 31 March	845

**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 2021 (Nil 2019/20).

Note 33 Debtors

	Short Term		Long Term	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Central Government Bodies	14,305	15,740	0	0
Other Local Authorities	4,258	5,710	0	0
NHS Bodies	4,778	4,922	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	35,829	55,507	1,022	993
<b>Total</b>	<b>59,170</b>	<b>81,879</b>	<b>1,022</b>	<b>993</b>

Covid-19

The Sundry Debtor balances within the 2020/21 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 2020/21 accounts is not considered necessary.

There is still considerable uncertainty about the impact of Covid-19 on collection rates for Business Rates and Council Tax including arrears in 2021/22 onwards. 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 in place, an impairment adjustment to the council Tax and Business Rates debtor balances as at 31 March 2021 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 20 £000		31 Mar 21 £000
59,106	Cash and Bank balances	100,702
(7,219)	Bank Overdraft	(7)
51,888	Total Cash and Cash Equivalents	100,695

**Note 35**      **Creditors**

	Short Term		Long Term	
	2019/20 £000	2020/21 £000	2019/20 £000	2020/21 £000
Central Government Bodies	(8,645)	(32,096)	0	0
Other Local Authorities	(1,176)	(1,379)	(1,532)	(500)
NHS Bodies	(7,265)	(13,969)	0	0
Public corporations and trading funds	0	0	0	0
Other Entities and Individuals	(58,967)	(64,729)	(18)	(19)
<b>Total</b>	<b>(76,052)</b>	<b>(112,173)</b>	<b>(1,550)</b>	<b>(519)</b>

**Note 36**      **Provisions**

<b>Current Year</b>	Balance as at 1 Apr 20 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 21 £000
Insurance Claims	(3,687)	0	0	0	(3,687)
Compensation Payments	(666)	0	24	0	(642)
Business Rates Appeals	(4,539)	(950)	865	0	(4,624)
Other	(56)	(396)	9	0	(443)
<b>Total</b>	<b>(8,948)</b>	<b>(1,346)</b>	<b>898</b>	<b>0</b>	<b>(9,396)</b>
<b>Current Provisions</b>	<b>(5,153)</b>	<b>(1,346)</b>	<b>33</b>	<b>0</b>	<b>(6,466)</b>
Long Term Provisions	(3,795)	0	865	0	(2,930)
<b>Total</b>	<b>(8,948)</b>	<b>(1,346)</b>	<b>898</b>	<b>0</b>	<b>(9,396)</b>
<b>Comparative Year</b>	Balance as at 1 Apr 19 £000	Increase in provision during £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)
<b>Total</b>	<b>(9,940)</b>	<b>(588)</b>	<b>1,580</b>	<b>0</b>	<b>(8,948)</b>
<b>Current Provisions</b>	<b>(4,940)</b>	<b>(588)</b>	<b>375</b>	<b>0</b>	<b>(5,153)</b>
Long Term Provisions	(5,000)	0	1,205	0	(3,795)
<b>Total</b>	<b>(9,940)</b>	<b>(588)</b>	<b>1,580</b>	<b>0</b>	<b>(8,948)</b>

Insurance claims

The Council's 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, at present this is determined at £250,000. 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 with the Council meeting the first £150,000 of every settlement.

(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 2021 will be made during 2021/22 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 2020/21 to £25m. The total cost to the Council of Covid-19 in terms of expenditure, lost income and unachieved savings and the total 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, above those detailed within the Council's Budget and Council Tax Report 2021/22 will be necessary in 2021/22.

31 Mar 20 £000		31 Mar 21 £000
	CAPITAL RESERVES	
(16,971)	Capital Receipts Reserve	(18,306)
(15,974)	Major Repairs Reserve	(27,918)
(16,370)	Capital Grants Unapplied Account	(22,699)
(49,315)	Sub-Total Capital Reserves	(68,923)
	REVENUE RESERVES	
(20,700)	General Fund Minimum Balance – Council	(25,000)
(13,411)	Earmarked Reserves excluding DSG and Covid-19	(28,822)
(34,111)	Sub-Total General Fund Council and Earmarked Reserves excluding DSG/Covid-19	(53,822)
(2,524)	General Fund - Schools	(3,181)
(15,274)	Earmarked Reserve Covid-19 Grant	(27,430)
19,892	Earmarked Reserve DSG	21,258
(17,116)	HRA	(10,599)
0	HRA Earmarked Reserve	(1)
(15,022)	Sub-Total Other Reserves	(19,953)
(98,448)	TOTAL USABLE RESERVES	(142,698)

(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.

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

(f) Covid-19 Grants Reserve

The Covid-19 reserve was established to hold the early payment and carrying balances of Government grants provided to support the Council in its response to the pandemic.

(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 (see note 16 for further details). 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, must be addressed from school funding, therefore the deficit must be carried forward. Childrens' and Young Peoples Service have implemented a plan to reduce the deficit in the short term and recover the deficit over the longer term.

(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 20 £000		31 Mar 21 £000
	CAPITAL RESERVES	
(219,412)	Capital Adjustment Account	(221,381)
(186,020)	Revaluation Reserve	(211,042)
(98)	Deferred Capital Receipts	0
	REVENUE RESERVES	
450,155	Pensions Reserve	513,724
4,424	Short term accumulating absences account	4,068
305	Financial instruments adjustment account	248
(5,008)	Collection Fund adjustment account	12,404
44,346	TOTAL UNUSABLE RESERVES	98,021

(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.

2019/20 £000		2020/21 £000
(203,095)	Balance 1 April	(219,412)
2,749	Debt Repayment	49
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,191	Amortisation of Intangible Assets	3,012
21,712	Charges for depreciation and impairment of non-current assets	31,856
7,312	Revenue expenditure funded from capital under statute	4,561
22,825	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	32,459
17,442	Depreciation - Major Repairs Reserve	17,179
(1,896)	Write down of Met Debt deferred Liability	(2,085)
	Adjusting amounts written out to Revaluation Reserve:	
(2,928)	Disposal	(10,621)
(4,998)	Excess of current cost depreciation over historic cost depreciation	(5,741)
	Capital Financing Applied in the year:	
(18,973)	Use of Capital Receipts Reserve to finance capital expenditure	(10,703)
(2,749)	Use of Capital Receipts Reserve to repay debt	(49)
(15,548)	Use of Major Repairs Reserve to finance capital expenditure	(9,369)
	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing:	
(24,473)	Application of grants to capital financing from the Capital Grants Unapplied Account	(32,370)
(6,029)	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,582)
2,913	MRP holiday	0
(14,867)	Capital expenditure charged against the General Fund and HRA balances	(13,565)
(219,412)	TOTAL	(221,381)

(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.

2019/20 £000		2020/21 £000
(166,745)	Balance 1 April	(186,020)
(28,267)	Net revaluation gains/losses not charged to the Surplus / ( Deficit) on Provision of Services	(42,169)
1,066	Impairment losses and reversals thereof not charged to the Surplus / (Deficit) on Provision of Services	785
(27,201)	Sub total - net revaluation and impairment gains / losses not posted to the Surplus / Deficit on provision of Services	(41,383)
2,928	Accumulated Gains on assets sold or scrapped	10,621
4,998	Excess of fair value depreciation over historic cost depreciation transferred to Capital Adjustment Account	5,741
(186,020)	Balance at 31 March	(211,042)

(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.

2019/20 £000		2020/21 £000
(98)	Balance 1 April	(98)
0	Transfer to the Capital Receipts Reserve of cash received	98
(98)	Balance at 31 March	0

(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 2021 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. The statutory arrangements will ensure that the funding will have been set aside by the time the benefits come to be paid.

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

2019/20 £000		2020/21 £000
466,820	Balance 1 April	450,155
(38,851)	Remeasurements of the net defined benefit liability/(asset)	40,880
47,999	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	43,450
(25,813)	Employer's pensions contributions and direct payments to pensioners payable in the year	(20,761)
450,155	Balance 31 March	513,724

(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.

2019/20			2020/21	
£000	£000		£000	£000
(3,838)	3,869	Balance 1 April		4,424
4,234		Settlement or cancellation of accrual made at the end of the preceding year	(4,424)	
	555	Amounts accrued at the end of the current year	4,068	
		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		(356)
	4,424	Balance at 31 March		4,068

(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.

2019/20 £000		2020/21 £000
425	Balance at 1 April Movement in year:	305
69 (189)	Premium and discounts Soft Loans	(25) (32)
305	Balance carried forward at 31 March	248

(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 government measures developed in relation to the Collection Fund, it is not considered that the 2020/21 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2021/22.

2019/20 CTAX £000	2019/20 NNDR £000	2019/20 Total £000		2020/21 CTAX £000	2020/21 NNDR £000	2020/21 Total £000
(4,923)	(1,095)	(6,018)	Balance 1 April Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	(4,452)	(556)	(5,008)
471	539	1,010		1,514	15,898	17,412
(4,452)	(556)	(5,008)	Balance at 31 March	(2,938)	15,342	12,404

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

2019/20 £000		2020/21 £000
21,858	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
0	Capital Grants credited to surplus or deficit on the provision of services	38,699
15,604	Net adjustment from sale of long term investments	28
	Proceeds from the sale of property plant and equipment, investment property and intangible assets & other capital receipts	13,850
37,462		52,577
(243)	Interest received (cash basis)	(282)
31,289	Interest paid (cash basis)	31,385

Note 40Cash Flow – from Investing Activities

2019/20 £000		2020/21 £000
91,690	Purchase of property, plant and equipment, investment property, heritage and intangible assets	74,609
0	Long term loans granted	0
0	Purchase of short term investments	0
0	Purchase of Long term investments	0
71	Capital Grants and Contributions Repaid	260
(15,604)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets & other capital receipts	(13,850)
(28,843)	Capital Grants and Contributions Received	(30,217)
(2,732)	Other receipts from investing activities	(76)
44,582	Net cash outflow from Investing Activities	30,726

Note 41Cash Flow – from Financing Activities

2019/20 £000		2020/21 £000
(297,500)	Cash receipts of short- and long-term borrowing	(377,614)
148	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	145
247,813	Repayments of short- and long-term borrowing	326,434
5,756	Other payments for financing activities	6,495
(43,783)	Net cash outflow from Financing Activities	(44,540)

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

	2020/21 01 Apr 20 £000	Cash Flow £000	Non Cash Change £000	2020/21 31 Mar 21 £000
Long Term Borrowing	(385,069)		(57,172)	(442,241)
Short Term Borrowing	(255,778)	(51,180)	57,089	(249,869)
PFI & Lease Liabilities Short Term	(3,426)	3,426	(2,986)	(2,986)
PFI & Lease Liabilities Long Term	(123,491)		2,986	(120,505)
NNDR & CTAX		3,214		
	(767,764)	(44,540)	(83)	(815,601)

	2019/20 1 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)

**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.

2019/20 £000		2020/21 £000
825,589	Opening Capital Financing Requirement Capital Investment	843,702
78,541	Property, Plant and Equipment	72,711
5,824	Investment Properties	239
5,308	Intangible Assets	3,116
0	Heritage Asset	13
7,312	Revenue Expenditure funded from Capital under Statute	4,561
922,574	Sources of finance:	924,342
(18,973)	Capital receipts to finance new capital expenditure	(10,703)
(24,473)	Government grants and other contributions	(32,370)
(15,548)	Major Repairs Allowance	(9,369)
	Sums set aside from revenue	
	Direct revenue contributions:	
0	General Fund	0
(14,867)	Housing Revenue Account	(13,565)
(6,839)	Minimum Revenue Provision	(7,879)
2,913	MRP holiday	
2,072	Historical correction to reflect MRP reprofiling on finance leases	0
(3,157)	Write down of finance lease liability	(787)
(78,872)		(74,673)
843,702	Closing Capital Financing Requirement	849,669

2019/20 £000	Explanation of movements in year	2020/21 £000
18,113	Increase in underlying need to borrowing (unsupported by government financial assistance)	5,967
0	Assets acquired under finance leases	0
18,113	Increase in Capital Financing Requirement	5,967

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 Council's 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 Council's 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 2020/21 continuing into 2021/22 will be abortive or suffer from removed grant funding and no issues arising in 2021/22 have been identified that will require the capital expenditure included in 2020/21 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 20 £000	31 Mar 21 £000
Finance Lease Liability outstanding at start of year	(28,032)	(27,884)
Principal repaid in year	148	145
Less: Schools converting to academies Finance Lease Liability written off	0	0
New Liabilities arising in year	0	0
Balance outstanding at year end	(27,884)	(27,739)
Short Term Creditors	(145)	(146)
Long Term Liabilities	(27,739)	(27,593)

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 Mar 20 £000	31 Mar 21 £000	31 Mar 20 £000	31 Mar 21 £000
Not later than one year	(2,801)	(2,846)	(145)	(146)
Later than one year and not later than five years	(11,874)	(12,112)	(674)	(738)
Later than five years	(128,926)	(125,156)	(27,064)	(26,855)

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

2019/20 £000		2020/21 £000
25,774	Land and buildings	25,075
62	Vehicles, Plant, Furniture and Equipment	55
25,836	Total	25,130

(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:

2019/20 £000		2020/21 £000
833	Within one year	673
1,451	Between one year and five years	1,219
5,574	After more than five years	5,660

The expenditure charged to service in 2020/21 in the Comprehensive Income and Expenditure statement in relation to these leases was £0.731m (£1.149m 2019/20).

(c) Finance leases – Council as Lessor

The Council does not hold any finance lease lessor arrangement that generate a 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 2021, 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 9 PFI schools, 3 primary and 6 secondary schools which have converted to academy trusts and therefore transfer to the individual trusts under 125 year lease arrangements with the Council. 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 £16.552m 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 involved 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 £4.673m. 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.

(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 2020/21. Payments during the year totalled £6.825m.

(e) Movements in Finance Liabilities

The Table below shows the movements in the Finance Liabilities during 2020/21:

	31 Mar 20 £000	31 Mar 21 £000
Balance outstanding at start of year	(101,645)	(99,033)
Principal repaid in year	2,612	3,281
Balance outstanding at year end	(99,033)	(95,752)
Short Term Creditors	(3,281)	(2,840)
Long Term Liabilities	(95,752)	(92,912)

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	17,185	2,840	9,671	29,696
Two to five years	72,733	14,927	36,749	124,409
Six to ten years	101,322	28,446	40,191	169,959
Eleven to Fifteen years	93,502	30,540	27,824	151,866
Sixteen to twenty years	75,344	15,984	12,408	103,736
Twenty one to twenty five years	12,581	3,013	3,459	19,053

**Note 45 Capitalised borrowing costs**

The Council had £68,522 of capitalised borrowing costs during 2020/21 (£132,602 in 2019/20) the capitalisation rate used in 2020/21 was 3.654% (4% in 2019/20).

**Note 46 Contingent Liabilities**

The Council discloses contingent liabilities in excess of £50,000 those that meet this requirement are disclosed below.

Public Liability claims

The Council has 1 outstanding public liability claim.

Motor claims

The Council has 1 outstanding motor claim.

Contract related claim

The Council has an outstanding contractual issue in relation to a refurbishment programme.

Employment Tribunals

There are a small number of outstanding tribunal cases awaiting hearing.

**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. 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.

Contract related claim

The Council has an outstanding contractual issue in relation to a refurbishment programme.

**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 2020 £	Income £	Expenditure £	Balance as at 31 Mar 21 £
Treeton Council School War Memorial	831	58	0	889
EJ Butland, Treeton Infants	737	52	0	789
Whiston Two Wars Memorial	1062	75	0	1137
<b>Total</b>	<b>2,630</b>	<b>185</b>	<b>0</b>	<b>2,815</b>

Trust Funds – Balance Sheet

2019/20 £		2020/21 £
	<u>Assets</u>	
58	Investments	58
59	- Treeton Council School War Memorial	59
233	- EJ Butland, Treeton Infants	233
	- Whiston Two Wars Memorial	
350	Total Investments	350
44		45
2,587	- Debtors	
	- Cash	2,770
2,981	Total Assets	3,165
	<u>Financed by:</u>	
350	- Fund Balance	350
2,630	- Accumulated Investment Interest	2,815
2,980	Total Equity	3,165

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, £3.170m 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 was subsequently 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 was recovered in 2019/20.

Loss on disposal of non-current assets

The loss on disposal of non-current assets reported in Note 4 of £17.824m includes £16.910m of school property, plant and equipment transferred from the Council's balance sheet as a result of schools converting to academies.

Pensions Prepayments

The Council is liable to make annual revenue contributions in respect of its Pension Fund 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 2020/21, 2021/22 and 2022/23 could be settled by way of a single payment made in April 2020. The amount settled in April 2020 in respect of 2020/21 was £14.444m. The discount given for doing this has been apportioned over the three years on a pro rata basis.

Covid income and expenditure

Throughout the pandemic the Council has incurred significant additional costs in its efforts to manage and mitigate the impact of Covid-19. These financial pressures cut across three main themes,

additional costs incurred due to the pandemic, lost sales, fees and charges income as a result of closed services and delayed delivery of planned savings. The Council has been able to mitigate these pressures through the use of Government provision of emergency funding to support the Covid-19 response, sales, fees and charges income compensation claims and used in 2020/21 of specific Covid-19 government grants.

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

31 Mar 20 £000		31 Mar 21 £000	Notes
(95,752)	PFI Liability	(92,911)	44
(27,739)	Finance Lease Liability	(27,593)	43
(450,155)	Pension Liability	(485,210)	18
0	Deferred Liabilities	0	
(573,645)	Total	(605,714)	

**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 30 July 2021. 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 2021, 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 2021 some of the financial implications of the Covid-19 pandemic were known and some actions to address the pandemic were in place by the 2020/21 reporting date, the longer term effects of Covid-19 are not fully known, with further costs and income losses expected to hit the 2021/22 financial year and beyond. It is recognised that the pandemic is potentially an Adjusting Post Balance Sheet Event in the context of the 2020/21 Financial Statements, however there is still considerable uncertainty with respect to the progress of the pandemic and of the national recovery. The 2020/21 Financial Statements have been reviewed in light of the pandemic, the expectation is that the bulk of the financial impact of Covid-19 hit 2020/21 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.

2019/20 £000		2020/21 £000	Notes
	<u>Expenditure</u>		
20,123	Repairs and maintenance	16,904	
23,896	Supervision and management	24,397	
248	Rents, rates, taxes and other charges	439	
21,630	Depreciation and impairment of Non Current Assets	24,800	
229	Debt management costs	258	
792	Provision for bad or doubtful debts	477	8
499	HRA services share of Corporate and Democratic Core	498	
147	HRA share of other amounts included in whole Authority Cost of Services but not allocated to specific services	196	
67,564	Total Expenditure	67,969	
	<u>Income</u>		
77,036	Dwelling rents	77,184	
765	Non-dwelling rents	729	
6,140	Charges for services and facilities	5,843	
83,941	Total Income	83,756	
(16,377)	Net Cost of HRA Services	(15,787)	
	<u>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</u>		
(1,310)	Gain on sale of HRA Non Current Assets	1,116	
13,576	Interest Payable and similar charges	13,296	9
(315)	Interest receivable	(33)	
653	Pensions interest cost and expected return on pension assets	631	10
(1,329)	Capital grants and contributions receivable	(10,230)	
122	HRA Cap grant	363	
0	Revaluation of Assets held for sale	0	
(4,980)	Surplus for the year on HRA services	(10,644)	

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

2019/20			2020/21	
£000	£000		£000	£000
	(26,540)	Balance on the HRA at the end of the previous year		(17,116)
(4,980)		Surplus for the year on HRA Income and Expenditure Account	(10,644)	
14,439		Adjustments between accounting basis and funding basis under statute	17,160	
9,459		Net increase before transfers to or from reserves	6,516	
(35)	9,424	Transfers to(from) reserves	1	6,517
		Decrease in year on the HRA		
	(17,116)	Balance on the HRA at the end of the current year		(10,599)

## 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.

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>	4,004	0	4,004
Charges for impairment of non current assets (Council dwellings only)	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>			
Reversal of Major Repairs Allowance credited to the HRA	(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 1 continued

2020/21	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	7,561	0	7,561
Amortisation of Intangible Assets	328		328
Capital grants and contributions applied	(10,230)	0	(10,230)
Revenue Expenditure Funded from capital under statute	213		213
Gain/Loss on disposal on non current assets charged to the Comprehensive Income and Expenditure Statement	1,116	0	1,116
<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	(13,565)	0	(13,565)
<u>Adjustments primarily involving the Major Repairs Reserve:</u>			
Transfer from HRA to Major Repairs Reserve re notional MRA	(4,134)	4,134	0
HRA Depreciation to the Capital Adjustment Account	0	17,179	17,179
Use of the Major Repairs Reserve to finance new capital expenditure	0	(9,369)	(9,369)
<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	0	0	0
<u>Adjustments primarily involving the Pensions Reserve:</u>			
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,778	0	2,778
Employer's pension contributions and direct payments to pensioners payable in the year	(1,237)	0	(1,237)
Short-term Accumulated Absences Account	10	0	10
Total Adjustments	(17,160)	11,944	(5,216)

**Note 2 Housing Stock at 31 March 2021**

	Houses	Flats	Bungalows	Total
1 Bedroom	3	2,220	2,783	5,006
2 Bedroom	1,958	2,797	1,936	6,691
3 Bedroom	7,879	296	50	8,225
4+ Bedroom	265	8	0	273
<b>Total</b>	<b>10,105</b>	<b>5,321</b>	<b>4,769</b>	<b>20,195</b>

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

2019/20	Dwellings Council £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	21,243	5,471	0	8,854	7,625	43,193
Accumulated Depreciation and Impairment written out to gross cost/valuation	(13,356)	(863)	0	0	(0)	(14,219)
Revaluation increases/decreases to Revaluation Reserve	16,369	1,079	0	0	(795)	16,653
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,008)	43	0	0	1	(3,964)
Derecognition	(5,193)	(48)	0	0	(8,402)	(13,643)
Assets reclassified (to) / from Investment Property	0	0	0	0	0	0
Other Movements in cost valuation	4,551	(211)	0	(4,339)	(1,286)	(1,285)
At 31 Mar 20	658,281	18,124	491	29,183	7,407	713,486
Depreciation and Impairment						
At 1 Apr 19	(7)	(1,112)	(419)	0	(0)	(1,538)
Accumulated Depreciation written out to gross cost/valuation	13,356	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)	(490)	0	(3)	(5,008)
Net Book Value						
At 31 Mar 20	654,917	16,973	1	29,183	7,404	708,478
At 31 Mar 19	638,668	11,541	72	24,668	10,264	685,213

2020/21	Dwellings £000	Council Buildings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation							
At 1 Apr 20	658,281	18,124	491	29,183	7,407	713,486	
Additions	18,115	619	0	15,634	669	35,037	
Accumulated Depreciation and Impairment written out to gross cost/valuation	(19,852)	(847)	0	0	(4)	(20,703)	
Revaluation increases/decreases to Revaluation Reserve	33,353	686	0	0	(154)	33,885	
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,556)	(2,748)	0	0	(257)	(7,561)	
Derecognition - Disposals	(3,363)	(1,842)	0	0	(54)	(5,259)	
Assets reclassified (to) / from Assets Held for Sale	0	0	0	0	(7,380)	(7,380)	
Other Movements in cost valuation	12,462	6,011	0	(24,471)	6,132	134	
At 31 Mar 21	694,440	20,003	491	20,346	6,359	741,639	
Depreciation and Impairment							
At 1 Apr 20	(3,364)	(1,151)	(490)	0	(3)	(5,008)	
Accumulated Depreciation written out to gross cost/valuation	19,852	543	0	0	4	20,399	
Accumulated Impairment written out to gross cost/valuation	0	305	0	0	0	305	
Depreciation Charge	(16,533)	(634)	(1)	0	(12)	(17,180)	
Impairment losses/reversals to Revaluation Reserve	0	0	0	0	0	0	
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	
Derecognition - Disposals	46	3	0	0	0	49	
Other movements in depreciation and impairment	(5)	5	0	0	0	0	
At 31 Mar 21	(4)	(929)	(491)	0	(11)	(1,435)	
Net Book Value							
At 31 Mar 21	694,436	19,074	(0)	20,346	6,348	740,204	
At 31 Mar 20	654,917	16,973	1	29,183	7,404	708,478	

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 20	1,608

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.

2019/20 £000		2020/21 £000
10,596	Balance as at 1 April	15,974
17,442	Depreciation in the year	17,179
3,484	Transfer to MRR	4,134
(15,548)	Financing of Capital Expenditure	(9,369)
15,974	Balance as at 31 March	27,918

**Note 5 Financing of Capital Expenditure**

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

	2020/21 £000
Borrowing Need	0
Capital Receipts	4,449
Revenue Contributions	13,387
Government Grants/Other Capital Income	7,995
Major Repairs Reserve	9,369
Total	35,200

During the year total capital receipts of £12.826m were received by the HRA, of which £10.474m 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 2020 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 2020 and has been calculated using the 'straight line' method over 15 years.

**Note 7 Impairment**

A net impairment charge of (£7.561m) has been included in the HRA Income and Expenditure Account (£3.965m in 2019/20). 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**

2019/20 £000	Rent Arrears	2020/21 £000
3,601	Current Tenants	2,974
4,876	Former Tenants	4,660
8,477	As at 31 March	7,634

As at 31 March 2021, the level of rent arrears for current tenants as a proportion of gross rent income was 3.48% (2019/20 4.25%).

2019/20 £000	Bad Debt Provision in respect of rent income	2020/21 £000
4,632	As at 1 April	5,208
610	Increase in Provision	373
(34)	Utilised in year	(625)
5,208	As at 31 March	4,956

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

2019/20 £000	Bad Debt Provision in respect of the rechargeable repairs	2020/21 £000
455	As at 1 April	619
182	Increase in Provision	103
(18)	Utilised in year	(391)
619	As at 31 March	331

As levels of tenant debt have reduced and as robust and prudent levels of bad debt provision were included in the 2020/21 HRA accounts, it is considered that the 2020/21 debtor balances have not been impaired as a result of the pandemic and that no material restatement is required for the 2020/21 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 2021

2019/20				2020/21			Note
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000	
132,534	77,665	132,534	Council Tax Receivable	136,424		136,424	
	(2,164)	77,665	National Non-Domestic Rates (excluding write-offs)		45,587	45,587	
		(2,164)	NNDR Transitional Payments		(1,678)	(1,678)	
<b>132,534</b>	<b>75,501</b>	<b>208,035</b>	<b>Total Income</b>	<b>136,424</b>	<b>43,909</b>	<b>180,333</b>	
			<b>Precepts:</b>				
109,957	35,439	145,396	Rotherham Metropolitan Borough Council	114,435	36,533	150,968	
	35,744	35,744	Central Government		36,961	36,961	
13,645		13,645	- South Yorkshire Police and Crime Commissioner	14,060		14,060	
5,140	719	5,859	South Yorkshire Fire & Civil Defence	5,295	742	6,037	
128,742	71,902	200,644		133,790	74,236	208,026	
			<b>Distribution of previous years surplus(deficit):</b>				
3,000	1,044	4,044	Rotherham Metropolitan Borough Council	3,000	875	3,875	
	1,065	1,065	Central Government		892	892	
354		354	- South Yorkshire Police and Crime Commissioner	165		165	
148	21	169	South Yorkshire Fire & Civil Defence Authority	58	18	76	
3,502	2,130	5,632		3,223	1,785	5,008	
			<b>Charges to Collection Fund:</b>				
715	812	1,527	Write off of uncollectable amounts	496	631	1,127	
116	91	207	Increase/(Decrease) in bad debt provision	401	0	401	
	434	434	Increase in provision for appeals		173	173	
	297	297	Cost of Collection		293	293	
	617	617	Disregarded amounts		2,079	2,079	
831	2,251	3,082		897	3,176	4,073	
<b>133,075</b>	<b>76,283</b>	<b>209,358</b>	<b>Total amounts charged to the Collection Fund</b>	<b>137,910</b>	<b>79,197</b>	<b>217,107</b>	
(541)	(782)	(1,323)	Surplus/(Deficit) arising during the year	(1,486)	(35,288)	(36,774)	
			<b>Collection Fund Balance</b>				
(541)	(782)	(1,323)	Surplus/(Deficit) arising during the year	(1,486)	(35,288)	(36,774)	
5,312	2,093	7,405	Surplus brought forward	4,771	1,311	6,082	
4,771	1,311	6,082	Surplus carried forward	3,285	(33,977)	(30,692)	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 2020/21 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	28,305	6:9	27,456
B	15,210	7:9	14,754
C	12,214	8:9	11,848
D	8,500	9:9	8,245
E	5,323	11:9	5,163
F	2,421	13:9	2,348
G	1155	15:9	1,120
H	63	18:9	61
	73,191		70,995

### 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 2020/21 was 50.4 pence in the pound and a small business rating multiplier of 49.1 pence in the pound (50.4 pence and 49.1 pence respectively in 2019/20).

The NNDR income in 2020/21 after allowing for mandatory and discretionary reliefs of £45.587m (77.665m 2019/20) was based on a total rateable value of £194.2m as at 31 March 2021 (£190.2m as at 31 March 2020). The reduction from prior year income was due to additional business rates relief awarded in response to Covid-19.

### 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 2021 is a deficit of £30.692m (£6.092m surplus 2019/20) and consists of a £33.977m deficit (£1.311m surplus 2019/20) 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 £3.285m surplus (£4.771m surplus 2019/20) in relation to council tax. The deficit relating to business rates was due to additional reliefs awarded in relation to Covid-19, the Council has been awarded government section 31 grant to offset its share of the relief awarded. The section 31 grant for additional business rate relief is carried forward in reserves to offset the Council's repayment of the 2020/21 deficit to the Collection Fund in 2021/22. The balance is distributed to the billing Authority (Rotherham MBC), South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Civil Defence Authority as follows:

2019/20 Council Tax £000	2019/20 NNDR £000	2019/20 Total £000		2020/21 Council Tax £000	2020/21 NNDR £000	2020/21 Total £000
4,453	643	5,096	Billing Authority – Rotherham MBC	2,939	(16,648)	(13,709)
0	656	656	Central Government	0	(16,989)	(16,989)
			Major Precepting Authorities:			
234	0	234	- South Yorkshire Police and Crime Commissioner	251	0	251
84	12	96	- South Yorkshire Fire and Civil Defence Authority	95	(340)	(245)
4,771	1,311	6,082	Total	3,285	(33,977)	(30,692)

**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 2020/21 year-end Fund balance is currently materially impaired by the impact of the emergency. The position is being monitored closely during 2021.

#### 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. The outstanding South Yorkshire County Council (SYCC) debt has now been fully repaid with no balances as at 31 March 2021.

2019/20 £000	Capital Account	2020/21 £000
(12,700)	Cash at bank 1 April	(7,404)
0	Transfer (from) Financial Instruments Adjustments Account	0
0	Adjustment to loans outstanding for interest accruals	0
16,500	Add: Expenditure in the year – Loans repaid	19,689
3,800		12,285
	Less Income:	
0	Loans raised	0
11,204	Repayments by Relevant Authorities	12,285
(7,404)	Cash at bank 31 March	0

2019/20 £000	Revenue Account	2020/21 £000
1,059	Interest Paid on Outstanding Loans	59
13	Management and other expenses	13
1,072		72
16	Less Income:	
	Notional Interest	6
1,056		66
1,056	Recharge to Relevant Authorities	66
0		0

2019/20 £000	Balance Sheet as at 31 March	2020/21 £000
20,131	Capital Liabilities	
(7,404)	Loans Outstanding	0
12,727	Cash at bank	0
		0
12,727	Capital Assets	
	Advances Outstanding	0
0	Reserves	
	Financial Instruments Adjustments Account (FIAA)	0
12,727		0

**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 20 £000	31 Mar 21 £000	31 Mar 20 £000	31 Mar 21 £000
Financial liabilities (principal amount) - PWLB	0	0	19,689	0
Financial liabilities at amortised cost - PWLB	0	0	20,131	0
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 20 £000		31 Mar 21 £000
19,689	Less than one year	0
0	Between one and two years	0
0	Between two and five years	0
19,689		0

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

At 31 March 2021 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 2020). 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 were carried in the balance sheet at amortised cost. There was no fair value assessment to make for 2020/21 regarding loans for the Metropolitan Debt administration as the outstanding loans have been fully repaid.

The fair values of the financial instruments are as follows:

31 Mar 20			31 Mar 21	
Carrying amount £000	Fair Value at Redemption rate £000		Carrying amount £000	Fair Value at Redemption rate £000
20,131	20,170	Financial Liabilities – Debt	0	0
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 showed 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.

### **ACCRAULS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **ADDED YEARS**

A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers' must exercise this discretion in accordance with the national regulations.

### **ASSET**

An asset is a resource controlled by the Council as a result of past events from which future economic benefits or service potential is expected to flow to the Council.

- A current asset is an amount which is expected to be realised within 12 months.
- A non-current asset is an amount which is expected to be realised after more than 12 months.

### **AUDIT OF ACCOUNTS**

An independent examination of the Council's financial affairs.

### **BALANCE SHEET**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **BORROWING**

Funding of capital investment by the use of loans from the Public Works Loans Board, other Local Authorities, banks or other lenders. Borrowing for which no financial support is provided by Central Government. The financing costs of which are met from the current revenue budgets.

### **BUDGET**

The forecast of net revenue and capital expenditure over the accounting period.

### **CAPITAL ADJUSTMENT ACCOUNT**

An account maintained to provide a balancing mechanism between the different rates at which assets are depreciated and are financed through the capital controls system.

### **CAPITAL CHARGE**

A charge made to service revenue accounts to reflect the cost of Non-Current Assets used in the provision of services.

## **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **CAPITAL FINANCING**

Funds generated to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

## **CAPITAL PROGRAMME**

The capital schemes the Council intends to carry out over a specific period of time.

## **CAPITAL RECEIPT**

The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing. However under the Statutory Guidance on the Flexible Use of Capital Receipts, General Fund receipts received since 1 April 2016 can be used to fund revenue transformational costs.

## **CIPFA**

The Chartered Institute of Public Finance and Accountancy

## **COLLECTION FUND**

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

## **COMMUNITY ASSETS**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **COUNCIL TAX**

A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991.

## **CREDITOR**

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

### **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

### **DEBTOR**

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

### **DEFINED BENEFIT PENSION SCHEME**

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

### **DEPRECIATION**

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's Non-Current Assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

### **DISCRETIONARY BENEFITS (PENSIONS)**

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

### **DEDICATED SCHOOLS GRANT (DSG)**

The Dedicated School Grant (DSG) is a ring fenced grant for the support of the Schools Budget, paid by the Department for Education and Skills (DfES) to the Local Council; it replaces the Schools Formula Spending Share (FSS).

### **EARMARKED RESERVE**

A sum set aside in a reserve for a specific purpose.

### **EQUITY**

The Council's value of total assets less total liabilities.

### **EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the audited Statement of Accounts is authorised for issue.

### **EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

## **FEES AND CHARGES**

Income arising from the provision of services e.g. the use of leisure facilities.

## **FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT**

This reserve was created under the SORP 2007 to hold the accumulated difference between the financing costs included in the Income and Expenditure Account and the accumulated financing costs required in accordance with Regulations to be charged to the General Fund Balance.

## **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

## **GENERAL FUND SERVICES**

Comprises all services provided by the Council with the exception of services relating to the provision of local Council housing – which are accounted for in the Housing Revenue Account. The net cost of General Fund services is met by council tax, Government Grants and Business Rates.

## **GOING CONCERN**

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

## **GOVERNMENT GRANTS**

Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

## **HERITAGE ASSETS**

Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

## **HOUSING BENEFITS**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by central government.

## **HOUSING REVENUE ACCOUNT (HRA)**

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

## **IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

## **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

## **INFRASTRUCTURE ASSETS**

Non-Current Assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are; highways, footpaths and bridges.

## **INVENTORIES**

Items of raw materials and stores a Council has procured and holds in expectation of future use. Examples are; consumable stores, raw materials and products and services in intermediate stages of completion.

## **INTANGIBLE ASSETS**

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

## **NET INTEREST EXPENSE (PENSIONS)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement less interest income earned on plan assets.

## **INVESTMENTS**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investments for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

## **INVESTMENTS (PENSION FUND)**

The investments of the Pension Fund will be accounted for in the statements of that Fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

## **LIABILITY**

A liability is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources.

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which is expected to be settled within 12 months.
- A non-current liability is an amount which is expected to be settled after more than 12 months.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market.

## **LONG-TERM CONTRACT**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

## **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

## **MAJOR REPAIRS RESERVE**

The Council is required by regulation to establish a Major Repairs Reserve. The main credit to the account comprises the total depreciation charge for all Housing Revenue Account assets. Capital expenditure is then funded from the reserve without being charged to the Housing Revenue Account.

#### **MINIMUM REVENUE PROVISION (MRP)**

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

#### **NET BOOK VALUE**

The amount at which property, plant and equipment are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

#### **NET DEBT**

The Council's borrowings less cash and liquid resources.

#### **NET EXPENDITURE**

Gross expenditure less specific grants and income for charging for services.

#### **NET REALISABLE VALUE**

The open market value of an asset in its existing use less any expenses incurred in realising the asset.

#### **NON-DISTRIBUTED COSTS**

These are overheads for which no user directly benefits and as such are not apportioned to services

#### **NATIONAL NON-DOMESTIC RATES (NNDR)**

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of the Council, Central Government, and South Yorkshire Fire and Rescue with surplus and deficits in the Collection Fund being shared in the ratio specified by Business Rates Retention Regulations.

#### **OPERATING LEASE**

A lease where the ownership of the fixed asset remains with the lessor.

#### **PAST SERVICE COST (PENSIONS)**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

#### **PENSION SCHEME LIABILITIES**

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect valuation date.

#### **PRECEPT**

The levy made by precepting authorities by billing authorities, requiring the latter to collect income from Council Tax on their behalf.

#### **PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PRIVATE FINANCE INITIATIVE (PFI)**

A contract in which the private sector is responsible for supplying services that traditionally have been provided by the Council. The Council will pay for the provision of this service, which is often linked to availability, performance and levels of usage.

### **PROPERTY, PLANT AND EQUIPMENT**

Tangible assets used by the Council in the provision of services that yield benefits to the Council for a period of more than one year.

### **PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

### **PRUDENCE**

Requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

### **PRUDENTIAL CODE**

Under the prudential framework, local authorities make their own decisions how much and what capital investment to undertake, based on their judgement on affordability, prudence and strategic objectives. In making their decisions, local authorities are required to take account of the CIPFA Prudential Code.

### **PWLB**

The Public Works Loan Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury

### **RATEABLE VALUE**

The annual assumed rental of a hereditament, which is used for NNDR purposes.

### **RELATED PARTIES**

There is a detailed definition of related parties in IAS24. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

### **RELATED PARTY TRANSACTIONS**

The Code of Practice on Local Authority Accounting requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

### **RE-MEASUREMENTS**

For a defined benefit pension scheme, the re-measurements comprise:

- (a) Changes in actuarial surpluses or deficits that arise because:
  - Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
  - The actuarial assumptions have changed

(b) Return on plan assets excluding interest income which forms part of the pensions net interest expense

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

## **RESERVES**

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the fixed asset restatement account cannot be used to meet current expenditure.

## **RESIDUAL VALUE**

The net realisable value of an asset at the end of its useful life.

## **RETIREMENT BENEFITS**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

## **REVALUATION RESERVE**

Records unrealised revaluation gains arising (since 1 April 2007) from holding Non-Current Assets.

## **REVENUE EXPENDITURE**

The day-to-day expenses of providing services.

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Legislation allows some items to be funded from capital resources that under IFRS and normal accounting practice would be charged to Surplus or Deficit on Provision of Services.

## **REVENUE SUPPORT GRANT**

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

## **TEMPORARY BORROWING**

Money borrowed for a period of less than one year.

## **TRUST FUNDS**

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

## **USEFUL ECONOMIC LIFE (UEL)**

The period over which the Council will derive benefits from the use of a fixed asset.

## **WORK IN PROGRESS (WIP)**

The cost of work performed on an uncompleted project at the end of the financial year.

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

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 01709 254510

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

### Slovak

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

### Slovenský

### Kurdish Sorani

دی سورانی  
هر تو یان که سیک که تو دهیناسی پیویستی به یارمهتی هه بیت بوق نهودی لهم به لگه نامه یه تیگات یان بیخوینیت وه، یه پیووندیمان پیووه بکه له سهر نه و زماره دیه سهره و دا یان بمو نیمه میله.

### Arabic

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

### Urdu

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

### Farsi

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



Select report type  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 29 July 2021

**Report Title**

Annual Treasury Management Report and Actual Prudential Indicators 2020/21

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

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

Rob Mahon (Finance Manager – Financial Accounting)

Finance & Customer Services Directorate

01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide or Choose an item.

Choose an item.

**Report Summary**

At the Cabinet Meeting on 19th July 2021, Members agreed to recommend that Audit Committee receive the Financial Outturn 2020/21 – Treasury Management and Prudential Indicators report. The report considered by the Cabinet is appended to this covering paper in order to comply with the recommendation to forward the Annual Treasury Management Report and Actual Prudential Indicators 2020/21 for information.

**Recommendations**

1. That the Financial Outturn 2020/21 – Treasury Management and Prudential Indicators be noted for information.

**List of Appendices Included**

Appendix 1 Report to Cabinet 19th July 2021 – “Annual Treasury Management Report and Actual Prudential Indicators 2020/21.”

**Background Papers**

Treasury Management Strategy and Prudential Indicators report to Council on 26th February 2020

Mid-Year Treasury Management and Prudential Indicators Monitoring report to Audit Committee on 19th January 2021

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

CIPFA – Prudential Code (as updated)

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

Public Report  
Cabinet

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**Committee Name and Date of Committee Meeting**

Cabinet – 19 July 2021

**Report Title**

Annual Treasury Management Report and Actual Prudential Indicators 2020/21

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

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

Rob Mahon, Head of Corporate Finance

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

**Ward(s) Affected**

Borough-Wide

**Report Summary**

The Council received an annual treasury strategy report in advance of the 2020/21 financial year at its meeting on 26<sup>th</sup> February 2020 and Audit Committee received a mid-year report at its meeting on 19<sup>th</sup> January 2021, representing a mid-year review of treasury activity during 2020/21.

The annual treasury management report is the final treasury report for 2020/21. Its purpose is to review the treasury activity for 2020/21 against the strategy agreed at the start of the year. The report also covers the actual Prudential Indicators for 2020/21 in accordance with the requirements of the Prudential Code.

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

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

**Recommendations**

1. To note the Treasury Management Prudential Indicators outturn position as set out in section 3 and Appendix 1.

2. To agree that the report is forwarded to Audit Committee for information.

**List of Appendices Included**

Appendix 1 (included with the report) – Summary Prudential Indicators for Rotherham MBC

Appendix 2 – Initial Equality Screening Assessment

Appendix 3 – Carbon Impact Assessment

**Background Papers**

Treasury Management Strategy and Prudential Indicators report to Council on 26<sup>th</sup> February 2020

Mid-Year Treasury Management and Prudential Indicators Monitoring report to Audit Committee on 19<sup>th</sup> January 2021

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

CIPFA – Prudential Code (as updated)

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

No.

**Council Approval Required**

No

**Exempt from the Press and Public**

No.

## 1. Background

1.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government Act 2003 (the Act) provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2020/21);
- Statutory Instrument (SI) 3146 2003, as amended, defines the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the MHCLG has issued Investment Guidance to structure and regulate councils' investment activities; and
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 (revised), the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November 2007.

1.2 The Council complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its treasury management activities. In particular, the adoption and implementation of the Prudential Code and the Code of Practice for Treasury Management means that its capital expenditure is prudent, affordable and sustainable. Treasury investment practices are governed by the primary objectives of security ahead of liquidity and then yield.

1.3 The Council's treasury management functions have been operating within unprecedented times of uncertainty. This uncertainty impacts forecasts on borrowing and lending rates, availability of borrowing and investment options and capital programme projections. The uncertainty was brought about initially from the outcome of EU exit but has been further compounded by the financial pressures and overall effect of the Covid-19 outbreak. The effects of which are expected to last for several years.

1.4 The Council has been able to manage cashflow levels for the majority of the financial year without significant difficulty. The greater pressure from a cashflow perspective has been the problem of having surplus cash, with limited options as to how to invest that cash for a reasonable return. This has been due partly to government providing significant grants for the management of Covid-19 and support to businesses, providing the Council with significant cash balances, limiting the Council's need to borrow during this period. The downturn in the UK economy and the cutting of the Bank Of England Base Rate to 0.1% actually has a beneficial outcome to the Council's treasury strategy as it reduces the cost of short term borrowing, thus enabling interest savings to be

generated against plan. The Council's strategy with the use of short term borrowing has again generated significant short term savings for the Council's budget, in excess of £3m for 2020/21, in addition to the £3.1m of savings from treasury activity that was included within the original 2020/21 budget.

## 2. Key Issues

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

The actual prudential indicators for 2020/21 for Rotherham MBC, with comparators, are shown in the attached Appendix 1. Background to these is provided in the following paragraphs.

2.2 **Impact of the Council's Capital Expenditure and Financing 2020/21** - the Council expends capital expenditure on long term assets. This may either be:

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

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

2.3 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. It represents 2020/21 and prior years' net capital expenditure which has not yet been paid for by revenue or other resources. In accordance with current accounting regulations, the CFR also includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets.

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

- the application of additional capital resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

At the end of the financial year 2020/21 the closing CFR is £27.289m less than that approved in the revised indicator, via the Mid-Year report. The reduction is due to slippage on a number of capital schemes, that in turn reduces the Council's need to borrow at this point in time and has the knock on effect of generating savings against the treasury budget for 2021/22 as planned interest payments and minimum revenue provision payments are reduced.

2.4 Treasury Position at 31 March 2021 - whilst the Council's gauge of its underlying need to borrow is the CFR, the Treasury Management function as authorised by the Strategic Director of Finance and Customer Services can manage the Council's actual borrowing position by either:

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

For 2020/21 provision was made for the estimated borrowing need for the year should the decision be made to partly reduce the Council's 31 March 2021 under-borrowed position. However, the Council has continued to take advantage of the current availability of short-term cash loans at very favourable rates and again did not take out any new long-term loans in 2020/21.

There is minimal risk to the Council in following this strategy, as long-terms loans can be taken out immediately at any point in time that the financial markets start to change and make long-term loans a more cost-effective option. Due to the current economic downturn, caused by the Brexit uncertainty and exacerbated by the financial implications of Covid 19, the long-term borrowing rates have significantly dropped, whilst this does mean that long-term borrowing is cheaper at present, it also means that the risk to the Council of spikes in long term borrowing rates has decreased. This allows the Council to continue to make use of short term loan benefits for a longer period of time, before moving some of its debt portfolio to longer term deals, as the longer term rates will likely stay low for some time.

Thus at 31 March 2021, the Council's borrowing (excluding PFI and similar schemes) and investments were as follows:

2.5 **Table 1 Council's Treasury Position 2020/2021**

<b>Net Borrowing</b>	<b>As At 31 March 2020 £m</b>	<b>As At 31 March 2021 £m</b>
<b>External Borrowing</b>		
Public Works Loans Board (PWLB)	184.389	172.069
Market (e.g. Banks, Other Local Authorities)	213.000	213.000

Temporary Borrowing	239.000	302.500
	<b>636.389</b>	<b>687.569</b>
<b>External Investments</b>		
Debt Management Office	0.000	0.000
Money Market Funds	39.675	47.830
	<b>39.675</b>	<b>47.830</b>
<b>Net Borrowing</b>	<b>596.714</b>	<b>639.739</b>
<b>Net Borrowing - Excluding Temporary Borrowing</b>	<b>357.714</b>	<b>337.239</b>
<b>Capital Financing Requirement (exc Other Long Term Liabilities)</b>	<b>715.685</b>	<b>726.178</b>
<b>Net Under-Borrowed</b>	<b>357.971</b>	<b>388.939</b>

2.6 Against the Council's Capital Financing Requirement of £726.178m (excluding PFI and similar arrangements totalling £123.490m), the Council's outstanding net borrowing of £337.239m (excluding temporary loans) is lower than this requirement by £388.939m due to the Council's approach of utilising temporary cash flow funds and short term borrowing rather than taking out any new long term borrowing.

Total savings in the Treasury Management budget for 2020/21, arising from all treasury activity including cash-flow management, were over £3m, in addition to the £3.1m of savings included in the original 2020/21 budget. The treasury management and capital financing decisions taken at the year end will also enable a re-profiling of MRP and interest forecasts to allow for a further savings in excess of £1m to be contributed towards the 2021/22 treasury management budget, although it should be noted that some of this saving is as a result of significant slippage in the capital programme. This is in addition to the saving of £5m already included as part of setting the 2021/22 budget.

## 2.7 PRUDENTIAL INDICATORS AND COMPLIANCE ISSUES

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

**Net Borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing net of investments must only be used for a capital purpose. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2020/21 plus the expected changes to the CFR for 2020/21 and 2021/22. The Council complied with this prudential indicator throughout 2020/21.

2.8 **The Authorised Limit** – the Authorised Limit is the “Affordable Borrowing Limit” required by S3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The Council maintained gross borrowing within its Authorised Limit, both excluding and including the impact of bringing PFI and similar arrangements on to the Council's Balance Sheet.

2.9 **The Operational Boundary** – The Operational Boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the Boundary is acceptable subject to the Authorised Limit not being breached. The Council maintained its borrowing position around its Operational Boundary.

2.10 **Actual financing costs as a proportion of net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and the cost of other long term obligations but net of investment income) against the Council's Budget Requirement (net revenue stream) for the General Fund and budgeted income for the HRA.

The General Fund shows a reduction in the actual financing costs as a proportion of net revenue stream. The General Fund ratio reduced from 5.81% (original budget) to 5.39% (actual out-turn). This was mainly as a result of reduced borrowing costs for the year due to use of short term loans. The HRA ratio also decreased slightly from 15.9% (original budget) to 15.8% (actual out-turn). This slight decrease was again due to reduced borrowing costs.

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

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

The incremental impact of capital investment decisions on the Band D Council Tax has reduced significantly from the original budget of £50.48 to £26.25. This is due to the actual borrowing required in the year (to fund capital expenditure) being substantially lower than anticipated due to slippage in the programme, predominantly, as a result of Covid 19. Strategic capital financing decisions made at the financial year end also reduced borrowing by replacing planned prudential borrowing on short-life assets with use of capital receipts. The equivalent amount of prudential borrowing will then be utilised in later years on longer life assets. None of the HRA capital investment was financed by borrowing in 2020/21 and therefore there was no incremental impact of capital investment on HRA rent levels.

## 2.12 TREASURY MANAGEMENT INDICATORS

### 2.13 Limits on Activity

Upper limits on fixed and variable interest rates as at 31 March 2021 – these indicators identify the maximum limits for fixed interest rate gross debt and for variable interest rates based upon the debt position, net of investments. The Council remained within the limits set throughout 2020/21.

Maturity structure of fixed rate borrowing during 2020/21 – These gross limits

are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits. The previous treasury management strategy increased the limit set for short term borrowing (less than 12 months), to allow the Council to continue to maximise savings being generated through a short term borrowing strategy as these were essential to the Council's revenue outturn position. Short term borrowing is now falling comfortably within these limits as the Council has been able to take advantage of some two-year deals, at historically low levels. These are at very competitive rates and provide more stability in the short to medium term, reducing the need for borrowing activity and securing savings into the 2021/22 and 2022/23 financial years. These deals are reflected by the current level of loans due to mature in the 12 months – 2 years category.

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

## 2.14 **Borrowing**

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

During the year, temporary borrowing was taken up on 44 occasions with a mix of terms (ranging from 2 months to 30 months) to manage the Council's cash flow position. Of these short-term loans, 10 have been fully repaid in the year; with 34 remaining outstanding at the year end.

## 2.15 **Table 2 Short Term Borrowing as at 31<sup>st</sup> March 2021**

Lender	Start Date	Principal	Type	Term	Interest Rate %
Local Authority	07/05/2020	£5,000,000	Temp	6 Months	1.00
Local Authority	07/05/2020	£20,000,000	Temp	6 Months	0.85
Local Authority	18/05/2020	£5,000,000	Temp	11 Months	1.00
Local Authority	19/05/2020	£5,000,000	Temp	11 Months	1.00
Local Authority	20/05/2020	£5,000,000	Temp	9 Months	0.90
Local Authority	26/05/2020	£5,000,000	Temp	6 Months	1.00
Local Authority	02/06/2020	£10,000,000	Temp	11 Months	1.00
Local Authority	16/06/2020	£5,000,000	Temp	9 Months	1.00
Local Authority	22/06/2020	£5,000,000	Temp	8 Months	1.00

Local Authority	22/06/2020	£10,000,000	Temp	11 Months	0.95
Local Authority	23/06/2020	£5,000,000	Temp	11 Months	0.95
Local Authority	25/06/2020	£10,000,000	Temp	2 Months	0.30
Local Authority	09/07/2020	£5,000,000	Temp	6 Months	0.97
Local Authority	17/07/2020	£10,000,000	Temp	8 Months	0.75
Local Authority	24/07/2020	£5,000,000	Temp	6 Months	0.70
Local Authority	27/07/2020	£20,000,000	Temp	20 Months	0.30
Local Authority	31/07/2020	£10,000,000	Temp	11 Months	0.80
Local Authority	20/08/2020	£5,000,000	Temp	6 Months	0.38
Local Authority	15/09/2020	£5,000,000	Temp	6 Months	0.40
Local Authority	16/09/2020	£5,000,000	Temp	7 Months	0.41
Local Authority	18/09/2020	£5,000,000	Temp	11 Months	0.55
Local Authority	21/09/2020	£5,000,000	Temp	8 Months	0.50
Local Authority	21/09/2020	£10,000,000	Temp	18 Months	0.10
Local Authority	28/09/2020	£5,000,000	Temp	11 Months	0.55
Local Authority	28/09/2020	£10,000,000	Temp	11 Months	0.50
Local Authority	01/10/2020	£5,000,000	Temp	9 Months	0.45
Local Authority	09/10/2020	£5,000,000	Temp	24 Months	0.90
Local Authority	09/10/2020	£5,000,000	Temp	24 Months	0.90
Local Authority	09/10/2020	£7,500,000	Temp	24 Months	0.90
Local Authority	16/10/2020	£10,000,000	Temp	24 Months	0.80
Local Authority	23/10/2020	£15,000,000	Temp	11 Months	0.50
Local Authority	28/10/2020	£10,000,000	Temp	11 Months	0.58
Local Authority	29/10/2020	£10,000,000	Temp	5 Months	0.40

Local Authority	29/10/2020	£10,000,000	Temp	24 Months	0.87
Local Authority	30/10/2020	£5,000,000	Temp	7 Months	0.45
Local Authority	30/10/2020	£5,000,000	Temp	11 Months	0.50
Local Authority	30/10/2020	£20,000,000	Temp	24 Months	0.90
Local Authority	09/11/2020	£10,000,000	Temp	11 Months	0.45
Local Authority	25/01/2021	£10,000,000	Temp	11 Months	0.45
Local Authority	27/01/2021	£5,000,000	Temp	11 Months	0.45
Local Authority	08/02/2021	£10,000,000	Temp	11 Months	0.45
Local Authority	22/02/2021	£5,000,000	Temp	24 Months	0.60
Local Authority	18/03/2021	£10,000,000	Temp	30 Months	0.73
Local Authority	18/03/2021	£10,000,000	Temp	27 Months	0.73

2.16 Debt Repayment – loans totalling £10m matured during the year as shown in the table below. Part repayments of principal (£2.320m) continued on the Annuity and Equal Instalment of Principal (EIP) loans taken up in prior years.

### 2.17 Table 3 Debt Repayments 2020/21

Lender	Principal £m	Type	Interest Rate	Weighted Average rate of interest
PWLB	10.000	Fixed rate	3.20%	
PWLB EIP	2.000	Fixed rate	3.46%	
PWLB EIP	0.130	Fixed rate	1.89%	
PWLB Annuity	0.190	Annual repayments	Various	
<b>Total:</b>	<b>£12.320</b>			<b>3.23%</b>

### 2.18 Investments

The Council's investment policy is governed by MHCLG Guidance, which was implemented in the annual investment strategy approved by Council on 26<sup>th</sup> February 2020. The investment activity during the year conformed to the approved strategy.

The Council maintained an average balance of £32.4m and received an average return of 0.1%. Although this seems low the Bank of England rate has been 0.1% throughout the year and the Government's Debt Management Office

offered an average rate of 0.064% and at points throughout the year was negative. The Council continued to use Money Market Funds for short-term deposits, which are AAA rated securities and offer a slightly better rate of interest as shown.

## 2.19 FORMER SOUTH YORKSHIRE COUNTY COUNCIL

No new borrowing or rescheduling took place during 2020/21, whilst the remaining loans, all with the PWLB of £19.7m, matured during the year. Thus at 31 March 2021, there was no remaining debt.

The Former South Yorkshire County Council had no investments at 31 March 2020.

There is therefore no requirement to show the prudential indicators.

### 3. Options considered and recommended proposal

No options considered as the report outlines actual Treasury Management activity during 2020/21.

### 4. Consultation on proposal

4.1 None required

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

5.1 None required

### 6. Financial and Procurement Advice and Implications

6.1 Treasury Management forms an integral part of the Council's overall financial arrangements. This report provides an update on the performance of the treasury management functions for 2020/21 against the prudential indicators as outline in the Treasury Management Strategy for 2020/21. There were no breaches of prudential indicators to report and savings were generated from the treasury management strategy adopted that played vital role in enabling the Council to operate a balanced budget.

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

### 7. Legal Advice and Implications

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

### 8. Human Resources Advice and Implications

8.1 No direct implications.

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

9.1 No direct implications

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

10.1 None identified

**11. Implications for CO2 Emissions and Climate Change**

11.1 No direct implications.

**12. Implications for Partners**

12.1 None identified.

**13. Risks and Mitigation**

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

**14. Accountable Officers**

Graham Saxton, Assistant Director – Financial Services

Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

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

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

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

## APPENDIX 1

## Summary Prudential Indicators: Rotherham MBC

		Actual £m	Revised Estimate £m	Original Estimate £m
1	<b>Capital Expenditure (excluding PFI &amp; Finance lease liabilities)</b>	80.644	139.100	118.611
2	<b>Capital Financing Requirement (CFR) including PFI &amp; similar liabilities:</b>			
	General Fund	543.662	571.086	549.564
	HRA	306.005	305.870	305.075
	<b>Total</b>	<b>849.667</b>	<b>876.956</b>	<b>854.639</b>
3	<b>Net Borrowing compared to CFR excluding PFI &amp; similar liabilities:</b>			
	Total Borrowing	687.569	720.506	671.758
	Total Investments	47.830	20.000	27.530
	Net Borrowing	639.739	700.506	644.228
	CFR (excluding PFI & Similar liabilities)	726.178	753.467	727.724
	<b>Under-borrowing</b>	<b>86.439</b>	<b>52.961</b>	<b>83.496</b>
4	<b>Net Borrowing compared to CFR including PFI &amp; similar liabilities:</b>			
	Borrowing (from above)	687.569	720.506	671.758
	Borrowing (PFI etc.)	123.490	123.489	126.915
	Total Borrowing	811.059	843.995	798.673
	Total Investments	47.830	20.000	27.530
	Net Borrowing	763.229	823.995	771.143
	CFR	849.668	876.956	854.639
	<b>Under-borrowing</b>	<b>86.439</b>	<b>52.961</b>	<b>83.496</b>
5	<b>Authorised Limit for external debt</b>			
	Assumed Borrowing	773.467	773.467	747.724
	PFI & similar liabilities	123.490	123.489	126.915
	Authorised Limit	896.957	896.956	874.639
	Total Borrowing	811.059	843.995	798.673
	<b>Borrowing Below Limit</b>	<b>85.898</b>	<b>52.961</b>	<b>75.966</b>
6	<b>Operational boundary for external debt</b>			
	Assumed Borrowing	753.467	753.467	701.758
	PFI & similar liabilities	123.490	123.489	126.915
	Operational Boundary	876.957	876.956	828.673
	Total Borrowing	811.059	843.995	798.673
	<b>Borrowing Below/(Above) Boundary</b>	<b>65.898</b>	<b>32.961</b>	<b>30.000</b>

7	Maximum Funds invested > 364 days	20.000	20.000	20.000
		Actual	Revised Estimate	Original Estimate
		%	%	%
8	Ratio of financing costs to net revenue stream – Non HRA	5.39	5.68	5.81
9	Ratio of financing costs to net revenue stream – HRA	15.84	16.66	15.90
		£	£	£
10	Incremental impact of capital expenditure plans on the Band D Council Tax	26.25	50.48	50.48
11	Incremental impact of capital expenditure plans on housing rents levels	0	0	0

12	Maturity Structure of Fixed Rate Borrowing	Actual	Revised Upper Limit	Original Upper Limit
		%	%	%
	Under 12 months	35.68	50	50
	12 months to 2 years	10.99	35	35
	2 years to 5 years	6.06	45	45
	5 years to 10 years	0.92	45	45
	10 years to 20 years	5.14	45	45
	20 years to 30 years	0.73	50	50
	30 years to 40 years	15.47	50	50
	40 years to 50 years	10.47	55	55
	50 years and above	14.54	60	60

13	Upper Limit on fixed interest rates based on fixed net debt	Actual	Revised Upper Limit	Original Upper Limit
		%	%	%
		81	100	100

14	Upper Limit on variable rates based on fixed net debt	Actual	Revised Upper Limit	Original Upper Limit
		%	%	%
		19	45	45

# Rotherham Metropolitan Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2021

4 June 2021



# Contents

Section	Page	
Introduction	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. 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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# Introduction

**Your key Grant Thornton team members are:**

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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

# Progress as at 4 June 2021

## Financial Statements Audit

We have commenced our planning work for the 2020-21 audit during March 2021, and expect to complete our planning and interim audit work in July. We expect to begin our work on your draft financial statements during late July / early August.

Our interim fieldwork includes:

- Updated review of the Authority's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Understanding how the Authority makes material estimates for the financial statements
- Early work on emerging accounting issues

Once we have completed our planning work, we will issue a detailed Audit Plan, setting out our proposed approach to the audit of the Authority's 2020-21 financial statements. We expect to present our Audit Plan to the Committee on 29 July.

We will report our work in the Audit Findings (ISA260) Report and aim to give our opinion on the Statement of Accounts by 30 November 2021. The context to this timing is set out in more detail on page 6.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020-21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and will make more impact. Before beginning our work, we will discuss with you the timing and resourcing.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements.

The NAO has 'decoupled' the VFM arrangements review from the audit opinion on the financial statements. With the deadline for the VFM work now given as three months after the date of the auditor's opinion on the financial statements.

Please see page 8 for further details.

## Audit Fees: proposed audit fee for 2020-21

### Other areas

#### Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019-20 claim was completed by the revised deadline of 31 March 2021.

The certification work for the 2020-21 claim has not yet begun and is expected to take place in December and January, with an expected completion date of 31 January 2022.

#### Meetings

We continue to meet on a regular basis with the Section 151 Officer and the Chief Executive. In addition, we have regular 'check ins' with senior members of the finance team. Our liaison meetings and discussions with finance staff help to ensure a regular dialogue regarding emerging developments and to ensure the audit process is smooth and effective. Our next meeting with the Chief Executive is scheduled for August.

#### Events

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

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2020-21 is the third year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in both 2018-19 and 2019-20 included additional audit work, particularly in respect of property, plant and equipment valuations and pensions liability. There is also an increase in the complexity of local government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are graded at or above the "few improvements needed" (2A) rating means that additional audit work is required.

As referred to on page 8, the 2020-21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the previous 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee. This is in line with increases we are proposing at all our metropolitan council audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISAs. The FRC's inspection of our 2019-20 audit file is currently nearing completion.

The ongoing impact of the additional work required on significant risk areas of the audit (eg PPE and Pensions), together with the new VFM Code and the requirements of the revised ISAs, result in a proposed audit fee for 2020-21 of £183,938 (2019-20 £148,438). Whilst we appreciate this is a significant increase on the PSAA scale fee of £108,438, it reflects the very different environment auditors are now working in compared to when the audit tender was bid for back in 2017.

It should also be noted that both the Redmond Review and MHCLG also recognised the need to increase audit fees and, in this context, MHCLG made £15m available to local authorities to support the expected uplift in fees in 2020-21. As a firm we have 40% of the local authority market and our proposed increases across the sector equate to 40% of the funding made available to local authorities to cover the uplift in fees.

We have discussed this with the Section 151 Officer. Further details on our 2020-21 audit fee will be included in the Audit Plan in July.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables (indicative)

2020-21 Deliverables	Planned Date	Status
<b>Audit Plan</b> We are required to issue a detailed Audit Plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020-21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2021	Not yet due
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	September 2021	Not yet due
<b>Audit Findings (ISA260) Report (the key findings from our accounts audit)</b> The Audit Findings Report is targeted to be reported to the November Audit Committee.	November 2021*	Not yet due
<b>Auditors Report – issuing our opinion to sign off your 2020-21 accounts</b> This is the projected date for our opinion on your financial statements.	November 2021*	Not yet due
<b>Auditor's Annual Report (the findings from our VFM arrangements review)</b> This is a new report for 2020-21 in which we will communicate the key issues arising from our Value for Money work. Under the NAO guidance this needs to be issued within 3 months of the accounts opinion date.	January 2022*	Not yet due

\* Members of the Audit Committee will be familiar from previous discussions regarding the challenging nature of the availability of specialist public sector external audit staff, and the volume of local authority audits which continued after last year's target date of completion of 30 November 2020. This background coupled with the impact of Covid remote working and the need to prioritise our Housing Benefit delivery in the early part of 2021 and then NHS clients given their earlier audit deadline of June 2021, means that we are behind in our local authority planning and interim work compared to our normal timings and profile of delivery.

We have noted that MHCLG has set an indicative date of 30 September 2021 for audited local authority accounts (two months earlier than last year). Given the context set out above, we believe this is highly unrealistic for 2020-21 audits (but as a firm we are fully supportive of this in a 'normal' year). We would also note that the Council's finance team are also under considerable pressure at this time to deal with the production of the annual accounts alongside other commitments (the draft accounts deadline for this year is 31 July – one month earlier than last year).

Therefore, we are proposing to target completing our audit fieldwork on your accounts in October before dealing with completion tasks and targeting signing off your accounts in November. We will be happy to discuss this issue in more detail at the June Audit Committee.

I know the prospect of potentially 'missing' the deadline is not ideal and I am happy to make clear to Members at the Audit Committee that this is absolutely my call and not a reflection in any way of the Council's finance team or of the Council as a whole. Delivering a robust, high quality audit is my priority and I do not believe pushing to hit an unrealistic deadline of 30 September would support this. The indicative timetable set out above is consistent with the messages I am giving my other local authority clients and indeed my colleagues are doing so across the wider GT audit client base.

Where audits remain ongoing after the statutory date, all that is required to adhere to the Accounts and Audit Regs is a short statement on your website informing people that the audit remains ongoing and that the Council is continuing to engage with the external auditors to complete their audit. There is no naming of authorities that miss the deadline or any financial penalties arising. We can agree a form of wording in due course. As a Firm we have pushed back to MHCLG on the 30 September date for this year as not realistic, however, in a 'normal' year we are absolutely supportive of a 30 September sign off date.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# The new approach to Value for Money

## The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

## Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

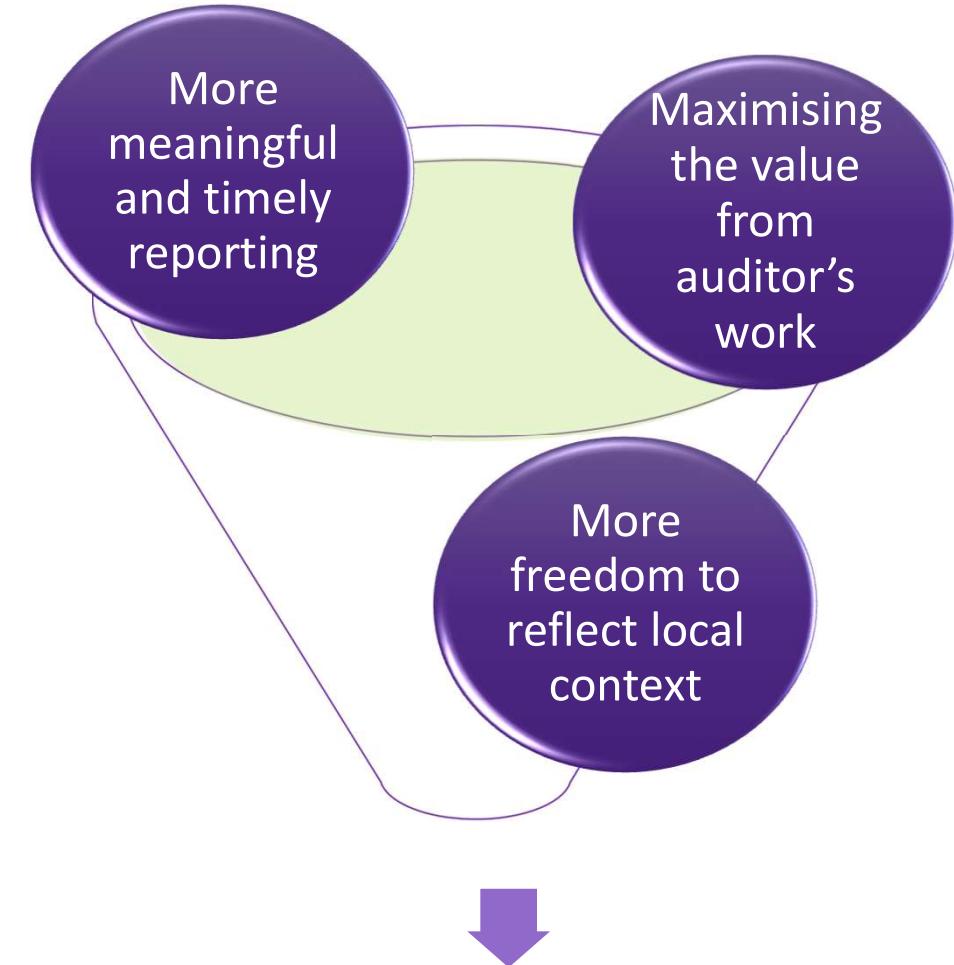
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

# The new approach to Value for Money

## Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



## VFM arrangements commentary and recommendations

# The new approach to Value for Money

**The table below details what will be reported in the Auditor's Annual Report:**

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

**The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.**

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Authority we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end provisions and accruals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 financial instruments

## The Authority's Information systems

In respect of the Authority's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Authority uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Authority (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management addresses this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## How can you help?

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquires are completed by management and confirmed by those charged with governance at an Audit Committee meeting. For our 2020-21 audit we will be making additional enquires on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquires in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



# Local government finance in the pandemic – National Audit Office

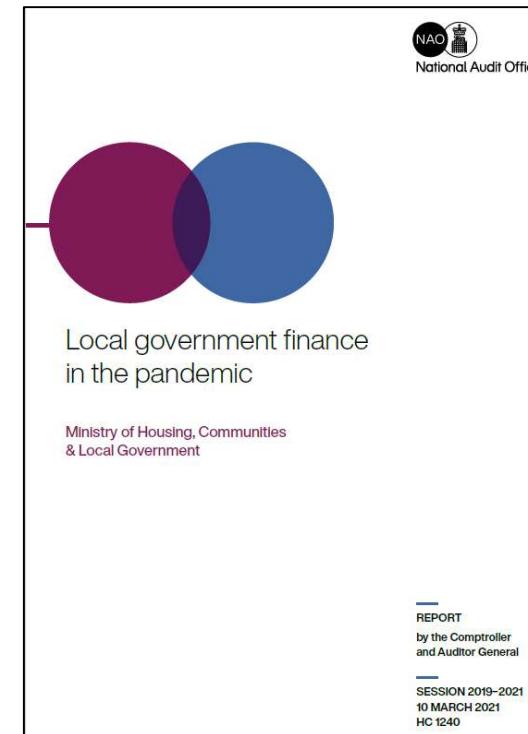
The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

# Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”

**Examples of good practice from the public sector**

**Good practice in annual reporting**  
**February 2021**




 Our interactive guide sets out our good-practice principles for good annual reporting and provides illustrative examples taken from public sector organisations we think are leading the way in this area.

We are the UK's independent public spending watchdog

External Relations  
DP Ref 11971-001

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# 2019-20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.

This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

# CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>





Select report type  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 29 July 2021

**Report Title**

Grant Thornton External Audit Plan 2020/21

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

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

Rob Mahon (Finance Manager – Financial Accounting)  
Finance & Customer Services Directorate  
01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide or Choose an item.

Choose an item.

**Report Summary**

The Council's external auditor, Grant Thornton, in their External Audit Plan set out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements for 2020/21 and to conclude on whether the Council has satisfactory arrangements in place to secure value for money in the use of its resources.

The plan outlines the areas Grant Thornton have determined to be significant risk for special audit consideration.

**Recommendations**

1. Audit Committee is asked to note Grant Thornton's audit plan for 2020/21.

**List of Appendices Included**

Appendix 1 Grant Thornton Audit Plan 2020/21

**Background Papers**

Audit Appointment Letter 2020/21

Local Audit and Accountability Act 2014

National Audit Office – Code of Audit Practice

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

No

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **Grant Thornton External Audit Plan 2020/21**

### **1. Background**

- 1.1 Grant Thornton's statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014 and the National Audit Office's Code of Audit Practice.
- 1.2 The audit has two key objectives, requiring Grant Thornton to audit/review and report on the Council's:
  - Statement of Accounts (including the Annual Governance Statement): providing an opinion on the accounts; and
  - use of resources: concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

### **2. Key Issues**

- 2.1 Grant Thornton's Annual Plan outlines the audit approach and in particular the key risks to the financial statements and Value for Money opinions and how they plan to cover these within the audit.
- 2.2 The International Standards on Auditing provides guidance on the significant risks which should be considered by auditors, these being risks which require special audit consideration. Grant Thornton have identified these significant risks, which are set out below. A brief description of each risk is provided on pages 5 to 8 (financial statements) and page 12 (value for money) of the audit plan:
  - Risk of fraud in revenue and expenditure
  - Management over-ride of controls
  - Valuation of Land and Buildings, including investment properties
  - Valuation of the pension fund net liability
- 2.3 The deadline for publishing the audited accounts is now 30 September 2021. As set out in Grant Thornton's proposed audit timetable in their report to the Committee in June, they are targeting a November 2021 sign off date and this is confirmed in their Audit Plan.

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

- 3.1 Consideration of alternative options was not required.

**4. Consultation on proposal**

4.1 No consultation is required in respect of this report.

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

5.1 No decision which will require implementation is anticipated from this report.

**6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)**

6.1 A proposed fee of £183,938 has been set for 2020/21, compared to £148,438 for 2019/20. The fee for 2020/21 is governed by the Public Sector Audit Appointments (PSAA) company set up by the LGA as successor body to the Audit Commission, any change to the final fee will have to be agreed by the PSAA and the Council's Section 151 Officer.

6.2 The Council's external auditors now face significantly greater pressure to deliver higher quality audits by the regulations requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations. Therefore, the audit fee for 2020/21 includes an additional fee of £75,500, this increase has been seen across the sector, not just for RMBC, it is not a reflection on the Council's quality of accounts.

6.3 There are no direct procurement implications arising from the detail of this report.

**7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)**

7.1 There are no specific Legal implications arising from the report.

**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 implications arising from this report to Partners or other directorates.

## 12. Risks and Mitigation

12.1 Changes to the Plan and the fee may be necessary if significant new audit risks emerge or Grant Thornton's expectations are not met. Should this be the case, Grant Thornton will first discuss the reason for any change in fee with the Strategic Director of Finance and Customer Services. They will then be brought to the attention of the Audit Committee outlining the reasons for any change.

## 13. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Assistant Director of Legal Services (Monitoring Officer)	Bal Nahal	Click here to enter a date.
Assistant Director of Human Resources (if appropriate)	Lee Mann	Click here to enter a date.

Report Author: *Rob Mahon (Head of Corporate Finance)  
Finance & Customer Services Directorate  
01709 254518 [rob.mahon@rotherham.gov.uk](mailto:rob.mahon@rotherham.gov.uk)*

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

# Rotherham Metropolitan Borough Council 2020-21 Audit Plan

**Year ending 31 March 2021**

**20 July 2021**



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**Your key Grant Thornton team members are:**

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7. Materiality
8. Value for Money Arrangements
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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. Key matters

Factors	Our response
<p><b>Covid-19 and Council financial developments</b></p> <p>The Covid-19 pandemic has had a considerable impact on the Council. Given the pandemic only started to impact from mid-March 2020, the additional costs did not have a significant impact on 2019-20, when the Council delivered a balanced budget that required only £1.2m of corporate reserves out of initially budgeted requirement of £3.2m.</p> <p>However, the scale of impact has been felt fully 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, lost income through reduced trading activity and some temporary cessation of services. In addition, some businesses in Rotherham closed their operations and some businesses furloughed staff. Throughout the on-going pandemic, the Council has continued to receive Central Government funding to support its services as well as support for businesses operating within the Rotherham area.</p> <p>The Revenue Budget for 2020-21 was approved by Council on 26 February 2020. A budget of £233.3m was set for General Fund services. According to the final outturn reported to the Cabinet on 19 July 2021, the Council had a final underspend against revenue budget of £6.1m, following mitigating actions taken to manage the financial impacts of Covid-19. This incorporates the late receipt of £2m of Government support towards costs associated with Operation Stovewood and after a proposed transfer of £2m to create a new Children and Young Peoples Services Social Care Reserve.</p> <p>The mitigating actions included the application of Government emergency funding of £18.9m to support the Covid-19 response and cost implications of this, the submission of compensation claims totalling £4.8m relating to the adverse impact of Covid on sales, fees and charges income and the use in 2020-21 of £5.2m from the Control Outbreak Management Fund (COMF). Without the provision of these grant funding streams the Council's general fund financial outturn would have been a £22.8m overspend.</p> <p>For 2021-22, the Council set a balanced gross revenue budget of £235.7m. Detailed 2021-22 budget plans including assumptions were presented and approved by the Council in March 2021. To achieve this balanced budget, the Council will need to deliver savings of £5.65m during 2021-22.</p> <p><b>Adoption of new auditing standards - Estimates</b></p> <p>ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures, which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As we explain in more detail in Section Four of this Plan, this will require greater disclosure by the Council as well as additional work by the auditor.</p> <p><b>Financial Reporting and Audit – raising the quality bar</b></p> <p>The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing.</p> <p>We have also identified an increase in the complexity of financial transactions in the sector which require greater audit scrutiny.</p>	<ul style="list-style-type: none"> <li>As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been acknowledged by the S151 Officer.</li> <li>We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.</li> <li>We will continue to provide you with updates via our Audit Committee updates.</li> <li>The revisions to the standard have been incorporated into our audit approach and methodology. We have identified the material accounting estimates likely to be impacted by the new auditing standard and will work with management to agree the information required.</li> <li>At this time we have not identified a specific Covid-19 significant audit risk (as we did for all Local Government audits in 2019-20 which covered a number of risks including the availability of the entity's staff to produce accounts, valuation uncertainties in relation to land and buildings). We will revisit this assessment should the current pressures the sector faces continue and impact year-end accounting and auditing processes.</li> </ul>

# 2. Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Rotherham Metropolitan Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Rotherham Metropolitan Borough Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's activities and is risk based.

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of land and buildings, including investment properties
- Valuation of the net pension fund liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £8.75m (PY £9m) which equates to 1.5% of your gross expenditure for cost of services for 2019-20. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £437,500 (PY £450,000).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following risk of significant weakness:

- The plans the Council has to reduce the overspends against its Dedicated Schools Grant and to recover the cumulative deficit.

There are no other significant weaknesses at this time. We will keep our VFM assessment under review as our audit progresses.

## Audit logistics

Our planning work for 2020-21 commenced in February 2021 and will be completed along with our interim audit during July. Our final accounts audit will take place from August to November 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and the Auditor's Annual Report on our VFM work. Revisions and updates to certain ISA(UK) which are applicable to 2020-21 audit and beyond are reported at Appendix A.

Our fee for the audit will be £183,938 (PY: £148,438) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on your financial statements.

# 3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud in revenue recognition and expenditure	<p><b>Revenue</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in 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><b>Expenditure</b></p> <p>Whilst not a presumed significant risk we have had regard to Practice Note 10 ( Audit of financial statements and regularity of public sector bodies in the United Kingdom) Having considered the nature of the expenditure streams at the Authority, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds</li> <li>there is no significant pressures on general fund reserves of the Council</li> <li>Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21</li> </ul>	<p>Notwithstanding that we have rebutted these risks we will still undertake a significant level of work on the Council's revenue streams, as they are material to the financial statements audit.</p> <p>We will:</p> <p><u>Accounting policies and systems</u></p> <ul style="list-style-type: none"> <li>Evaluate the Council's accounting policies for recognition of income and expenditure for it's material income and expenditure streams and compliance with CIPFA Code</li> <li>Update our understanding of the Council's business processes associated with accounting for income and expenditure.</li> </ul> <p><u>Fees, Charges and other service income</u></p> <ul style="list-style-type: none"> <li>Agree, on a sample basis, income and year end receivables from other income supporting evidence.</li> </ul> <p><u>Taxation and non specific grant income</u></p> <ul style="list-style-type: none"> <li>Income for national non -domestic rates and council tax is predictable and therefore we would conduct substantive analytical procedures</li> <li>For other grants we will sample test items for supporting evidence and check the appropriateness of the accounting treatment in line with CIFA Code.</li> </ul> <p><u>Expenditure</u></p> <ul style="list-style-type: none"> <li>Agree, on a sample basis, non pay expenditure and year end payables to supporting evidence</li> <li>Undertake detail substantive analytical procedures on pay expenditure.</li> </ul> <p>We will also design and carry out appropriate audit procedures to ascertain that recognition of income and expenditure is in the correct accounting period (e.g. using cut off testing).</p>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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 will:</p> <ul style="list-style-type: none"> <li>evaluate the design effectiveness of management controls over journals</li> <li>analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>gain an understanding of the accounting estimates and critical judgements applied and made by management and consider their reasonableness with regard to corroborative evidence</li> <li>evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings, including investment properties	<p>The Council re-values its land and buildings (other than investment properties) 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 (over £900 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used.</p> <p>All investment properties (over £30m) should be valued as at fair value in line with LG Code guidance. Again, this valuation represents a significant estimate by management in the financial statements</p> <p>We therefore identified the closing valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>discuss with the valuer the basis on which the valuation was carried out</li> <li>challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>engage our own auditor's expert valuer to assess the instructions issued to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation</li> <li>test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end</li> <li>evaluate the assumptions made by management and the management expert when valuing investment properties at fair value as at 31 March 2021</li> <li>consider, where the valuation date is not 31 March 2021 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate as at 31 March 2021.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (c£450m) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>update 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 evaluate the design of the associated controls</li> <li>evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work</li> <li>assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation</li> <li>assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability</li> <li>test 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</li> <li>undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> <li>obtain assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

# 4. Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

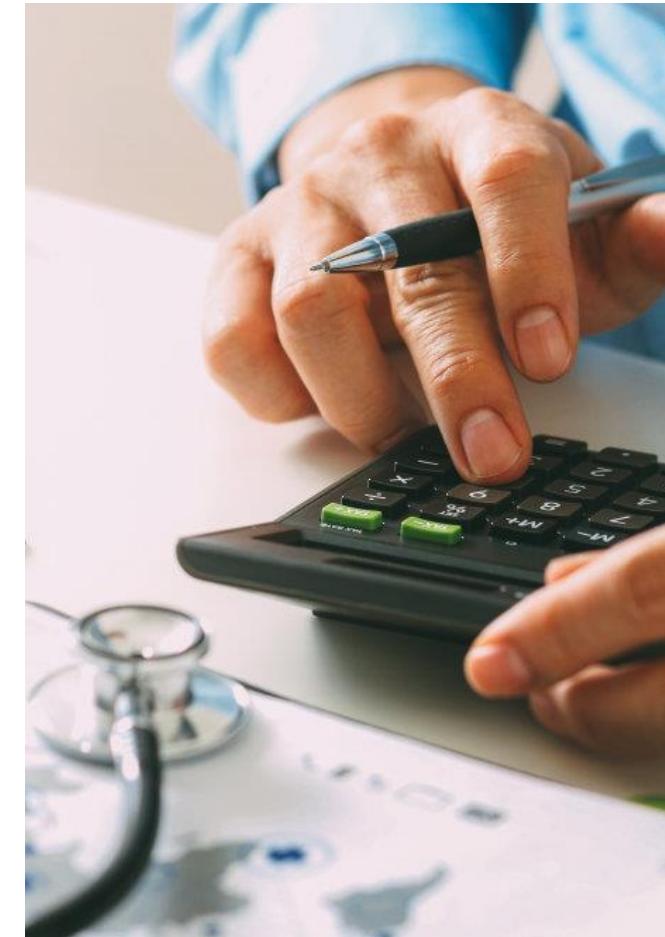
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically the auditor may obtain an understanding of whether those charged with governance:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates.



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have currently identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end material provisions and accruals
- Credit loss and impairment allowances (as material)
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments.
- Liabilities under PFI schemes

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



## Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 [Revised December 2018], auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

## Planning enquiries

As part of our planning risk assessment procedures, we are planning to send letters of enquiry to management by 31 July. We recommend management responses are considered by the Audit Committee Chair and management's response is sent to us in due course.

## Further information

Further details on the requirements of ISA (UK) 540 [Revised December 2018] can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# 5. Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2020-21 financial statements, consider and decide upon any objections received in relation to the 2020-21 financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
  - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VFM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report.

# 6. Progress against prior year audit recommendations

We identified the following issues in our 2019-20 audit of the Council's financial statements and VFM conclusion work which resulted in the recommendations being reported in our 2019-20 Audit Findings Report. The progress made as of July 2021 against those recommendations is reported below

Assessment	Issue and risk reported in our 2019-20 Audit Findings Report (November 2020)	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:</li> <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> <p><b>Management response (November 2020):</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> <p><b>Management Response (July 2021) :</b></p> <p>Regular engagement is maintained as outlined in the response to the recommendation. The Council received formal notification from the ESFA in February 2021 of Ministerial approval to the Council's disapplication request to move 1.5% of DSG funding (£3m) from the schools block to the high needs block. The Council expects DSG to outturn within overall budget in 2021/22. An update on the Council's DSG deficit recovery plan is being finalised for issue to ESFA by the end of July 2021.</p>

# 6. Progress against prior year audit recommendations (continued)

Assessment	Issue and risk reported in our 2019-20 Audit Findings Report (November 2020)	Recommendations
 <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>

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## Management response (November 2021)

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.

## Management Response (July 2021) :

The Council's Financial Outturn report for 2020/21 was submitted to Cabinet on 19<sup>th</sup> July 2021. The report confirms that the General Fund Minimum Balance was increased to £25m as planned for. The report also confirms that the Council was able to manage the impact of Covid in 2021/22 through a range of mitigations including a prudent approach to redeployment of resources in response to the pandemic and by use of the Government's provision of emergency Covid funding support. The overall financial outturn position for the Council for 2020/21 was an underspend of £6.1m which has been placed into reserves, to support ongoing Covid response and future years budgets. The report acknowledges that it remains complex to forecast forward the continuing financial impact of the pandemic throughout 2021/22

# 7. Materiality

## The concept of materiality

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. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure in cost of services of the Council for 2019-20. In the prior year we used the same benchmark which is gross expenditure in cost of services. Materiality at the planning stage of our audit is £8,750,000 (PY £9,000,000), which equates to 1.5% of your gross expenditure in cost of services for the prior year.

We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £15,000 for senior officer remuneration due to sensitive nature of such disclosures to the public.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

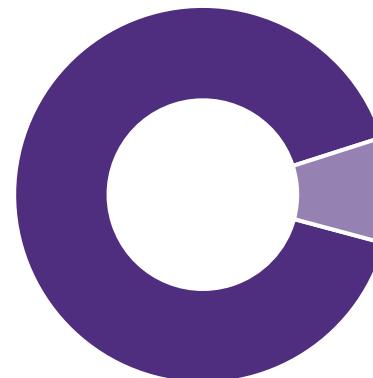
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £437,500 (PY £450,000).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

## Gross expenditure in cost of services

£583m



■ Forecast gross operating costs

## Materiality

£8,750,000

Council financial statements materiality (PY: £9,000,000)

£437,500

Misstatements reported to the Audit Committee (PY: £450,000)

# 8. Value for Money arrangements

## Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020-21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



**Improving economy, efficiency and effectiveness**

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



**Financial Sustainability**

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



**Governance**

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.



# 9. Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the right hand column below.

## Risks of significant weakness

These would be risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

At this stage of our audit work we have identified one significant weakness:

### 1. Dedicated Schools Grant (DSG) deficit position and recovery plan:

Over the past two years we have reviewed and monitored the Council's DSG performance and the increasing deficit position. The outturn position on the DSG reserve as at 31 March 2020 was a deficit of £19.9m. This was over £3m above the agreed plan for 2019-20, which was a planned £16.5m deficit. Latest discussions with management indicate a reduced in-year deficit of £1.9m as at 31 March 2021, however, this has increased the overall deficit position to £21.8m.

We are aware the Council continues to hold regular discussions with the Education and Skills Funding Agency (ESFA), regarding the challenges of the High Needs Block. In addition, we note the discussions of the DSG position at Cabinet and Audit Committee, helping to ensure Members are kept informed of the latest developments in this area.

The new regulations from the DfE mandate that a DSG deficit may only be funded and recovered through DfE financial support and recovery arrangements. The Government's intention is that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. We will review the plans the Council has to reduce the annual expenditure in this area and, ultimately, to recover the cumulative overspend.

Under the new VFM arrangements we will be considering the Authority's arrangements in place across the three criteria areas of finance, governance and performance. To be clear, this represents a more detailed level of audit work required under the new VFM Code than previously. We will be commenting on the Authority's arrangements across the three criteria in our Auditor's Annual Report – again a new requirement for this year.

We will consider the Authority's financial outturn position for 2020-21 and its planned position for 2021-22 and beyond. We will keep the possibility of a significant weakness arising and/or an existing risk increasing to a significant weakness as part of our ongoing 2020-21 VFM review.

Our findings will be summarised in the Auditor's Annual Report, to be agreed with management later this year. The NAO has set out that the Auditor's Annual Report, detailing our findings from our VFM work, should be issued within three months of the audit opinion in 2020-21, which is reflected in the timeline on the following page.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

# 10. Audit logistics and team



**Gareth Mills, Key Audit Partner & Engagement Lead** - Gareth leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, ensuring the highest professional standards are maintained and a commitment to add value to the Authority.

**Thilina De Zoysa, Engagement Manager** - Thilina plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.

**Greg Charnley, Engagement Assistant Manager** - Greg assists in planning, managing and delivering the audit fieldwork, ensuring that the audit is delivered effectively and efficiently. They supervise and co-ordinate the audit team.

Members of the Audit Committee will be familiar from previous discussions regarding the challenging nature of the availability of specialist public sector external audit staff, and the volume of local authority audits which continued after last year's target date of completion of 30 November 2020. This background coupled with the impact of Covid-19 remote working and the need to prioritise our NHS clients given their earlier audit deadline of June 2021, means that we are behind in our local authority planning and interim work compared to our normal timings and profile of delivery.

We have noted that MHCLG has set a date of 30 September 2021 for audited local authority accounts. Given the context set out above, we believe this is highly unrealistic for 2020-21 audits (but as a firm we are fully supportive of this in a 'normal' year). We are proposing to target completing our audit fieldwork on your accounts in October before signing off your accounts in November. There are no financial or reputational issues arising from having your accounts signed after the 30 September.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# 11. Audit fees

In 2017, PSAA awarded a contract of audit for the Council to begin with effect from 2018-19. The fee agreed in the contract was £108,438. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020-21 audit.

As referred to on page 15, the 2020-21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee. This is in line with increases we are proposing at all our local audits.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed at Appendix A.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020-21, as set out below, is detailed overleaf and has been discussed with the S151 Officer. Our estimate is that for your audit, the above changes and developments will result in an increased fee of £75,500. This is in line with increases we are proposing at all our local authority audits.

	Actual Fee 2017-18 (KPMG) £	Actual Fee 2018-19 £	Actual Fee 2019-20 £	Proposed Fee 2020-21 £
Rotherham MBC Council Audit – PSAA Scale fee	140,828	108,438	108,438	108,438
Fee uplift	-	9,000	40,000	75,500
<b>Total audit fees (excluding VAT)</b>	<b>140,828</b>	<b>117,438</b>	<b>148,438</b>	<b>183,938</b>

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA	£108,438
<b>Ongoing increases to scale fee first identified in 2019-20:</b>	
Raising the bar/regulatory factors and VFM (mainly DSG deficit)	£10,000
Enhanced audit procedures for Property, Plant and Equipment	£15,000
Enhanced audit procedures for Pensions	£10,000
Additional testing due to lower materiality	£3,000
Covid-19	£2,000
<b>Audit fee 2019-20:</b>	<b>£148,438</b>
<b>New issues for 2020-21:</b>	
Additional work on Value for Money (VFM) under new NAO Code	£20,500
Increased audit requirements of revised ISAs	£15,000
Local risk factors	-
<b>Proposed increase to agreed 2019-20 fee:</b>	<b>£35,500</b>
<b>Total 2020-21 audit fees (excluding VAT):</b>	<b>£183,938</b>

# 12. Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 (Revised 2019) 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.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services (currently none) to be undertaken or undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
<b>Audit related:</b>			
Certification of Housing Benefit [See note below]	22,800*	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 £22,800 in comparison to the total fee for the audit of £183,938 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Responding to Elector correspondence	4,000	-	We received four items of correspondence from local electors in the early part of 2021. Two of the items of correspondence required a level of detailed work by the Engagement Lead, liaising with senior management at the Council, in order to respond to the questions raised.
<b>Non-audit related:</b>			
None	-	-	-

## NOTE:

\* The £22,800 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

We are not aware of any other 2020-21 grants requiring certification by us as at the date of this Audit Plan.

# Appendix A: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 2019-20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020-21 audits and beyond.

	Date of revision	Application to 2020-21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor's Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix A: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020-21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 - Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix A: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020-21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	

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**Council Report**

Audit Committee Meeting – 29<sup>th</sup> July 2021.

**Title**

Annual Governance Statement 2020/21.

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

No.

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director, Finance and Customer Services.

**Report Author(s)**

David Webster, Head of Internal Audit

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Simon Dennis, Corporate Improvement and Risk Manager

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

**Ward(s) Affected**

All wards.

**Report Summary**

The Council has produced a draft Annual Governance Statement (AGS) for the 2020/21 financial year which was published alongside the Council's Statement of Accounts on 21<sup>st</sup> July 2021. This report briefly sets out for the Committee the process that was followed to construct this AGS. The full draft AGS is attached to this report as Appendix A.

**Recommendations**

The Audit Committee is asked to review the draft 2020/21 Annual Governance Statement and raise queries if necessary.

**List of Appendices Included**

Annual Governance Statement 2020/21.

**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 24<sup>th</sup> November 2020 "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 2020/21

### 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 2020/21 AGS was published on 21<sup>st</sup> July 2021.
- 1.2 A process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group, chaired by the Strategic Director Finance and Customer Services. The group included the Head of Internal Audit and the Corporate Improvement and Risk Manager.
- 1.3 The assurance and evidence process produced a strong evidence base and enabled the Council to have confidence in the statements that it is making in the AGS. The AGS also includes updates to matters raised in the previous year's AGS. The draft AGS is attached to this report as Appendix A.

### 2. Process to construct the 2020/21 AGS

- 2.1 In constructing the AGS for 2020/21, 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 2019/20 AGS. Each Strategic Director was also required to sign a Statement of Assurance which was based on the information arising from their review of current and previous governance issues.
- 2.2 Each Directorate has returned the required Statement of Assurance and supporting documents and the Corporate Governance Group has reviewed the evidence contained in them. Additionally, the group has considered which issues are of sufficient significance to require reporting in the AGS. The group then produced the AGS itself, which was reviewed by the Strategic Director Finance and Customer Services, the Chief Executive and the Leader.
- 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 2021/22.
- 2.4 Covid-19 had a significant impact at during 2020/21. This is reflected within the AGS, which includes actions taken in response to the pandemic and lockdown.
- 2.5 The AGS has been the subject of an internal audit review, with the auditor reporting directly to the Strategic Director Finance and Customer Services. The audit gave substantial assurance that the AGS was prepared properly and in compliance with guidance and was an accurate representation of the governance arrangements in RMBC.

- 2.6 The Audit Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.
- 2.7 The AGS is subject to review by external audit who will check that it is in line with CIPFA requirements and consistent with the Statement of Accounts and their knowledge of the Council.
- 2.8 The final AGS will be presented to the committee alongside the final Statement of Accounts. to reflect any issues that emerge between now and then, and will take account of any comments made by the Audit Committee and the external auditor.

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

- 3.1 This paper considers the draft AGS for 2020/21. As a result, no specific options have been considered.

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

- 4.1 All Strategic Directors have been asked for their input into the AGS process through the submission of signed Statements of Assurance.
- 4.2 The draft AGS has been reviewed by the Strategic Director Finance and Customer Services and the Chief Executive.

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

- 5.1 The Audit Committee is asked to receive this report at its July 2021 meeting.
- 5.2 The Corporate Governance Group will ensure that any issues raised by the Audit Committee or the external auditors, and any emerging issues are addressed and updated as part of the completion of the final AGS for 2020/21.

### **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 2020/21**

## 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 2020.
- 2.2 Until 31 March 2020, the Council had a Council Plan which was refreshed with new performance measures during each financial year. Due to the delayed council elections caused by the global pandemic, 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 originally covered the period until June 2021. In June 2021 the "Year Ahead" Plan was extended until November 2021 to provide an appropriate period of time to develop a new longer-term Council Plan for approval by Council in January 2022. This new Plan will include new priorities for future years and will form the basis of the Council's planning.

2.3 The “Year Ahead” Plan 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.

2.4 The “Year Ahead” Plan is framed around 5 themes:

- Thriving Neighbourhoods
- Better Health and Wellbeing
- Economic Recovery
- New Ways of Working
- Hope and Confidence in Rotherham

2.5 The plan also includes the following cross-cutting strands, which are integral to each theme:

- Equalities and Social Justice
- Climate Impact

2.6 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.

2.7 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:

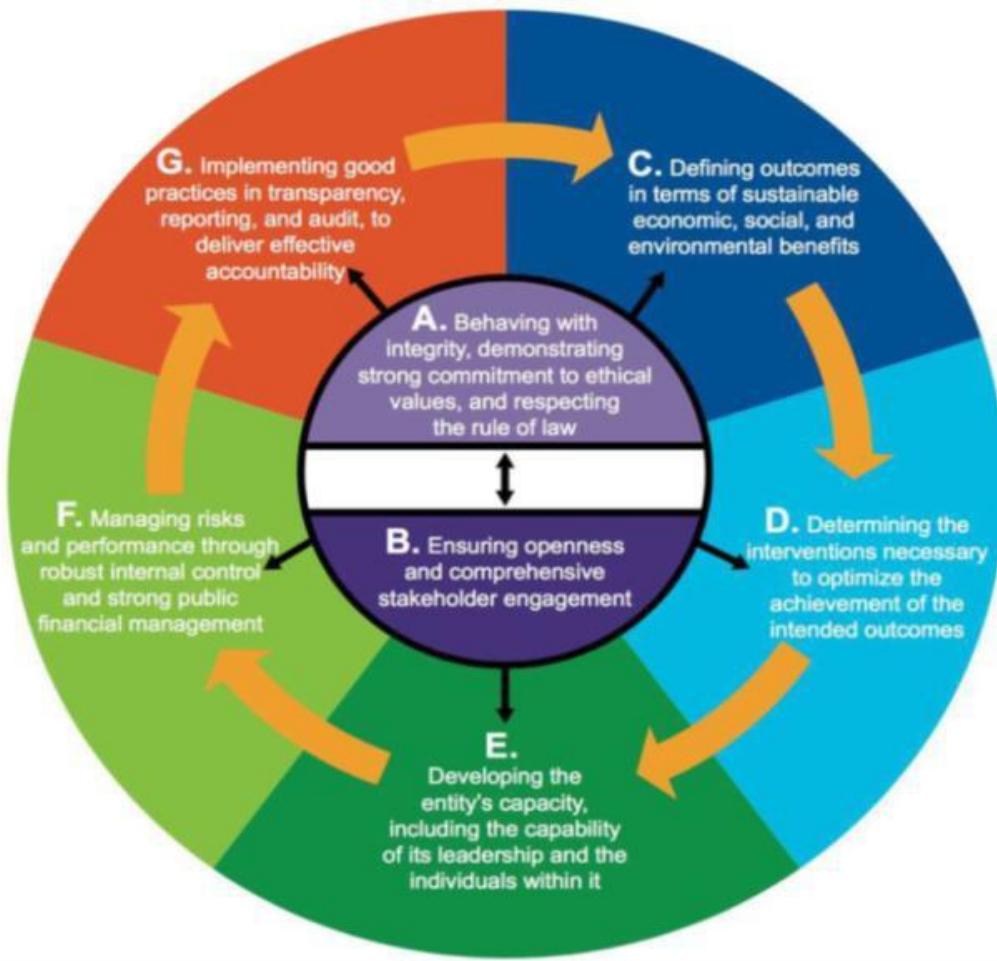
- identify and prioritise the risks to the achievement of Council policies, aims and objectives
- evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
- manage the risks efficiently, effectively, and economically.

2.8 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 Approves the budget and sets council tax
Cabinet	Primary decision-making body of the Council Approves the Council Plan. Comprises the Leader of the Council and Cabinet members who have responsibility for specific areas
Audit Committee	Considers all issues relating to 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	Set governance standards Lead and apply governance standards across the Council
Internal Audit	Performs independent and objective reviews of all areas of the Council Undertakes fraud and irregularity investigations and proactive anti-fraud work
Areas or disciplines which are not directly responsible for delivery of services, for example Performance Management, Risk Management, Finance, HR, Legal, Information Security, Health and Safety.	Responsibilities include designing policies, setting direction and ensuring compliance
Management. Assurance at this level comes directly from those responsible for delivering specific objectives, projects or operational areas.	Responsibilities include identifying risks and improvement actions

### 3 HOW THE GOVERNANCE FRAMEWORK IS APPLIED

3.1 The principles set out in both the CIPFA/SOLACE Delivering Good Governance Guidance and the Council's own Code are shown in the diagram below:



3.2 The table below indicates the detailed governance arrangements in place during the year and their operation, with reference to these principles:

Principle	Arrangements at Rotherham MBC
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<p>The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements.</p> <p>All key decisions require review by Legal and Financial Services to ensure all relevant requirements and considerations are taken into account.</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 national 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>
Principle B – Ensuring openness and comprehensive stakeholder engagement.	<p>The Council is committed to openness and acting in the public interest. The new “Year Ahead” Plan which was developed rapidly in response to the Covid pandemic, is available on the Council’s website and all performance reporting against the Plan is presented in public meetings of Cabinet. A new Council Plan and a new Rotherham Plan are currently being developed and plans are in place for consultation with stakeholders as part of the development process.</p> <p>Delivery of the vision in the “Year Ahead” Plan is embedded in day-to-day activities across the Council and is monitored through the performance management arrangements which are underpinned by an established 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>The Thriving Neighbourhoods 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 2020/21 this Strategy has continued to become embedded in the Council’s methods of working, especially through the Covid pandemic as Neighbourhoods were the cornerstone of the response. As part of this development, a series of regular ward newsletters were continued to improve public awareness of developments in their local areas and improve community engagement.</p> <p>Fortnightly newsletters are also produced for Council members with additional ‘special’ bulletins produced to cover significant issues. These summarise key developments and issues in the Council to enable them to perform their roles effectively.</p> <p>A 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</p> <p>The Policy is underpinned by a consultation toolkit for services to use so that they comply with the Policy. The Rotherham Together</p>

	<p>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. As noted above, the Rotherham Plan is currently in the process of being updated with the aim that this will be published during 2022.</p>
<p><b>Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.</b></p>	<p>The Council's five year Council Plan came to an end in March 2020 and the final report on the Plan was published in September 2020. At the same time, a plan was approved for the coming year to cover the period until June 2021. This "Year Ahead" Plan set out the key outcomes that the Council intended to achieve in the coming 12 month period and the Plan has subsequently (in June 2021) been extended until November 2021. The Year Ahead Plan has been monitored throughout the year in line with the Council's Performance Management Framework. This monitoring involves quarterly consideration of the outcomes in public sessions of Cabinet and the Overview and Scrutiny Management Board.</p> <p>Sitting alongside the Year Ahead 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>Because of the pandemic, during the 2020-2021 year, Service Plans were not compulsory, although many services still maintained such Plans. However, the Year Ahead Plan captured the priorities and outcomes for services. These were used for Performance Development Reviews for staff. With the development of the extension of the "Year Ahead" Plan and a new Council Plan, the requirement for Service Plans that link to the Council Plan and into individual Personal Development Plans, will be reinstated.</p> <p>In addition to the above, the Council's Risk Management framework links to the relevant plans and enables Strategic and Directorate Leadership Teams to monitor and respond to the risks around each key element of the overall plan that they are accountable for.</p>
<p><b>Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.</b></p>	<p>As set out above, the Year Ahead Plan and associated Service Plans form the basis for all interventions planned by the Council. All Business decisions are accompanied by a business case and options appraisal and the corporate report templates require information explaining the legal and financial implications of decisions.</p> <p>Delivery of the Plans continues to be monitored through Quarterly Monitoring Reports and the Council has a suite of performance reports which are aligned to the Year Ahead 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><b>Principle E -</b> 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 was available to all Members during 2020/21 and take up reached 100% prior to the latest elections in May 2021. A new process has commenced after the elections</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 ran to 2020 and is currently being reviewed for completion later in 2021. The strategy aligned with the Council Plan and the new strategy will be developed in tandem with the Council Plan and will be adopted after the Council Plan has been approved. Each Council employee has a Personal Development Plan which will link to their service's Service Plan and is reviewed at regular intervals.</p> <p>A series of projects are in place to deliver service transformational change across the Council as part of the "Big Hearts, Big Changes" programme. These are drawn from the Council Plan and are cross cutting big ticket items. Many of these projects are designed to increase the Council's capability and capacity to meet increased service pressures and adapt to service demands in a "post Covid" environment.</p>
<p><b>Principle F -</b> 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. The Guide will be reviewed in Autumn 2021 having last been rewritten in November 2019. 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.</p> <p>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 comply with the CIPFA Code of Practice 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><b>Principle G -</b> Implementing good practices in transparency,</p>	<p>The Council's approach to transparency 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</p>

reporting, and audit to deliver effective accountability.	<p>Statement.</p> <p>The Code of Corporate Governance is refreshed annually in accordance with CIPFA/SOLACE principles and any documents proposed for publication are scrutinised and approved by Strategic 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. In 2019-20 the Audit Committee agreed an update to its Terms of Reference based on CIPFA guidance.</p> <p>The Council is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the Council's responses are made available via the website.</p> <p>An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team and Cabinet.</p>
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### **How is the effectiveness of our Governance Arrangements monitored?**

3.3 The Council reviews the effectiveness of its governance framework, including the system of internal control, every year. The ten key elements of assurance that inform this governance review are:

- 1) The Chief Executive, Strategic and Assistant Directors whose role includes:
  - Corporate oversight and strategic planning
  - Annual corporate governance assessment which is informed by annual Assurance Statements from each Strategic and Assistant Director
  - Implement and monitor regulatory and other governance protocols
- 2) Monitoring Officer who has oversight of:
  - Legal and regulatory assurance
  - Monitors the operation of the Constitution
- 3) The Section 151 Officer who has oversight of the proper administration of the Council's 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 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 to Strategic Leadership Team
  - Regular monitoring and reporting of Risk Registers to Directorate Leadership Teams
- 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 It is a requirement of the UK Public Sector Internal Audit Standards (PSIAS) that there is an annual internal assessment of Internal Audits conformance with the standards, verified externally at least every five years. In late 2020 the external verification was completed. Internal Audit was assessed as generally conforming to Public Sector Internal Audit Standards. This is the highest classification used by CIPFA.

3.8 It is also a requirement of PSIAS 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 29<sup>th</sup> July 2021. The report confirmed positive progress had been made during the year, with 85% of audits resulting in a positive opinion compared with 77% in the previous year. The remaining reports highlighted areas where further improvement could be made. These will be followed up in 2021/22.

3.10 During the year, as a result of Covid-19, there were delays in the implementation of audit recommendations with a backlog of more than 40 overdue actions in November. After prioritisation by the Chief Executive and Strategic Leadership Team this had reduced to a normal level of around 5 by the year end.

- 3.11 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 throughout the year.
- 3.12 Gold and Tactical Groups were convened to coordinate and oversee the Council's response to the pandemic, ensuring a timely response whilst operating within existing delegations for decision-making. Meetings were minuted and actions logged, and decisions referred to Members as required.
- 3.13 The Gold and Tactical Groups authorised emergency operational measures and decision making in line with the existing Code of Governance. The emergency measures resulted in changes to procedures and control arrangements. These were subject to audit and found to be well controlled and working well. The Annual Report concluded that the framework of governance, risk management and control was maintained throughout the year.

#### **External Audit**

- 3.14 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 2020 year on 4<sup>th</sup> December 2020.
- 3.15 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 4<sup>th</sup> December 2020. 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 2020.
- 3.16 Grant Thornton will issue a final ISA 260 report for 2020/21 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.

#### **Compliance with Financial Management Code (FMC)**

- 3.17 The Council complies with the financial management standards as setting out within the CIPFA Financial Management Code (FMC). The Council's Financial Procurement Procedure Rules (FPPR's) provide the bedrock of the Council's financial governance, setting clear principles as to how the Council manages and controls its financial decision making.

These FPPR's are routinely reviewed to ensure they are kept up to date with the current financial environment, new financial standards and the ever-changing local authority financial conditions.

- 3.18 The Councils current budget and Medium Term Financial Strategy set out how the Council will finance the current requirements of services, whilst effectively planning for the delivery of agreed savings and continuing to stabilise and improve the Councils level of reserves. However, any significant longer-term planning is hindered by Governments reluctance to provide a financial settlement that is greater than a year ahead.
- 3.19 The Councils capital programme planning and investment levels are directly linked into the revenue budget planning to ensure that any new use of corporate resources is affordable over the longer term, in terms of financing borrowing and major repairs provision charges. Whilst the Council does annually review and make additions to the capital programme, typically with new use of corporate resources, the Council actively looks to maximise its access to and use of, government grant funding and other external contributions. The links between the revenue budget and capital programme are tightly controlled to ensure that the Council sets a Treasury Management Strategy that is both prudent and compliant with the prudential code for capital financial.
- 3.20 The Council sets an annual budget through Cabinet and Council which is then monitored closely during the course of the financial year. The Councils Senior Leadership team receive monthly updates on the financial position with regular updates taken to cabinet throughout the financial year. This reporting process culminates with a financial outturn report post the end of any financial year, this report sets out how that outturn impacts the future financial planning of the Council, in particular the impact on reserves and delivery of planned savings.

#### **4 UPDATE ON MATTERS REFERRED TO IN THE ANNUAL GOVERNANCE STATEMENT FOR 2019/20**

##### **Adult Social Care**

- 4.1 Adult Care in 2019/20 continued to develop its key areas of delivery. Engagement with the workforce was initiated to develop a new target operating model for implementation in October 2019 and this was completed. The service introduced a virtual platform where teams could discuss and share their key activities – Perform Plus, this proved invaluable as they moved into the pandemic where virtual working had to become the norm. However, the embedding of the new operating model was hampered to a degree due to the focus on response to the pandemic but key principles were still introduced.

## **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 now been completed. We continue to have regular discussion with the PSN office to update them and they are satisfied with progress. It is expected that PSN accreditation will be achieved in 2021, an application was submitted in late spring.
- 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 has been delayed by 12 months due to Covid-19 which has required the web team to focus on supporting the community via the website during that time. This change when complete will further improve performance and provide a more customer focused approach to service delivery. Monitoring of performance levels is undertaken monthly 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 2021/22 budget was finalised without the requirement for any new budget savings to be identified, however there remains £18m of previously agreed savings to be delivered over a revised profile 2021/22 to 2023/24. £5.7m of these savings are profiled for delivery in 2021/22.
- 4.5 The biggest challenge for the Council remains the cost and demand pressures 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 funding for Operation Stovewood, further to the one-off funding allocations provided in the last two years (£1.3m for 2019/20 and £2m for 2020/21).
- 4.6 The challenges and risks have been exacerbated by the ongoing Covid-19 pandemic and the consequent circumstances which make it highly likely that

the delivery of some of the savings will be further delayed whilst those circumstances remain, especially within social care services. Overall however, the Council has to date effectively managed the financial impact of Covid within the Government grant funding that has been made available. Whilst further Government funding has been provided for 2021/22, the risk remains around the continuing impact of Covid and the balance between financial impact on the Council and compensating Government grant funding.

- 4.7 The uncertainty nationally on the future funding of local government remains. The 2021/22 Finance Settlement was again for one year only and there is no firm commitment as yet from Government that the Spending Review to be undertaken in 2021 will be a multi-year review.

### **Sub-schemes of delegation**

- 4.8 In 2019/20 Internal Audit reported on the need to develop sub-schemes of delegation. Action has been taken during 2020/21 to produce the sub-schemes in a consistent format. They are now part of the Council Constitution.

## **OTHER SIGNIFICANT ISSUES ARISING DURING 2020/21**

### **Covid-19**

- 5.1 During the final quarter of the 2019/20 financial year, throughout 2020/21 and to the date of this Statement, the council has had to respond at considerable pace to the COVID-19 pandemic in order to help the residents of the Borough to stay safe and support local businesses and key partners. This response accelerated following the national government's introduction of "lockdown" on 23rd March 2020 and remains a priority to date.
- 5.2 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 during 2019/20 and into the first part of 2020/21. A system of Gold and Tactical 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 Tactical Groups are part of a clearly defined structure which includes an operational 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.

- 5.3 There was some minor disruption to the Council's democratic process prior to 1<sup>st</sup> April 2020, however during the 2020/21 year Council, committee and other meetings were held via video conferencing technology remotely 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. Following the lapsing of the legislation that permitted virtual meetings for Council business, "in person" meetings recommenced on 26<sup>th</sup> May 2021 with the Annual Council meeting, which was held with appropriate Covid precautions in place. Since then, all formal meetings of Council Members have been held "in person", although larger venues have had to be used to accommodate social distancing requirements for some meetings.
- 5.4 The need to respond to the pandemic led to several Council services being suspended or reduced. In some cases, this was due to the need to maintain safe methods of working in compliance with legislation and/or Government guidance 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.
- 5.5 The Council had intended to develop a new Council Plan for 2020/2021 after the local elections. As the local elections were postponed until May 2021, the development of the new Plan was also postponed but is now in hand. The final Council Plan performance report for 2019/2020 was reported to Cabinet in September 2020 and as noted in paragraph 2.2 the Council has produced a new plan, the "Year Ahead" plan. This will be in place until November 2021 and, like the Council Plan, progress has been and is reported quarterly. The first report was published in December 2020.
- 5.6 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 updated Service Plans and to focus on the restart of Council Services and delivery of the Year Ahead Plan. Through the Year Ahead Plan, each Directorate was able to focus on their priorities throughout 2020/21. Mandatory Service Plans will be reintroduced in the latter part of 2021/22 in line with the development of the new Council Plan.
- 5.7 At the start of the initial lockdown, Internal Audit staff were redeployed to support elements of the Council's financial response. These staff were

progressively returned to their duties, however some were redeployed again during the second phases of national lockdown however, the impact on the overall Audit programme for 2020/21 has been managed effectively.

- 5.8 Since March, corporate 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.
- 5.9 The refocusing of Risk Management activity meant that the normal Corporate Risk Management processes were disrupted during the first national lockdown, with the focus being on rapid management of the emerging threats and risks from the pandemic. However, service and directorate risks along with the risks on the Strategic Risk Register continued to be managed by Directorates during this period, although the progress in addressing individual risks had to be reprioritised to take account of the severity of the risks associated with COVID. The process began to be re-established from late summer 2020 and was fully operational again by end of the calendar year.
- 5.10 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 Council managed the financial impact of Covid in 2020/21 supported by the Government grant funding, the ongoing situation of the pandemic and consequent delays in progressing service transformation and cost reduction plans will continue to impact the 2021/22 budget and beyond. Having said this the latest financial monitoring position for 2021/22 projects the council managing within its overall budget.
- 5.11 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 responded to and dealt with the ongoing COVID-19 situation as it has changed during the year. Any relevant developments that have occurred after the year end have been included in the relevant sections.

## **7 LEADER AND CHIEF EXECUTIVE STATEMENT 2020/21**

- 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* .....

***Councillor Chris Read,  
Leader, Rotherham MBC***  
***Date:***

***Sharon Kemp,  
Chief Executive, Rotherham MBC***  
***Date:***

**Committee Name and Date of Committee Meeting**

Audit Committee – 29 July 2021

**Report Title**

Internal Audit Annual Report 2020-21.

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

No

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

David Webster, Head of Internal Audit  
01709 823282 or david.webster@rotherham.gov.uk

**Ward(s) Affected**

Borough-Wide

**Report Summary**

This report provides information on the role of Internal Audit; the work completed during 2020-21 and highlights the key issues that have arisen from it. It provides the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment, risk management and governance. It also provides information regarding the performance of the Internal Audit function during 2020-21.

Based upon internal audit work undertaken and taking into account other internal and external assurance processes it has been possible to complete an assessment of the Council's overall control environment. In the opinion of the Head of Internal Audit, Rotherham Metropolitan Borough Council had overall an adequate and effective framework of governance, risk management and control during 2020-21, including the response to Covid-19.

**Recommendations**

The Audit Committee is asked to:

1. Note the Internal Audit work undertaken during the financial year 2020-21 and the key issues that have arisen from it.
2. Note the overall opinion of the Head of Internal Audit on the adequacy and effectiveness of the framework of governance, risk management and control within the Council.

**List of Appendices Included**

Appendix 1 Internal Audit Annual Report 2020-21.

**Background Papers**

UK Public Sector Internal Audit Standards.

Local Government Application Note.

Accounts and Audit (England) Regulations 2015.

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

No.

**Council Approval Required**

No

**Exempt from the Press and Public**

No

**Internal Audit Annual Report 2020-21.**

**1. Background**

- 1.1 Internal Audit produced a risk based Annual Audit Plan in accordance with the UK Public Sector Internal Audit Standards (PSIAS). This was received by the Audit Committee at its meeting in August 2020, having been updated to allow for the impact of Covid-19. The Plan was regularly reviewed and monitored during the year so that it provided sufficient coverage of the key risks facing the Council.
- 1.2 During the year the Audit Committee received periodic updates on the work of Internal Audit and a summary of the key issues that arose. This annual report is a final summary of Internal Audit activity.
- 1.3 The report is attached at **Appendix 1** and includes the following information:
  - Legislative requirements and Professional Standards
  - The Head of Internal Audit's annual opinion on the control framework, risk management and governance
  - Resources and audit coverage during the year
  - Summary of audit work undertaken during 2020-21, including both planned and responsive / investigatory work
  - Summary of other evidence taken into account for control environment opinion
  - Summary of audit opinions and recommendations made
  - Internal Audit performance indicators

**2. Key Issues**

- 2.1 The Head of Internal Audit's opinion is that there was overall an adequate and effective framework of governance, risk management and control during the majority of the year.
- 2.2 The emergency measures implemented in response to Covid-19 resulted in changes to procedures and control arrangements. Standards of governance and control were maintained during the year, with risk management being utilised to help manage the response.
- 2.3 We did not issue any No Assurance audit opinions during the year. We gave an opinion of Partial Assurance in six areas subject to audit. None of these were considered serious enough for inclusion in the Annual Governance Statement.
- 2.4 We can confirm that action plans have been agreed with management in respect of all final audit reports issued.
- 2.5 During the year most of the audit team spent time supporting the Finance department in processing applications for Business Support Grants, totalling more than 235 days. There was also a substantial level of sickness absence within the Internal Audit team during 2020-21 with 70 days sickness being recorded, in the summer and at the end of the year. However, resource levels provided sufficient capacity to provide an adequate level of assurance, and

sufficient work was completed to enable the Head of Internal Audit to provide his overall opinion.

- 2.6 Public Sector Internal Audit Standards (PSIAS) require that an assessment of the Internal Audit function must be undertaken annually, with an external assessment at least every five years. In 2020-21 an external assessment was completed which showed general conformance with the standards.
- 2.7 A Quality Assurance and Improvement Programme (QAIP) was put into place during 2020 with the results reported to the Audit Committee in March 2021. This showed delays because of the response to Covid, but three of the actions had been completed and two were in progress. One action will be completed in 2021. An updated QAIP based on the external assessment has been produced to maintain and increase the level of conformance within the team. This has twelve Actions to Consider which will be actioned and monitored during 2021.

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

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

### **4. Consultation on Proposal**

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

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

- 5.1 The Audit Committee is asked to receive this report at its 29<sup>th</sup> July 2021 meeting.

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

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

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

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state: *"each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance*

processes, taking into account public sector internal auditing standards or guidance.”

7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are: “*each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.*”

## **8. Human Resources Advice and Implications**

8.1 There are no direct Human Resources implications arising from this report.

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

9.1 This document constitutes a report of progress against delivery of the Internal Audit Plan 2020-21. A significant proportion of the Plan was devoted to the examination of risks facing Children and Young People’s Services and Adult Social Care.

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

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

## **11. Implications for Partners**

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

## **12. Risks and Mitigation**

12.1 The following risks have been identified:

Risk	Impact	Likelihood	Mitigation
Not having/failing to deliver a risk-based Plan. Audit Plan does not reflect current risks/threats to Council. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work). Insufficient resources to complete work to support the annual opinion.	3	2	Risk-based approach to audit planning, including consultation with management. Robust task/time management process. Audit Plan kept under review to ensure it reflects key risks across Council. Half-yearly meetings with all Directorate management teams to ensure plan is up to date. Progress reports provided to Audit Committee. Plan for 2020/21 revised to account for fewer resources and to include consideration of changes to procedures. Resources monitored to ensure sufficient to complete the plan.

Management introduce new systems / processes with inadequate controls.	3	3	Contact with SLT / DLT's over current developments. Received information on the Covid changes in order to consider them for review. Consultation with DLT's and SLT. Promote IA in SLT and DLTs. Review of projects in Customer Services and Efficiency Programme. Review changes to systems for possible inclusion in plan.
Audit testing may not reflect current risks. Major systems changes occur without IA awareness, increasing risk. Scope of our work does not take account of this. Unforeseen demands upon audit resources, e.g. increase in frauds/investigations and/or requests from management (responsive work).	3	3	Risk-based approach to audit planning. Robust task/time management process. Progress reports to Audit Cttee. Changes due to Covid-19 included in the plan. Complete audits of corporate and directorate financial systems. Review changes to systems for possible inclusion in plan

### 13. Accountable Officer(s)

David Webster, Head of Internal Audit

Report Author: David Webster, Head of Internal Audit  
David Webster, Head of Internal Audit

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



# **Rotherham Metropolitan Borough Council**

## **Internal Audit Annual Report 2020-21**

## 1 Introduction

### 1.1 Objectives of the Report.

The objectives of this report are:

- To provide a summary of the Internal Audit work undertaken during the financial year 2020-21 and the key issues that have arisen from it.
- To present the opinion of the Head of Internal Audit on the adequacy and effectiveness of the Council's control environment, risk management and governance arrangements, which supports the Council's Annual Governance Statement (AGS).
- To provide information regarding the performance of the Internal Audit function during the 2020-21 year.

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

### 1.2 Legislation Surrounding Internal Audit.

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

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

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

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

### 1.3 Professional Standards

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

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

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

A self-assessment against the standards was completed in January 2020 with the results reported to the Audit Committee in May 2020. The Internal Audit Service was assessed as generally conforming to the Standards. The assessment resulted in the development of a QAIP for 2020. During 2020, actions were delayed due to the response to Covid, but three of the actions were completed, two were commenced with one due to be implemented in 2021. An external assessment was completed in November 2020. This showed that General Conformance with the standards had been maintained. An updated QAIP was then produced to include the Actions to Consider in that assessment. This will be implemented and monitored during 2021.

The CIIA define General Conformance as follows.

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

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

#### **1.4 The Definition and Role of Internal Audit**

The definition of Internal Auditing in PSIAS is as follows:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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

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

#### **1.5 Assurance**

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

#### **1.6 Independence**

Throughout the year the team supported the Finance department in processing applications for Business Support Grants as a result of Covid-19. That support continued until the end of April 2021. Whilst working operationally is contrary to the Charter, the work is in one small area of the Authority and does not affect the overall independence of the department. One member of the team who had not been involved in the support was able to audit the operation in during the year.

During 2020/21 the Head of Internal Audit carried out some wider organisational duties that might be considered to conflict with the purely independent role of Internal Audit. These relate to the preparation of the Annual Governance Statement and his role as one of the Whistleblowing Officers. Any conflicts are handled by independent scoping and reporting of these areas.

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

## **2 Internal Audit Assurance for 2020-21**

#### **2.1 Internal Audit Opinion**

For the year ending 31 March 2021, based on the work we have undertaken, my opinion is that Rotherham Metropolitan Borough Council had overall an adequate and effective framework of governance, risk management and control.

#### **2.2 Scope of the opinion**

In arriving at that opinion, I have taken into account

- The results of all internal audits undertaken during the year (see Appendix A for a summary of audits)
- The results of follow up action taken in respect of audits from previous years
- The appropriateness of the proposed action by management to address control weaknesses and consequent risks

- Matters arising from previous reports or other assurance providers to the Audit Committee and/or the Council
- No limitations having been placed on the scope of internal audit
- No resource constraints having been imposed on us which may have impacted on our ability to meet the full audit needs of the Council; and
- Where weaknesses have been identified, the action plans in place to address those weaknesses.

## 2.3 The basis of the opinion

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

### **Governance**

The council's governance framework comprises a range of policies, procedures and processes. At the highest level this includes the Council Plan, which is monitored and reported on regularly. It is supported by a range of policies and strategies to ensure that governance is applied throughout the Council. During the year there was a review of Schemes of Delegation. In addition, many of the other audits undertaken touched on the implementation of the policies and strategies.

A Corporate Governance Group operated during the year, chaired by the Strategic Director Finance and Customer Services and comprising the Corporate Improvement and Risk Manager and the Head of Internal Audit. The group produced the annual review of the RMBC Code of Corporate Governance based on the seven principals from the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance on 'delivering good governance', published in 2016. This was updated to include the responses to Covid-19 and presented to the Audit Committee in November 2020.

The group has the following roles:

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

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

2020-21 was significantly different to a ‘normal’ year. The impact of the Covid-19 pandemic meant that the council had to operate under lockdown whilst at the same time responding to the evolving situation. Gold and Tactical groups were set up to manage the threats. Meetings were minuted and actions logged, and decisions referred to Members as required. There was no disruption to decision-making by Members due to the increased use of technology. Standards of governance were maintained throughout the year.

The Internal Audit plan was updated in June 2020 and included reviews of new arrangements put into place in response to Covid. These were found to be well controlled and working well.

### **Risk Management**

Risk management has been maintained throughout the year. There is a hierarchy of risk registers dealing with strategic and operational risks at SLT, DLT and service level. These are regularly reviewed, discussed and amended to ensure they remain up to date. Risks are escalated to strategic level as necessary. The Audit Committee reviewed the strategic risk register in August 2020 and January 2021, and Directorate risk registers on a rolling basis throughout the year.

The council’s emergency response to Covid required the temporary replacement of normal risk management arrangements. However, risk management was used positively to help effectively manage the Covid response. A coordinated and structured ‘threat and risk’ logging and reporting process was established, with regular reporting to Tactical and Gold Groups. The reporting process included the risk, current mitigation, RAG rating, required actions for further mitigation, action dates and the person responsible for leading on the actions.

### **Internal Control**

Our opinion on the Council’s control environment is based on our assessment of whether the controls in place in the services and functions subject to audit support the achievement of the Council’s objectives as set out in the 2020-21 Annual Audit Plan and the individual audit reports issued.

Audits were carried out in all areas of the Council during the year. The overall level of control found in audits was good. No area stood out as being worse than the others. 85% of audits where an assurance level was given resulted in a Substantial or Reasonable Assurance opinion, and no audits resulted in a No Assurance opinion. During 2020-21, 157 recommendations were made to improve the internal control, risk management and governance arrangements across the Council. Of these, 5 were in the highest category (red). There were six Partial Assurance audit opinions in the year:

• Establishment Control	ACX
• Transition from Children’s Care to Adult Care	ACH
• Fostering and Adoption Allowances	CYPS
• Contract Sealing	FCS
• Home to School Transport	R&E
• Section 106 and Community Infrastructure Levy	R&E

None of these was considered serious enough to be included in the Annual Governance Statement.

A comparison with the previous year shows an overall increase in the assurance levels. In 2019-20, 77% of audits resulted in a Substantial or Reasonable opinion on. During 2019-20, 227 recommendations were made. Of these, 11 were in the highest category (red). There were ten Partial Assurance audit opinions in the year.

Summary results are given in **Appendix A** together with definitions of the assurance levels and recommendation categories.

#### **2.4 Other evidence taken into account for the annual audit opinion.**

In forming our opinion, we also take into account the findings from external reviews of the Council's activities. The Corporate Risk Manager presents a six-monthly report that details recent and current external audits and inspections, including the details of arrangements that are in place regarding the accountability and governance for implementing recommendations arising from these. Reports were submitted to Audit Committee in August 2020 and January 2021.

### **3. Review of the Service**

#### **3.1 Resources**

Throughout the year the audit team has been almost fully staffed, with an actual staffing of 7.67 fte against an establishment of 8 fte. The difference arises because one member of the team works four days a week and another only works during term time. This level of staffing was accounted for in the Internal Audit Plan agreed in August 2020.

During the year audit staff assisted Finance in the processing and checking of Business Support Grants for local businesses. In addition, overall productivity was affected by the council's default position of working from home, impacting on both auditors and auditees.

Nevertheless, it is the opinion of the Head of Internal Audit that resource levels throughout the year provided sufficient capacity to provide an adequate level of assurance to the Audit Committee and the Strategic Director of Finance and Customer Services. As a result of careful management of our resources and significant effort by a very small team, sufficient work was completed during 2020-21 to enable the Head of Internal Audit to provide his overall opinion.

#### **3.2 Revisions to the Audit Plan**

The audit plan was originally prepared before March 2020. After the first Covid lockdown the plan was revised and presented to the Audit Committee in August 2020. The factors taken into account as part of this review were as follows:

- The audits outstanding from the previous year's plan

- The reduction in the available audit days because of the lockdown and the reallocation of auditors to other work
- The need to include reviews of changes to operational practices within the plan.

It was also imperative to maintain a balanced programme of work that would inform Internal Audit's annual opinion on the overall adequacy of the Council's control environment. The revised plan included the examination of the new working arrangements in order to give that opinion. This therefore represented a higher level of assurance over the year than would have been gained from keeping to the original plan.

A half-year review of the plan was undertaken but did not result in any significant changes. The plan was reviewed throughout the year to allow for the changing situation.

At the end of the financial year there is always a small proportion of the plan that remains to be completed. The remaining work was therefore considered and decisions taken on each outstanding project to either complete it, move it to the 2021-22 plan or cancel it.

### 3.3 Level of Audit Coverage during the year

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

Audit Area	Original Plan Days	Revised Plan Days	Actual Days
Corporate	30	40	34
Assistant Chief Executive	115	90	99
Adult Care and Housing	135	105	76
Children and Young People Services	145	140	130
Finance and Customer Services	210	165	195
Regeneration and Environment	135	115	100
Investigations and Advice / Consultancy	250	170	71
Contingency	40	30	
Anti-Fraud	30	30	23
Grants	50	50	41
Operational work	0	0	236
<b>Total</b>	<b>1140</b>	<b>975</b>	<b>1019</b>

The plan is produced after taking into account estimated unproductive time. There was an unusual amount of sickness during the year, amounting to 70 days. During

the year 236 days were spent on operational work in support of the response to Covid-19, concentrated in the periods from April to August 2020 and January to March 2021. In the main this was the processing and checking of Business Support Grants to local businesses. 250 days were allocated for investigation work in the original plan, based on the number of days used in previous years. During 2020-21 fewer investigations arose, so that only 71 days were needed.

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

The original plan showed 62 audits to be completed in 1140 days. After the revision due to the first lockdown this was changed to 46 audits in 975 days. There is always a time lag in terms of the dates of audits, with the audit plan for any year not being completed at the end of March but in April/May. Additions and deferrals also make comparison of actual work completed against the plan more difficult, and some investigation work results in reports with recommendations to correct weaknesses. However, within 2020-21 40 final reports were issued, plus 2 investigation reports. In addition, at year end there were another 3 audit reviews that had been completed, with the reports in draft form. In overall terms, this shows that the plan was substantially achieved.

### **3.4 Summary of Findings from Audit Reviews.**

Internal Audit provides an opinion on the control environment for all systems, services or functions which are subject to audit review. These are taken into account when forming our overall annual opinion on the Council's control environment. All final audit reports are issued to the appropriate Strategic Director, Assistant Director and Service Manager. In addition, where an opinion of partial or no assurance is given, the final report is also sent for information to the Chief Executive. A summary of the results of reports issued during 2020/21 is given in **Appendix A**.

### **3.5 Reporting of Audit Findings.**

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

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

### **3.6 Implementation of Audit Recommendations**

All actions arising from audit recommendations are tracked automatically. A report on aged outstanding actions is presented to the Audit Committee at each meeting. These actions initially proved difficult to clear. At the start of the year there were 46

overdue outstanding actions. In November a presentation was made to Assistant Directors and Heads of Service emphasising that implementation dates must be realistic and achieved if possible. With the support of the Chief Executive and SLT the number of aged outstanding actions at the year-end had reduced to 8. There will always be valid reasons for some implementation dates not being achieved, so this level is considered reasonable.

### **3.7 Investigations**

There were no major fraud investigations during the year. That can partly be attributed to the strong internal controls and sound governance procedures in place. Internal Audit also reviews the issues arising from the irregularities investigated, and where appropriate carries out wider testing to obtain either assurance or ascertain areas where improvements are needed. There is an Anti-Fraud and Corruption Strategy and Policy in place which include various policies and standards to manage fraud and corruption. During the year 48 days were spent on investigations. 2 were completed during the year with 1 ongoing. There was no pattern to the subjects of the investigations, and none were significant in terms of the governance of the Council.

### **3.8 Anti-Fraud work**

The Head of Internal Audit is one of the three Whistleblowing Officers who manage the response to any whistleblowing allegations.

The department completed the following:

- The Anti-Fraud and Corruption Policy and strategy were updated and presented to the Audit Committee in September 2020. They were subsequently entered onto the Intranet.
- Continued to work on the National Fraud Initiative to identify errors and fraud.
- Reviewed the controls in place for Covid Business Support Grants to minimise the likelihood of fraudulent applications being processed.

### **3.9 Advisory work**

A further 23 days were spent on Advisory work. This includes work that does not result in an audit report but adds value to the Council by contributing to working groups or providing advice.

### **3.10 Grants**

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

- Troubled Families
- Local Transport Capital Block Funding
- Disabled Facilities
- LTP Blue Badge Implementation
- NPFI Scheme – College Road
- Bus Service Operators

- Rotherham Show Arts Council
- Green Homes

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

### **3.11 Schools**

During the year, maintained schools completed a Control and Risk Self-Assessment exercise, managed by Internal Audit, with the results reported to CYPS management and the schools. Because of measures put in place in response to Covid, no further audit work was completed in schools during the year.

### **3.12 ICT Audits**

During the year we engaged the services of another local authority's ICT Internal Audit Team who have over thirty other public sector clients. They completed a detailed risk assessment of our ICT risks from which an Audit Needs Assessment was generated. This will be the basis for more detailed audit work in 2021-22.

### **3.13 South and West Yorkshire Audit Group**

The Council's Internal Audit Service is a member of the South and West Yorkshire Internal Audit Groups. This facilitates comparisons and the sharing of best practice and includes groups for Heads of Internal Audit, Investigations, Contracts and Procurement, Children's Services, Adults Services, Computer specialists and Communities and Environment services.

### **3.14 External work**

During the period Internal Audit provided audit services on a fee earning basis to two academies. Since academies are separate legal entities to the Council, this work does not have any impact on our overall opinion of the Council's control environment. The findings, recommendations and conclusions arising from these engagements are therefore not reported to the RMBC Audit Committee.

### **3.15 Internal Audit Performance Indicators**

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

<b>Performance Indicator</b>	<b>2019-20 Actual</b>	<b>2020-21 Target</b>	<b>2020-21 Actual</b>
Draft reports issued within 15 days of field work being completed.	84%	90%	83%
Productive Time / Total Time.	63%	80%	79%
Audits completed within planned time.	95%	90%	88%
Client Satisfaction Survey.	98%	100%	100%

Time spent supporting Finance with Business Support grants has been included as Productive Time.

Performance has been affected by the adjustment to home working by the team and those being audited.

Thirteen Client satisfaction surveys were returned by management after audits were completed, which represents around a 30% response rate. All of them were rated as 'satisfied' or better.

## Analysis Of Internal Audit Opinions and Recommendations Made in 2020-21

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

Audit Area	Audit Opinions					Total
	Substantial Assurance	Reasonable Assurance	Partial Assurance	No Assurance	No opinion given	
Corporate	1	2	0	0	0	3
Assistant Chief Executive	2	1	1	0	0	4
Adult Care Housing and Public Health	1	1	1	0	0	3
Children and Young Peoples Services	2	5	1	0	0	8
Finance and Customer Services	6	9	1	0	0	16
Regeneration and Environment	3	1	2	0	0	6
Investigations					2	2
Total	15	19	6	0	2	42

Number of Recommendations Made			
red	amber	green	Total
1	3	4	8
1	5	6	12
0	2	11	11
0	19	25	44
1	12	29	42
2	15	11	28
5	57	95	157

Rating	Definition
Substantial Assurance	Substantial assurance that the system of internal control is designed to minimise risks to the achievement of the service's objectives. The controls tested are being consistently and effectively applied.
Reasonable Assurance	Reasonable assurance that the system of internal control is designed to minimise risks to the achievement of the service's objectives. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at a <b>Low</b> risk.
Partial Assurance	Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at a <b>Medium</b> risk in a significant proportion of the areas reviewed.
No Assurance	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable <b>High</b> level of risk.

Recommendation categories

Red Fundamental (Action considered necessary to avoid exposure to high risk)

Amber Significant (Action considered necessary to avoid exposure to a significant risk)

Green Merits Attention (Action desirable to enhance control or value for money)

Public Report with Exempt Appendices  
Audit Committee

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**Committee Name and Date of Committee Meeting**

Audit Committee – 29 July 2021

**Report Title**

Corporate Strategic Risk Register

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

No

**Strategic Director Approving Submission of the Report**

Jo Brown, Assistant Chief Executive

**Report Author(s)**

Simon Dennis (*Corporate Improvement and Risk Manager*)  
Assistant Chief Executive's Department  
Extension 22114  
[simon.dennis@rotherham.gov.uk](mailto:simon.dennis@rotherham.gov.uk)

**Ward(s) Affected**

Borough-Wide

**Report Summary**

This report forms part of the Audit Committee's remit to consider the Strategic Risk Register regularly. The report summarises the current Strategic Risk Register and provides a short summary of our risk management arrangements.

**Recommendations**

1. **The Audit Committee is asked to consider and note the update and make any comments as necessary.**

**List of Appendices Included**

Appendix 1 – Corporate Strategic Risk Register at 8<sup>th</sup> July 2021

**Background Papers**

Report to Audit Committee; 26<sup>th</sup> November 2019 (Risk Management Policy and Guide Refresh)

Report to Audit Committee; 9<sup>th</sup> January 2021 (Corporate Strategic Risk Register)

Report to Audit Committee; 22<sup>nd</sup> June 2021 (Risk Management Annual Summary 2020/2021)

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

See above, the Corporate Risk Register has previously been considered by Audit Committee. Previous versions have also been presented to Cabinet and the Overview and Scrutiny Management Board.

**Council Approval Required**

No

**Exempt from the Press and Public**

Yes.

*An exemption is sought for Appendix 1 under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains information that refers to the affairs of third parties.*

*It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information because failure to do so may result in disclosure of information about the financial or business affairs of Council suppliers and partners.*

## Corporate Strategic Risk Register

### 1. Background

- 1.1 Since early 2020, the Council has been involved in responding to an unprecedented emergency. This involved the activation of the Council's Business Continuity Plan to ensure critical services could be maintained as well as the creation of significant new services to meet the needs of the most vulnerable in the Borough.
- 1.2 The Council's ongoing response to the COVID-19 pandemic saw risk management play a vital role but also required risk management processes to be carried out differently to how they would be under "business as usual". These changes have been reported to the Committee previously and this report summarises the current arrangements and presents the current Corporate Strategic Risk Register which has recently been considered by Strategic Leadership Team (SLT).

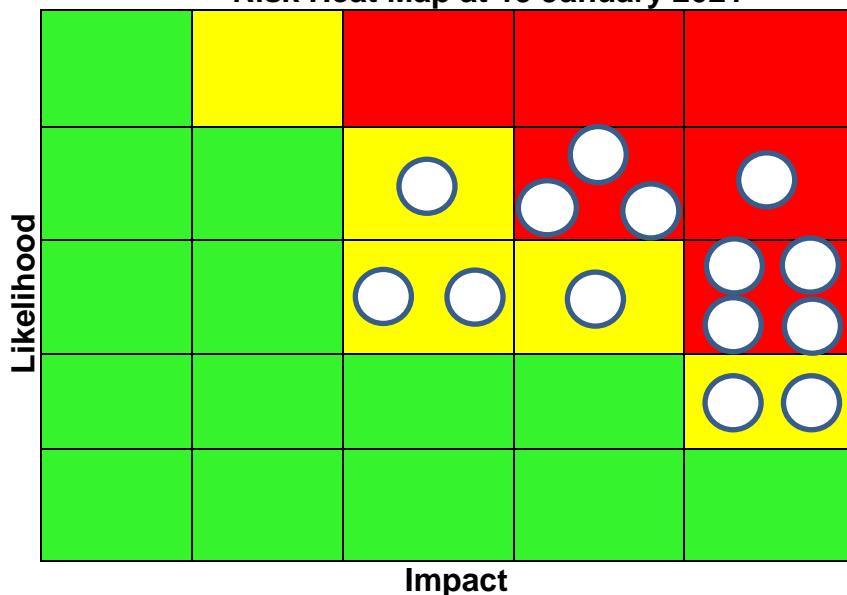
### 2. Overall Arrangements

- 2.1 The Council's Risk Management Policy and Guide states that risk management is the responsibility of all Council officers. As well as the key responsibilities in the Policy and Guide, the Council has a group of Risk Champions, each of whom leads on risk for their Strategic Director. The Risk Champions, Assistant Chief Executive and the Corporate Improvement and Risk Manager form the Risk Champions Group. This group is responsible for co-ordinating Risk Management across the Council in normal circumstances.
- 2.2 The Corporate Strategic Risk Register has been completed following reviews of individual risks by Directorate Leadership Teams (DLTs). Every risk on the Register is owned by a member of SLT and also appears on their Directorate's Risk Register.
- 2.3 The Strategic Risk Register has been formally reviewed by SLT both at joint SLT/AD Performance Management meetings and at separate SLT meetings. These meetings will continue to review the Strategic Risk Register every three months.
- 2.4 The Register is also reported regularly to the Audit Committee alongside the annual "Deep Dives" of Directorate Risk Registers. Additionally, the Corporate Improvement and Risk Manager, through the Risk Champions, ensures updates are obtained from all risk owners, reviews each update, and draws attention to issues or missing updates.
- 2.5 There are 3 categories of risk Red, Amber, Green (RAG) representing varying degrees of exposure. Each category contains a range of risk scores and the table overleaf shows how the RAG rating and score are derived.

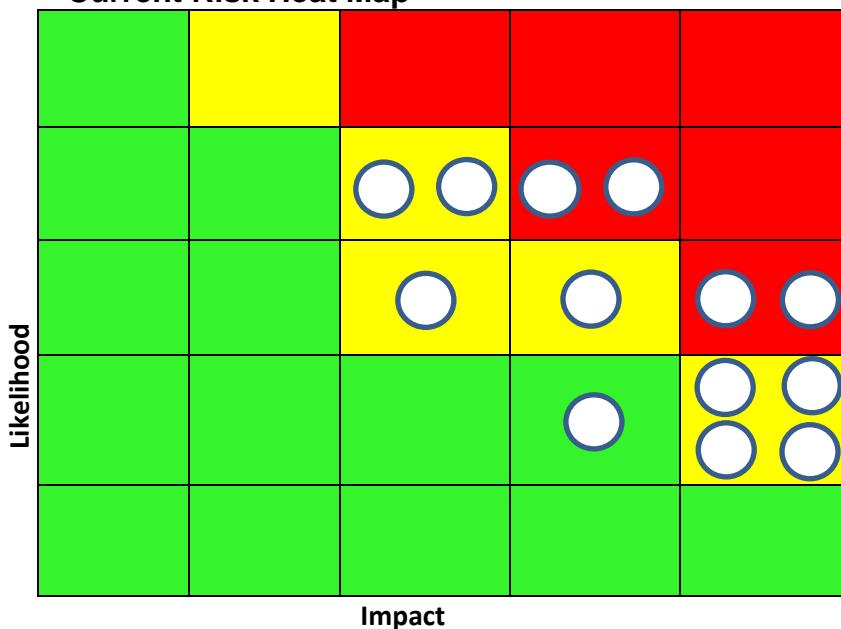
LIKELIHOOD (A)	Almost Certain 5	5	10	15	20	25
	Probable / Likely 4	4	8	12	16	20
	Possible 3	3	6	9	12	15
	Unlikely 2	2	4	6	8	10
	Very unlikely / Rare 1	1	2	3	4	5
		Insignificant / Negligible 1	Minor 2	Moderate 3	Major 4	Critical or Catastrophic 5
	IMPACT (B)					

### 3. Corporate Strategic Risk Register

- 3.1 The Audit Committee's receives two reports a year on the overall status of the Council's strategic risks. As the Committee will be aware, the Corporate Strategic Risk Register (which is attached at Appendix 1) is currently aligned to the Council's Year Ahead Plan.
- 3.2 The last "heat map" which was reported to the Committee in January 2021 showed the risk profile on the page overleaf:

**Risk Heat Map at 19 January 2021**

3.3 The current “heat map” for the strategic risks included in this update of the Register is shown in the table below:

**Current Risk Heat Map**

3.4 The table below shows that, up until COVID-19 struck, not only that the Council’s risk profile was reducing, but also that there was an increasing grasp on the key risks that need to be managed at a strategic level. This improvement has, inevitably, slowed during the pandemic but the overall track in the last two years is still an improving one. Since January 2020, 40% of risks monitored at a strategic level have reduced or been removed, 40% have remained stable and 20% have increased or are new to the register.

Number	Risk Summary	Jan 20	Jul 20	Jan 21	Jul 21	Risk Movement (Jan 2020 compared to July 2021)
SLT01	Children's Safeguarding	15	15	15	10	↓
SLT03	Tackling Family Poverty	16	16	16	16	→
SLT04	Making sustainable improvement in Children's Services	15	15	15	10	↓
SLT07	Influenza Pandemic	15	15	15	15	→
SLT08	Failure to enhance community cohesion	12	12	12	8	↓
SLT09	Confidence in Rotherham	12	12	12	12	→
SLT10	Failure to attract new business and investment	9	9	9	12	↑
SLT11	Risk of lack of effective Partnership working	10	10	10	10	→
SLT16	Financial Plans and budget gap	15	15	15	10	↓
SLT19	Emergency Planning and Business Continuity	4	4	-	-	↓
SLT22	Mental Capacity Act/DoLs	9	9	9	9	→
SLT27	Property and Estate condition surveys	10	10	10	12	↑
SLT 34	Impact of EU Trade Deal on the Economy	-	-	16	-	→
SLT 35	Impact of the COVID Pandemic	-	-	20	15	↓
SLT 36	Insufficient resources committed to Carbon Reduction Plan	-	-	16	16	↑

3.5 The Committee will note that, since that last update, one risk has been removed from the Register (SLT34 – Impact of the EU Trade Deal on the Economy) and there have been no new risks added. The consequences of risk SLT34 are now managed on the Risk Register held by the Regeneration Directorate and are integrated into other risks around the economy.

- 3.6 In total, there are now 13 risks on the Strategic Risk Register, down from 14 risks at the last review but up from 12 risks in January 2020.
- 3.7 The Committee should also be aware that the risk management process was recently subject to an Internal Audit review. This review compared our arrangements to the requirements of the relevant International Standard, ISO31000. The review concluded that substantial assurance could be derived from the controls that were in place. This is the highest assurance level possible.

#### **4.0 Future Developments**

- 4.1 As noted in the previous paragraphs, the Corporate Strategic Risk Register has been updated and is aligned with the Year Ahead Plan. As the Council moves towards a new Council Plan later in the year, the Risk Register will be reviewed again to ensure it remains aligned with the Council's strategic objectives.
- 4.2 As reported to the previous Committee meeting in June, work is now in hand to develop a refreshed approach to risk management training. This refreshed approach is intended to be in place before the end of the year.
- 4.3 The next step will be to revisit the Council's Risk Management Policy and Guide. This was last reviewed and approved in November 2019 and will require a refresh before the new financial year commences to ensure it aligns to current practice.

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

- 5.1 Not applicable.

#### **6. Consultation**

- 6.1 The risks included in this report have been drawn from Directorate Risk Registers.

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

- 7.1 Not applicable.

#### **8. Financial and Procurement Implications**

- 8.1 The risks referred to in the table at section 3.4 require ongoing management action. In some cases, additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the management of these risks will be contained within overall budgets or otherwise reported through the monthly financial monitoring arrangements and to Cabinet if appropriate.

## **9. Legal Implications**

9.1 There are no direct legal implications arising from the risk register. Any actions taken by the Council in response to risks identified will consider any specific legal implications.

## **10. Human Resources Implications**

10.1 There are no Human Resources implications associated with the proposals.

## **11. Implications for Children and Young People and Vulnerable Adults**

11.1 The Strategic Risk Register incorporates the CYPS risks that are of significance at a corporate / strategic level.

## **12. Equalities and Human Rights Implications**

12.1 Proposals for addressing individual risks within the register incorporate equalities and human rights considerations where appropriate.

## **13. Implications for Partners and Other Directorates**

13.1 The actions relating to any issues affecting partners are reflected in the risk register and accompanying risk mitigation action plans.

## **14. Risks and Mitigation**

14.1 It is important to review the effectiveness of our approach to capturing, managing, and reporting risks on an ongoing basis. This report sets out how the approach to risk management will be developed over the course of the coming year.

## **15. Accountable Officer:**

Simon Dennis (Corporate Improvement and Risk Manager)

Approvals Obtained from: -

Jo Brown, (Assistant Chief Executive)

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

Not Applicable – Private Report

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

**Public Report**

**Audit Committee**

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

Audit Committee – 29<sup>th</sup> July 2021

**Report title:**

External inspections, reviews and audits update

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

No

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

Jo Brown – Assistant Chief Executive

**Report Author(s):**

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**Ward(s) Affected:**

All

**Report Summary:**

In line with the Audit Committee terms of reference, the purpose of this report is to provide details of the recent external inspections, reviews and audits as well as to provide assurance that outstanding recommendations from earlier inspections, audits and reviews, are being progressed.

The report provides a summary of progress against the recommendations from all external inspections, reviews and audits and sets out the details of arrangements for ensuring the accountability and governance around their implementation.

**Recommendations:**

That Audit Committee:

- Note the recent external inspections, reviews and audits which have taken place and the progress made relating to ongoing recommendations

- Note the governance arrangements in place for monitoring and managing the recommendations
- Continue to receive regular reports.

**List of Appendices Included:**

None

**Background Papers**

External audit and inspection recommendations reports to Audit Committee on 18<sup>th</sup> June 2019, 26<sup>th</sup> November 2019, 18<sup>th</sup> August 2020 and 19<sup>th</sup> January 2021.

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

None

**Council Approval Required**

No

**Exempt from the Press and Public**

No

## **External audits, inspections and reviews update**

### **1. Background**

- 1.1 In line with the Audit Committee terms of reference, the purpose of this report is to provide details of the recent external inspections, reviews and audits across the Council and assurance that outstanding recommendations, relating to those that have taken place previously, are being progressed.
- 1.2 The last report was presented to Audit Committee on 19<sup>th</sup> January 2021. The report referred to:
  - Five external inspections, reviews and audits that had taken place since 18<sup>th</sup> August 2020, resulting in eleven recommendations (two had been implemented, nine remained outstanding or ongoing and two for which the outcome was unknown).
  - Three ongoing recommendations (relating to external inspections, reviews and audits that took place prior to August 2020) which had been implemented, eleven of which remained outstanding/ongoing and one which was still awaiting the final report.

### **2. Key issues**

- 2.1 This report provides an overview of key areas of concern relating to external inspections, reviews, and audits, including action taken or to be taken and the associated governance arrangements. This is intended to provide the Audit Committee with assurance that appropriate arrangements are in place for managing the Council's response, in line with the Audit Committee's responsibilities.
- 2.2 Since 19<sup>th</sup> January 2021, six external inspections, reviews and audits have taken place and fourteen recommendations made, twelve of which have been implemented and two remain ongoing. The outcome is not yet known for one of the external audits conducted.
- 2.3 In addition, eight of the ongoing recommendations relating to external inspections, reviews and audits that took place prior to January 2021 have now been implemented, and fifteen remain either outstanding or ongoing.
- 2.4 An update from each Directorate is provided below.

### **3. Children and Young People's Services**

- 3.1 One inspection has taken place since the last report and three recommendations were made, which have been implemented. Further details are provided in paragraph 3.5.

3.2 Six of the outstanding recommendations from external inspections, reviews and audits that took place prior to January 2021 have been implemented since the last report and eight remain outstanding.

3.3 The eight outstanding recommendations relate to the:

- Ofsted Focused Visit (focused on permanence planning and achieving permanence) conducted in March 2019,
- Troubled Families review in June 2019,
- Youth Offending Inspection in September 2020 and
- Ofsted Focused Visit in October 2020.

3.4 The table below provides a summary of new external inspections, reviews and audits which have taken place since January 2021.

<b><u>New</u> external inspections reviews and audits</b>					
<b>Title</b>	<b>Date</b>	<b>Outcome</b>	<b>Number of recommendations</b>	<b>Number implemented</b>	<b>Status</b>
Inspection of Pegasus House new children's home (Ofsted)	25 <sup>th</sup> – 26 <sup>th</sup> May 2021	Overall outcome – Good  Sub judgements: 1. How well children are helped and protected - Good. 2. The effectiveness of leaders and manager - Requires Improvement.	3, these include:  • Leadership and management – strengthen team working, fill vacancies continue QA activity and record managers time on site. • Ensure causal and agency staff have fire evacuation training. • Registered Manager to ensure updates from Team Around the Child shared with all staff to support consistency.	3	<b>Complete</b>  All 3 recommendations have been implemented.

### **3.5 Inspection of Pegasus House new children's home (Ofsted)**

3.5.1 Pegasus House, the new children's home, received an inspection on 25<sup>th</sup> and 26<sup>th</sup> May 2021 by Ofsted.

3.5.2 The formal publication of findings is currently being awaited, however, Ofsted found that the home overall is 'Good'. Two sub-judgements were also made:

- How well children are helped and protected – 'Good'.
- The effectiveness of leaders and manager – 'Requires Improvement'.

3.5.3 Three recommendations were made:

- Leadership and management – strengthen team working, fill vacancies, continue quality assurance activity and record managers time on site.
- Ensure causal and agency staff have fire evacuation training.
- Registered Manager to ensure updates from team around the child shared with all staff to support consistency.

3.5.4 All three recommendations have since been implemented and were complete by June 2021.

3.5.5 An action plan is in place and reviewed monthly to track the progress of inspections and quality assurance activity. Monthly independent Regulation 44 visits to children's homes offer additional oversight to the implementation and continued practice of these recommendations. The actions will be included as part of coming visits.

3.6 The table below provides a summary of the ongoing recommendations for external inspections, reviews and audits that took place prior to January 2021.

<b><u>Ongoing</u></b> external inspections reviews and audits ( <i>those reported previously which had outstanding recommendations</i> )						
<b>Title</b>	<b>Date</b>	<b>Outcome</b>	<b>Recommendations</b>	<b>Implemented:</b>		<b>Status</b>
				<b>At last report</b>	<b>Since last report</b>	
Inspection of Local Authority Children's Services (ILACS) Framework - Focus on permanence planning and achieving permanence (Ofsted)	March 2019	Looked after children in Rotherham are receiving a "strong" service that has significantly improved	<p>3, these include:</p> <ul style="list-style-type: none"> <li>• The quality and consistency of written planning, so that it matches up to social workers' verbal accounts of their plans</li> <li>• Sufficiency of in-house options, to avoid the use of unregulated placements when finding places for children in care to live</li> <li>• Quality of Risk assessments, where risk has potential implications for stability in the lives of children in care.</li> </ul>	0	1	<p><b>Partially complete</b> (1 complete and 2 ongoing)</p> <p>Actions progressed to address the recommendations, however work paused due to Covid-19 to enable key staff to focus on safeguarding and supporting our families.</p> <p>Progress is managed via the CYPS Service Development Plan and challenged as part of the CYPS quality assurance process. Discussions also take place with Ofsted as part of Annual Conversations.</p> <p>See update below (paragraph 3.7) re the progress made in relation to the outstanding recommendations</p>

Troubled Families (Ministry of Housing, Communities and Local Government)	July 2019	Feedback extremely positive and six recommendations made, which included a recommendation to enhance systems.	6, these include: <ul style="list-style-type: none"> <li>Reference (hyperlink) our key plans STMM in the EH maturity matrix and action plan</li> <li>Align better Troubled Families data with the Corporate Context</li> <li>Review how quality assurance and family feedback data feeds informs commissioning</li> <li>Case study of positive employment outcome as a direct result of Troubled Families engagement.</li> <li>Review the strategic engagement with the Job Centre Plus</li> <li>Re-instate the attachment of families.</li> </ul>	4	1	<b>Partially complete</b> (5 complete and 1 ongoing)  Ongoing recommendations include: <ul style="list-style-type: none"> <li>Align better Troubled Families data with the Corporate Context</li> </ul> See update below (paragraph 3.8) re the progress made in relation to the outstanding recommendations.
Focused visit to Rotherham children's services (Ofsted)	20 – 22 <sup>nd</sup> October 2020	No formal overall outcome from the inspection. A letter providing four recommendations has been published.  It was however noted that Rotherham children's services have reacted rapidly and effectively to the COVID-19 pandemic in the early months of 2020.	4, these included: <ul style="list-style-type: none"> <li>The quality and monitoring of children's plans</li> <li>Placement sufficiency to reduce the need for children to be placed out of authority and in unregistered provision</li> <li>The timeliness of children in care accessing education</li> <li>The timely return to full-time education for children with SEND.</li> </ul>	0	0	<b>4 recs ongoing</b>  No actions are formally complete, however significant progress has been made against each of these actions.  Actions to address findings are in progress and being incorporated into the CYPS Service Development Plan.  Progress will be discussed and challenged as part of the arrangements for the CYPS quality assurance process and discussed with Ofsted as part of Annual Conversations.  See update below (paragraph 3.9) re the progress made.
Youth Offending Service Inspection (HMIP)	14 – 17 <sup>th</sup> September 2020	The RMBC YOT (Youth Offending Team) received an overall rating of 'Requires Improvement'.  A report, detailing the findings and	5, these included: <ul style="list-style-type: none"> <li>Board members to understand the specific needs of children known to the YOT and advocate on their behalf in their own agencies</li> <li>Partnership to understand the reasons for the significant number of Looked After Children known to the YOT and</li> </ul>	0	4	<b>Partially complete</b> (4 complete and 1 ongoing)  Ongoing recommendations include: <ul style="list-style-type: none"> <li>Undertake a health needs analysis of YOT children to better understand the health provision being delivered</li> </ul>

		<p>recommendations was published on the 17<sup>th</sup> December 2020.</p> <ul style="list-style-type: none"> <li>• review policies and practices of all agencies to minimise the possibility of children entering the criminal justice system unnecessarily</li> <li>• Undertake comprehensive health needs analysis of YOT children to better understand the health provision being delivered and what needs to be developed</li> <li>• Review the quality and accessibility of education, training and employment provision for post-16-year-old children known to the service</li> </ul> <p>Review the quality of risk of harm work and improve the effectiveness of management oversight in all cases.</p>		<p>and what needs to be developed.</p> <p>Draft inspection action plan developed. Action plan submitted to HMIP on 11th January 2021.</p> <p>Actions to address findings will be incorporated into the CYPS Service Development Plan.</p> <p>Progress will be discussed and challenged as part of the arrangements for the CYPS quality assurance process and discussed with Ofsted as part of Annual Conversations.</p>
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### 3.7 Focused visit on permanence and planning (Ofsted)

3.7.1 Ofsted undertook a focused visit on 21<sup>st</sup> March 2019 focusing on planning and achieving permanence.

3.7.2 No formal judgement was given but the inspectors stated looked after children in Rotherham are receiving a "strong" service that has significantly improved. Three recommendations were made, and since the last report in January 2021, one more recommendation has been implemented and is now complete:

- Risk assessments, where risk has potential implications for stability in the lives of children in care – completed December 2020. Ofsted commented at their inspection in October 2020 that "Dynamic assessments of COVID-19 risks have allowed children to be seen directly when it is safe to do so. Children's COVID-19 risk assessments are constantly reviewed so that direct visits take place whenever possible."

3.7.3 Progress on the two ongoing recommendations is as follows:

- The quality and consistency of written planning, so that it matches up to social workers' verbal accounts of their plans. Significant work has taken place and is referenced in recent QA work. The impact will be monitored over the next few months to ensure this is consistent, and this will then become business as usual and performance managed as part of the quality assurance process.

- Sufficiency of in-house options, to avoid the use of unregulated placements when finding places for children in care to live. This is ongoing and is part the wider sufficiency programme of work. The expected completion of roll out of the children's homes is December 2022.

3.7.4 Progress is managed via the CYPS Service Development Plan and challenged as part of the CYPS quality assurance process. Discussions also take place with Ofsted as part of Annual Conversations.

**3.8 Troubled Families (*Ministry of Housing, Communities and Local Government*)**

3.8.1 Since the last report in January 2021, one more recommendation has been implemented and is complete as of July 2021:

- Review the strategic engagement with the Job Centre Plus.

3.8.2 Progress has also been made in relation to the ongoing Troubled Families recommendation:

- Align better Troubled Families data with the Corporate Context. This action is now the focus of the Single View development. This is expected to be complete by March 2023. In May 2021, a bid was made to MHCLG's Data Accelerator Fund which, if successful, would significantly support this work.

**3.9 Focused visit to Rotherham children's services (Ofsted)**

3.9.1 A virtual focused visit was conducted by Ofsted between 20<sup>th</sup> and 22<sup>nd</sup> October 2020. The visit looked at the quality and impact of key decision-making across help and protection, children in care and services for care leavers, together with the impact of leadership on service development.

3.9.2 The findings were published on 4<sup>th</sup> December and are available on the Ofsted website.

3.9.3 There was no formal overall outcome from the inspection. Four recommendations were made regarding areas which required improvement. These included:

- The quality and monitoring of children's plans.
- Placement sufficiency to reduce the need for children to be placed out of authority and in unregistered provision.
- The timeliness of children in care accessing education.
- The timely return to full-time education for children with SEND.

3.9.4 No actions are formally complete, however significant progress has been made against each of the actions. The first two actions are tracked as part of the

findings of the Ofsted Focused Visit in March 2019 (see above). For the final two actions, progress has been made and these are managed as part of improvement planning and quality assurance processes. Progress is monitored throughout the CYPS Improvement Plan and challenged at the Evidence Challenge Panel after which they will be formally signed off.

**3.10 Youth Services Inspection (Her Majesty's Inspectorate of Probation (HMIP))**

3.10.1 A virtual inspection was conducted by HMIP between 14<sup>th</sup> and 17<sup>th</sup> September 2020. The visit looked at the quality and impact of key decision-making across three domains: organisational delivery of services; the planning and delivery of court disposals; and the planning and delivery of out-of-court disposals.

3.10.2 The findings were published on 17<sup>th</sup> December. The inspectorate found that the service, overall, 'Requires improvement'.

3.10.3 Within the report, five recommendations were made regarding areas which required improvement. Four of these have now been implemented:

- Ensure that Board members understand the specific needs of children known to the Youth Offending Team (YOT) and advocate on their behalf in their own agencies – complete May 2021.
- Ensure the partnership understands the reasons for the significant number of Looked After Children known to the YOT and reviews the policies and practices of all agencies to minimise the possibility of children entering the criminal justice system unnecessarily – complete May 2021.
- Review the quality and accessibility of education, training, and employment provision for post-16-year-old children known to the service – complete May 2021.
- Review the quality of risk of harm work and improve the effectiveness of management oversight in all cases – complete May 2021.

3.10.4 One action remains outstanding:

- Undertake a health needs analysis of YOT children to better understand the health provision being delivered and what needs to be developed.

3.10.5 Draft inspection action plan developed by the partners at the YOT Board on 14th December 2020 and YOT Board took place on 20th January 2021 to progress the actions.

3.10.6 An approved inspection action plan was submitted to HMIP on 11th January 2021. The action plan has forty six actions against the five recommendations (thirty eight of these are now complete, or 82.6%). The health needs analysis is complete, and two of the three pathways have now been implemented, with the third being launched on 15<sup>th</sup> July 2021.

3.10.7 The actions to address the findings are incorporated into the CYPS Service Development Plan. Progress will be discussed and challenged as part of the arrangements for the CYPS quality assurance process and discussed with Ofsted as part of the annual conversations.

#### 4. Adult Care, Housing and Public Health

- 4.1 One inspection has taken place since the last report and no recommendations have been made. Further details are provided below, see paragraph 4.5.
- 4.2 There remains one recommendation outstanding from external inspections, reviews and audits that took place prior to January 2021.
- 4.3 The one outstanding recommendation relates to the CQC inspection of Parkhill Lodge (Adult Social Care) and the medium-term plan to look for alternative premises. Further details are provided below, see paragraph 4.8.
- 4.4 The table below provides a summary of new external inspections, reviews and audits (taken place since January 2021).

<b><u>New</u> external inspections reviews and audits</b>					
<b>Title</b>	<b>Date</b>	<b>Outcome</b>	<b>Number of recommendations</b>	<b>Number implemented</b>	<b>Status</b>
Response to the COVID-19 pandemic - Lord Hardy Court (CQC)	13 <sup>th</sup> April 2021	No formal outcome ratings are applied to this type of CQC inspection visits.	0	n/a	<p>No formal recommendations.</p> <p>See further update below, paragraph 4.5.</p>

#### 4.5 Response to the COVID-19 pandemic – Lord Hardy Court (Care Quality Commission (CQC))

- 4.5.1 Lord Hardy Court was inspected on 13<sup>th</sup> April 2021 as part of CQC's response to the COVID-19 pandemic to look at preparedness in relation to infection prevention and control.
- 4.5.2 No formal recommendations were made from this inspection, however there were several areas where CQC found areas of good practice:
  - Staff supervised and monitored to ensure they followed infection control guidelines, and staff received appropriate training in this area
  - Cleaning schedule for the home enhanced to maintain safety.
  - Procedures for entering the home well managed and visitors tested for COVID-19 before meeting with people living at the home. Appropriate visiting areas had also set up.
  - Risk assessments completed and mitigating action taken to promote the health and wellbeing of high-risk staff.

- Action taken to keep friends and families in touch; this was also incorporated into activities at the home, where people were supported to make cards and take photographs for loved ones.
- Staff and people regularly tested in line with government current COVID-19 testing program.

4.6 The table below provides a summary of the ongoing recommendations from external inspections, reviews and audits that took place prior to January 2021.

<b><u>Ongoing</u> external inspections reviews and audits reported previously (<i>those reported previously which had outstanding recommendations</i>)</b>						
<b>Title</b>	<b>Date</b>	<b>Outcome</b>	<b>Recommendations</b>	<b>Implemented:</b>	<b>Status</b>	
				<b>At last report</b>	<b>Since last report</b>	
Rotherham Adult Social Care Peer Review Self-assessment and Sector Led Peer Review (Yorkshire and Humber ADASS)	12 <sup>th</sup> – 14 <sup>th</sup> February 2020	Evident to the Peer Review Team that much careful work has been done in co-producing the new model with staff and partners, and that this has paid off in the effective engagement with the new model.	<p>No recommendations made but identified 3 areas for consideration focussed around:</p> <ul style="list-style-type: none"> <li>• Confidence of staff and managers (Sustainability, capacity and conscious competence)</li> <li>• Culture change (Success, customise culture change and dynamic learning)</li> <li>• Practice Assurance (Culture, carers and eligibility and hand offs)</li> </ul>	n/a	n/a	<p>No formal recommendations.</p> <p>Final report received November 2020 which included 3 areas for consideration.</p> <p>Action plan produced and fed into a formal Pathway Review exercise.</p> <p>Governed via the Perform+ Framework owned by the Senior Management Team.</p> <p>See further update below, paragraph 4.6.</p>
Formal review of the Adult Social Care restructure and pathway (supported by PWC linked to Perform+)	24 <sup>th</sup> August – 4 <sup>th</sup> September 2020	The review provided a summary of staff feedback on what is working well, what is not working as the way it was intended - and the reasons why, and therefore what actions are needed in order to achieve the full aims of the pathways. This has been organised in the framework of 'what staff have said, and things to do	<p>No formal recommendations made, however improvement actions identified related to the following teams:</p> <ul style="list-style-type: none"> <li>• Access</li> <li>• Localities</li> <li>• Service Improvement &amp; Governance</li> <li>• Professional Practice</li> <li>• Targeted Review Team</li> </ul>	n/a	n/a	<p>No formal recommendations</p> <p>The final report was received in December 2020 and included improvement actions.</p> <p>An action plan has been put in place to address the considerations and Perform+ is being used to ensure these are managed and monitored.</p> <p>See further update below, paragraph 4.7.</p>

		next', and is service specific.				
Adult Social Care – Inspection of Parkhill Lodge (CQC)	24 <sup>th</sup> January 2018	Good overall rating, with good individual ratings within all sub-categories of Safe; Effective; Caring; Responsive. Well-led category - requires improvement	2	1	0	<p><b>Partially complete</b> (1 complete and 1 outstanding)</p> <p>The outstanding recommendation relates to external works to the building.</p> <p>Medium term plan for Parkhill Lodge is to look for alternative premises. - Residents temporarily moved to Lord Hardy Court due to impact of Covid. Longer term decision to be made in August 2021.</p> <p>See further update below, paragraph 4.8.</p>

#### **4.6 Rotherham Adult Social Care Peer Review Self-assessment and Sector Led Peer Review (*Yorkshire and Humber ADASS*)**

4.6.1 The formal peer review sessions took place between 12<sup>th</sup> – 14<sup>th</sup> February 2020 and were conducted by Yorkshire and Humber ADASS. The purpose of the peer review was to review the new Adult Social Care Pathway which has been in place since October 2019 and stimulate a discussion about how Adult Social Care and its partners can become more effective in improving outcomes.

4.6.2 The scope of the review was to identify the confidence levels of staff and managers, to understand the level of culture change and to feedback on practice.

4.6.3 The final report was received November 2020. It did not make any formal recommendations but outlined areas for consideration. These are:

1. Pathway clarity – The peer review recognised that teams still needed to settle into the new way of working. Further to this the review highlight a subsequent consideration of sustainability. The work of the newly formed teams (Professional Practice Team and the Service Improvement and Governance Team) were positioned to work with teams to strengthen the delivery of the pathway.

2. Sufficient capacity – In line with corporate financial plans the restructure had to release savings. These savings came from staffing budgets being realigned. The peer review highlighted how the savings target had been met and it suggested ongoing monitoring of resources; acknowledging that as population and demographic changes occur staffing resources and pathways will again need to be repositioned accordingly.

The review highlighted a consideration relating to improving the Carers offer. Work on a carers programme began in March 2020 governed by the Health and Wellbeing Board. It is also part the Council's Year Ahead Plan and is also governed internal to Adult Social Care via a Project Assurance Meeting chaired by the Strategic Director.

3. Celebrating successes – The peer review team felt work was needed to ensure the enormity of the change was recognised. It was suggested people stories would enhance the pathway changes. This is being picked up as part of the standard communications and engagement work supported by colleagues from the Corporate Communications Team.

4.6.4 In addition to the above, the review highlighted a range of strengths, including:

- Leadership is strong throughout the directorate.
- Very clear evidence around partnership working (internally and externally).
- Strong investment in our workforce.
- Culture has changed in a positive way.
- Coherent performance management framework.

4.6.5 An action plan was produced in August and fed into the formal pathway review exercise, as outlined in section 4.7 below. Progress against the actions is governed via the Perform+ Framework, owned by the Senior Management Team.

#### **4.7 Formal review of the Adult Social Care restructure and pathway (PWC)**

4.7.1 Following on from the Rotherham Adult Social Care Peer Review Self-assessment, a full review of the Adult Social Care restructure and pathway took place between 24th August – 4th September 2020. This was originally scheduled for six months after its implementation (April 2020); however, this was delayed due to the pandemic and full national lockdown.

4.7.2 This review was undertaken to identify what was working well, and what was not working in the way that it was intended – and the reasons why, and therefore what actions may be needed to be considered in order to achieve the original aims of the pathway. The objectives of the review were to create clarity on the challenges of the pathway, and to present these objectively for decision making by the Adult Social Care Leadership Team.

4.7.3 The outcome of the review was received December 2020. This did not result in any formal recommendations, although improvement actions were identified for the following teams:

- Access
- Localities
- Service Improvement & Governance
- Professional Practice
- Targeted Review Team

4.7.4 Actions plans have been put in place to address the considerations from all the reviewing activities and the Perform+ methodology is being used to ensure these are managed and monitored.

4.7.5 Since February 2021 the pathway and staffing structure have been part of routine improvement conversations supported by the Perform+ Platform.

#### **4.8 Adult Social Care – Inspection of Parkhill Lodge (CQC)**

4.8.1 Work continues to resolve long term plans for Parkhill Lodge and residents. A decision was made to temporarily move the residents of Parkhill Lodge on 22<sup>nd</sup> October 2020 to Lord Hardy Court due to a Covid outbreak and these arrangements remain in place. The layout of the Parkhill building and lack of ensuite facilities was not supporting infection control and compounded with staff absence due to either being Covid positive or self-isolating.

4.8.2 A report is scheduled to be presented to Cabinet in August 2021 regarding the location of Park Hill Lodge residential service.

4.8.3 The Adult Social Care Directorate Leadership Team are responsible for overseeing implementation.

#### **5. Regeneration and Environment Services**

5.1 Two new external audits have taken place since the last report. The first covered a review of enquiries to the Web Enabled Enquiry (WEE) system conducted by the DVLA. Two recommendations were made which have now been implemented. The second related to a follow up inspection of sports ground safety that took place in October 2020. Of the seven initial recommendations made from this review, two remain outstanding.

5.2 Of the recommendations from external inspections, reviews and audits that took place prior to January 2021, nine have been implemented since the last report and five remain outstanding. The outstanding recommendations relate to the Libraries Peer Challenge and the Sports Ground Safety Audit.

5.3 The table overleaf provides an overall summary of new external inspections, reviews and audits (taken place since January 2021).

<b>New</b> external inspections reviews and audits					
Title	Date	Outcome	Recommendations	Number Implemented	Status
Review of enquiries to the Web Enabled Enquiry (WEE) system (DVLA)	April 2021	The overall audit rating was green.	2 compliance exceptions to be addressed: <ul style="list-style-type: none"> <li>Enquired on incorrect Date of Event. No keeper data received.</li> <li>Enquired upon wrong vehicle registration number (one digit incorrect).</li> </ul>	2	<b>Complete</b>  Action taken to address the two minor issues identified in May 2021.  See further update below, paragraph 5.4.
Sports Ground Safety Audit (Sports Ground Safety Authority) (Follow-up Inspection)	June 2021	Council risk rating improved to "medium risk"	9 identified at the initial audit in October 2020. 2 remain outstanding.	7 (from initial Audit recommendations)	<b>Partially Complete</b> (7 complete, 2 ongoing)  The outstanding recs relate to the training of staff (not yet in post) and administrative procedures relation to safety documentation (the process has been introduced but sufficient time has not yet past to verify that the process has been fully embedded).

#### **5.4 Review of enquiries to the Web Enabled Enquiry (WEE) system (Driver and Vehicle Licensing Agency (DVLA))**

5.4.1 A review of enquiries to the Web Enabled Enquiry (WEE) system by RMBC staff was conducted in April 2021 by the DVLA. The system is used to identify the keepers of vehicles as registered with the DVLA. The vehicles about which enquiries are submitted are typically the subject of reports of being untaxed or abandoned. The audit is conducted every two years to review the Council's compliance with permissible reasons for enquiries.

5.4.2 The outcome of the audit was rated as green. This was following confirmation that the relevant actions have been taken to address two minor issues originally identified.

5.4.3 The table overleaf provides a summary of the ongoing recommendations for external inspections, reviews and audits that took place prior to January 2021.

## 5.5 Sports Ground Safety Audit (Sports Ground Safety Authority)

5.5.1 In October 2020 the Sports Ground Safety Authority undertook an audit of the Council to ensure that the designated sports ground within the borough (Rotherham United Football Ground) was operating safely and that the local authority is discharging its duties appropriately under the Safety of Sports Ground Act 1975.

5.5.2 The initial audit identified several areas of concern (nine recommendations), resulting in the Council risk rating being high.

5.5.3 Seven of the nine recommendations have been completed and two remain outstanding. The outstanding recommendations relate to the training of staff (not yet in post) and administrative procedures relation to safety documentation (the process has been introduced but sufficient time has not yet past to verify that the process has been fully embedded). The outstanding recommendations are due for completion in July/August 2021.

5.5.3 A follow up audit took place on 30<sup>th</sup> June 2021 resulting in the Council risk rating improving to medium risk (8 points from being categorised as low risk). The final report was issued on 7<sup>th</sup> July 2021.

5.5.4 The inspector commented that excellent progress had been made and that outstanding recommendations were in hand and had a valid reason for the delay. In addition, there was a level of confidence in the Council's performance and the inspector was of the view that the authority will go on to improve further.

5.5.5 The next inspection is due in 12 months' time.

5.5.6 Implementation of the recommendations is overseen by the Management Team.

5.6 The table below provides a summary of the ongoing recommendations from external inspections, reviews and audits that took place prior to January 2021.

<b>Ongoing</b> external inspections reviews and audits ( <i>those reported previously which had outstanding recommendations</i> )						
<b>Title</b>	<b>Date</b>	<b>Outcome</b>	<b>Recommendations</b>	<b>Implemented:</b>		<b>Status</b>
				<b>At last report</b>	<b>Since last report</b>	
Libraries Peer Challenge (Local Government Association)	19 <sup>th</sup> - 20 <sup>th</sup> June 2019	<ul style="list-style-type: none"> <li>• Libraries in Rotherham valued asset</li> <li>• Enthusiasm and recognition of the role libraries could play in delivering the wider council objectives within community</li> <li>• Strong political</li> </ul>	9, these include: <ul style="list-style-type: none"> <li>• Library strategy; service review</li> <li>• Internal review of what is taking place at each location, its success</li> <li>• Resolve where</li> </ul>	4	2	<b>Partially complete</b> (6 recs implemented: 2 ongoing and 1 outstanding)  6 complete: <ul style="list-style-type: none"> <li>• Library strategy approved</li> <li>• Engaged with staff to develop</li> </ul>

		<ul style="list-style-type: none"> <li>commitment</li> <li>Impressed by the managers, staff and volunteers met with</li> <li>Vision but not a shared vision and was not always clearly visible to staff and wider partners</li> </ul>	<ul style="list-style-type: none"> <li>staff time is split between customer service roles and library service roles</li> <li>Engage staff on the development of the vision</li> <li>New challenging targets</li> <li>Opportunities to work more with partners locally, regionally and nationally</li> <li>More effective use of volunteers</li> <li>Engage young people in volunteering</li> </ul>			<ul style="list-style-type: none"> <li>a new vision</li> <li>Set new targets</li> <li>Looked at opportunities to work more with partners locally, regionally and nationally</li> <li>Separated out customer service and library staff roles which has been supported by channel shift during the Covid 19 pandemic</li> <li>Engaged young people- through consultation events and prioritised in the 2 year action plan for Libraries.</li> <li>Potential for different, innovative library asset designs</li> </ul> <p>Actions linked to recommendation 7 is in progress; recommendation 2 is outstanding.</p> <p>Action plan developed for all remaining recommendations. Implementation has been delayed due to the Covid-19 response.</p>
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## 5.5 Libraries Peer Challenge (*Local Government Association*)

5.5.1 Implementation of the recommendations from the Libraries Peer Challenge conducted in June 2019 continues, due to delays caused by the Covid-19 response.

5.5.2 Since the last report in January 2021 two further recommendations have been implemented. We have and will continue to visit other libraries and local authorities to review library asset design which will inform plans for the redesign of Rotherham libraries.

5.5.3 In relation to separating out the customer service and library roles, there has been a review on how customer service transactions are delivered, and this had led to a significant reduction in the number of face-to-face appointments required. This has been further reduced during the pandemic where people have opted to complete their transactions over the phone or online. It has

been agreed that the few number of enquiries still occurring face-to-face will be dealt with by generic library staff.

5.5.4 Engagement with young people has taken place as part of the consultation on the new library strategy which took place in 2020, although response was limited due to the impact of the pandemic. It is a service priority to target this group and improve engagement with library services. This work will continue as part of the two-year action plan.

## 6. Finance and Customer Services

6.1 Two new audits have taken place since the last report and no recommendations have been made. Further details are provided below, see paragraphs 6.4 and 6.5 below.

6.2 There is one ongoing recommendation from an external inspection that took place prior to January 2021. This relates to the inspection by the Investigatory Powers Commissioners Office and is set out in section 6.9 below. Final audit reports have also been received for teachers pensions and housing benefits.

6.3 The table below provides an overall summary of new external inspections, reviews, and audits (taken place since to January 2021).

<u>New</u> external inspections reviews and audits					
Title	Date	Outcome	Recommendations	Number Implemented	Status
External Audit of Pooling of Housing Capital Receipts 2019-20 (KPMG)	January 2021	Clean audit.	0	n/a	No formal recommendations.  See further update below, paragraph 6.4.
Public Services Network (PSN) Connection Compliance (Cabinet Office)	May 2021	Awaiting final report.	Unknown	n/a	Awaiting final report.  See further update below, paragraph 6.5.

### 6.4 External Audit of Pooling of Housing Capital Receipts 2019-20 (KPMG)

6.4.1 The Ministry of Housing, Communities and Local Government (MHCLG) administers the pooling of housing capital receipts scheme. These are capital receipts generated when a local authority sells a property under the Right to Buy (RTB) (Schedule 6A of the Housing Act 1985).

6.4.2 The use of the receipts arising from the disposal of housing assets is governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended). The regulations require that:

- Receipts arising from RTB (and similar) sales may be retained to cover the cost of transacting the sales, and to cover some of the debt on the properties sold, but a proportion of the remainder must be surrendered to central Government
- Receipts arising from all other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying down of housing debt (each of which is defined in the Regulations).

6.4.3 The pooling return is an annual return submitted by local authorities to MHCLG showing the breakdown of the various elements of housing capital receipts.

6.4.4 MHCLG requires local authorities to appoint an independent accountant to carry out 'agreed upon procedures' and report factual finding in the respect of the annual pooling return.

6.4.5 If there are any errors in the pooling, whereby under or overpayment to Central Government in respect of the sub-liability payment (the proportion surrendered to Central Government) has been miscalculated, then there are penalties and interest payments to be made.

6.4.6 For the audit report in respect of pooling of Housing Capital receipts for the financial year 2019/2020 year, showed that there were no exceptions noted.

**6.5 Public Services Network (PSN) Connection Compliance (Cabinet Office)**

6.5.1 The Public Services Network (PSN), is a Her Majesty's Government (HMG) initiative that provides assurance to all public sector participants that all connecting organisations have a mature, stable, and secure network. Certification is hard to achieve and most Councils are 'working towards' compliance.

6.5.2 Access to PSN is still possible provided you submit an annual application for review that outlines the organisation's current security position.

6.5.3 The Public Services Network (PSN) is a secure network which enables access to HMG systems and shared services to be controlled by authorised participants.

6.5.4 The security of each organisation and user connected to the PSN affects both the security of all other users and the network itself. The PSN compliance process exists to provide the PSN community with assurance that their data is protected to an agreed level.

6.5.5 The annual application was submitted by the Council in May 2021 and the Council is awaiting the outcome of the submission.

6.6 The table below provides a summary of the ongoing recommendations for external inspections, reviews and audits that took place prior to January 2021.

<b><u>Ongoing</u></b> external inspections reviews and audits ( <i>those reported previously which had outstanding recommendations</i> )						
<b>Title</b>	<b>Date</b>	<b>Outcome</b>	<b>Recommendations</b>	<b>Implemented:</b>		<b>Status</b>
				<b>At last report</b>	<b>Since last report</b>	
External Audit of Teachers Pensions 2019-20 (KPMG)	November 2020	Clean audit	0	n/a	n/a	No formal recommendations.  See further update below, paragraph 6.7.
External Audit of Housing Benefits 2019-20 (Grant Thornton)	November – December 2020	Clean audit	0	n/a	n/a	No formal recommendations.  See further update below, paragraph 6.8.
Regulatory and Investigatory Act 2000 (RIPA) (Investigatory Powers Commissioner's Office)	July 2020	Clean audit	1	0	0	<b>1 rec outstanding.</b>  The recommendation relates to wider awareness training which is currently being prepared for distribution through SLTs.  See further update below, paragraph 6.9.

## 6.7 External Audit of Teachers Pensions 2019-20 (KPMG)

6.7.1 Authorities who administer the Teachers' Pension must complete an audited 'End Of Year Certificate' to provide assurance to the Secretary of State that all contributions due in that year have been correctly calculated, deducted and paid over to the Teachers' Pension Scheme.

6.7.2 Grant Thornton were provided with Teachers Pension submissions for 2019-20 to enable the audit work to be completed by the deadline 30<sup>th</sup> November. This work was undertaken remotely in October and November 2020.

6.7.3 The report presented to Audit Committee in January 2021 stated that this audit had been completed, however the Council was awaiting the final report.

6.7.4 The Grant Thornton report dated 7th December noted any exceptions and/or errors with relevant management explanation and was submitted to The Teachers' Pension scheme in due course, meeting the statutory obligation to provide an audited 'Teachers Pension End Of Year Certificate 1920'.

## **6.8 External Audit of Housing Benefits 2019-20 (*Grant Thornton*)**

- 6.8.1 Housing benefit is a means tested social security benefit, administered by local authorities on behalf of the Department for Work and Pensions (DWP). Housing benefit is intended to help claimants meet housing costs for rented accommodation both in the private and social rented sector.
- 6.8.2 The Council reclaim most of the housing benefit that they pay to claimants by submitting subsidy claims to the DWP. There is a requirement that the Council appoint an external auditor to undertake an annual check of the subsidy claim under a methodology set by DWP.
- 6.8.3 Based on their sample testing, the external auditor will either certify that the annual claim is fairly stated or report any errors found to DWP in their return. Where errors are found the claim is qualified and DWP will seek to reduce the subsidy payment to the Council.
- 6.8.4 The Council's Housing Benefit Subsidy audit for the 2019/20 financial year was undertaken by Grant Thornton between December 2020 and March 2021. They confirmed to DWP that the subsidy claim was fairly stated and DWP confirmed the Council's subsidy claim of £63,669,862 with no adjustments being applied.

## **6.9 Regulatory and Investigatory Act 2000 (RIPA) (*Investigatory Powers Commissioners Office*)**

- 6.9.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a mechanism to make it lawful for public bodies, such as local authorities, to use directed (i.e. covert) surveillance and covert human intelligence sources e.g. undercover officers and public informants for the purposes of the detection and prevention of crime.
- 6.9.2 RIPA also provides a mechanism for public bodies, such as local authorities, to acquire communications data where it is proportionate and necessary to do so for the purposes of the detection and prevention of crime.
- 6.9.3 On the 2<sup>nd</sup> July 2020 a desktop inspection by the Investigatory Powers Commissioners Office took place. This type of inspection now takes place where a local authority does not regularly use the powers available. The outcome of inspection was positive and previously reported separately to Audit Committee on 18<sup>th</sup> August 2020. Within the report there is one item to address. The report states:

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

has increased this risk in several organisations. It is positive that RMBC has recognised the need for increased communication in this area.'

- 6.9.4 Since the inspection Legal Services have been focussing efforts to provide awareness training to ensure the RIPA legislation is cascaded to individual directorates to reduce any potential risk arising from any unauthorised activity. The RIPA Coordinator is attending external training to ensure that any awareness training provided is as up to date as possible. Once the training is prepared, discussions will take place with Directorate Leadership Teams in relation to the best way to deliver the training to the individual directorates.
- 6.9.5 The legal services management team meeting agenda includes an item relating to audit recommendations to ensure that there is regular oversight of the progress in the implementation.

## 7. **Assistant Chief Executive**

- 7.1 There are no new external inspections, reviews or audits relating to the Assistant Chief Executive's Directorate to report.
- 7.2 There is one update from an external review that took place prior to January 2021. This relates to the Local Government Association review of the Big Hearts, Big Changes programme and is set out in the following paragraphs.

**7.2 *Review of the Big Hearts, Big Changes Programme (Local Government Association)***

- 7.2.1 A review of the Big Hearts, Big Changes programme took place on 21st – 22<sup>nd</sup> July 2020, conducted by the LGA. This was a remote peer support review, rather than an inspection and there were no recommendations made. The key reflections report provided did however include sixteen areas for consideration and five early next steps.
- 7.2.2 Following the review, the Council has revised the programme to become more of a mechanism to focus officer resources around the 'big ticket' items such as Equalities, Climate Change, and Thriving Neighbourhoods that have been set out in the priorities of the Year Ahead Plan and the emerging priorities of the Council Plan which is in development. These are led by cross-directorate teams and supported by the change and innovation team within Assistant Chief Executive's directorate, along with other enabling support services, such as finance, HR, legal. One of the other key considerations from the LGA was to take a more agile approach; ensuring that projects and activities remain under the programme for as long as it makes sense to have more corporate oversight, before moving back under directorates as business as usual activity. Revised governance arrangements have been established in the form of separate Operational and Strategic Boards to ensure effective programme assurance and oversight.

**8. Options considered and recommended proposal**

- 8.1 Audit Committee to note the recent external inspections, reviews and audits which have taken place and the progress made in implementing the recommendations since the last report in January 2021.
- 8.2 Audit Committee to note the governance arrangements that are currently in place for monitoring and managing the recommendations.
- 8.2 Audit Committee to continue to receive regular reports in relation to external inspections, reviews and audits and the progress made.

**9. Consultation on proposal**

- 9.1 Not applicable to this report.

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

- 10.1 The timescales for each recommendation varies and further details are included within the report above.
- 10.2 The next report will be presented to Audit Committee in November 2021.

**11. Financial and Procurement Advice and Implications**

- 11.1 There are no financial and procurement implications.

**12. Legal Advice and Implications**

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

**13. Human Resources Advice and Implications**

- 13.1 There are no Human Resources implications.

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

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

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

- 15.1 Equality Analyses are undertaken in relation to any new policies or strategies that are developed, and work is being undertaken to improve services.

**16. Implications for Partners**

16.1 Partnership approaches are key to improving services and the improvements need to be of a multi-agency nature and owned cross the partnership.

**17. Risks and Mitigation**

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

**18. Accountable Officer(s)**

Simon Dennis, Corporate Improvement and Risk Manager

**Approvals Obtained from:-**

Jo Brown, Assistant Chief Executive

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

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



Public Report  
Audit Committee

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### **Council Report**

Audit Committee Meeting – 29<sup>th</sup> July 2021.

#### **Title**

Audit Committee Annual Report 2020/21.

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

No.

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

Judith Badger, Strategic Director, Finance and Customer Services.

#### **Report Author(s)**

David Webster, Head of Internal Audit

Tel: 01709 823282 Email: [david.webster@rotherham.gov.uk](mailto:david.webster@rotherham.gov.uk)

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

All wards.

#### **Report Summary**

The purpose of the Annual Report 2020/21 is to bring together in one document a summary of the work undertaken by the Audit Committee. The production of the report complies with current best practice for audit committees. It allows the Audit Committee to demonstrate it has fulfilled its terms of reference and share its achievements with the Council and is thought useful as a reminder to the organisation of the role of the committee in providing assurance about its governance, risk management and financial and business controls.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that Audit Committees operate effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this Audit Committee is attached. A copy of the Audit Committee's Terms of Reference is included for information.

#### **Recommendations**

The Audit Committee is asked to:

- 1) Note the production of the Audit Committee Annual Report 2020/21.
- 2) Consider and approve the draft report prior to its submission to Council.

#### **List of Appendices Included**

Audit Committee Annual Report for 2020/21.

Audit Committee Terms of Reference.

**Background Papers**

Relevant reports presented to the Audit Committee and minutes of the meetings of the Audit Committee.

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

No.

**Council Approval Required**

Yes.

**Exempt from the Press and Public**

No.

## **Audit Committee Annual Report 2020/21**

### **1. Background**

- 1.1 The Audit Committee is a key component of corporate governance and provides an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement.
- 1.2 The Committee's specific powers and duties are set out in section 9 of the Constitution under the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is attached for information.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively. The guidance recommends that Audit Committees should report annually on how they have discharged their responsibilities.

### **2. Work Undertaken during 2020/21**

- 2.1 The Audit Committee meeting planned for March 2020 was postponed until May 2020 because of the lockdown. The May meeting was included in the annual report for 2019/20. Subsequent to that the committee met on a further five occasions in the year to 31 March 2021, in accordance with its programme of work. The frequency of meetings ensures the Audit Committee can fulfil its responsibilities in an efficient and effective way.
- 2.2 During this period the Committee assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the internal auditors and the external auditors.
- 2.3 As part of that assessment the Committee was updated on the impact of Covid-19 and the Council's response to it through two reports on risk management arrangements during the pandemic, a revised internal audit plan to review changes to systems and procedures and the reports on those reviews.
- 2.4 The Committee sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified during the period. The Committee also sought to ensure that effective relationships continue to be maintained between the internal and external auditors, and between the auditors and management.
- 2.5 The specific work undertaken by the Committee is set out in the report.

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

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

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

4.1 None.

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

5.1 The Audit Committee is asked to receive this report at its July 2021 meeting.

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

6.1 There are no direct financial or procurement implications arising from this report.

**7. Legal Advice and Implications**

7.1 None.

**8. Human Resources Advice and Implications**

8.1 There are no direct Human Resources implications arising from this report.

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

9.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

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

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

**11. Implications for Partners**

11.1 Partners can be reassured that the Audit Committee is fulfilling its role within RMBC.

**12. Risks and Mitigation**

12.1 None.

**13. Accountable Officer(s)**

David Webster, Head of Internal Audit.  
Tel 01709 823282 E mail [david.webster@rotherham.gov.uk](mailto:david.webster@rotherham.gov.uk)

**ROOTHERHAM METROPOLITAN  
BOROUGH COUNCIL**

**AUDIT COMMITTEE ANNUAL REPORT  
2020/21**

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## FOREWORD

As Chair of the Audit Committee, I have pleasure in commending this year's Annual Report. This document summarises the work of the Audit Committee in providing assurance about the Council's governance, risk management, financial, and business controls. The year 2020/21 has presented challenges like no other, in terms of the impact of the COVID pandemic on the work of the Audit Committee. However, under the guidance of the outgoing Chair, Cllr Wyatt, the committee was still able to discharge its responsibilities.

I would like to thank Cllr Wyatt and the other committee members for their outstanding contribution to the Audit Committee during these unprecedented times. In addition, I would like to acknowledge the hard work of the RMBC Officers who are accountable to the Audit Committee and Grant Thornton, the RMBC external auditors.

Cllr J Baker-Rogers, AC Chair July 2021

## INTRODUCTION

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. RMBC's Audit Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.

A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

This role is reflected in the Committee's Terms of Reference which are given below for information.

The Audit Committee had six Members during 2020/21:

Councillor Ken Wyatt – Chair  
Councillor Bob Walsh – Vice Chair  
Councillor Allen Cowles  
Councillor John Vjestica  
Councillor Jenny Andrews (from August onwards)  
John Barber – independent person (from November onwards)

## HIGHLIGHTS OF THE YEAR

There have been many benefits from the work of the committee. The main outcomes and improvements include:

- An unqualified External Audit opinion on the Council's Statement of Accounts, confirming their accuracy and completeness
- The timely sign-off of the accounts to the amended timetable
- An Annual Governance Statement that reflected the developments within the Council
- A positive opinion from the Head of Internal Audit in his Annual Report
- The external assessment of Internal Audit concluding that they generally conform with Public Sector Internal Audit Standards
- A Risk Management process that is embedded within the Council

## SUMMARY OF WORK UNDERTAKEN IN 2020/21.

The Audit Committee completed the following during 2020/21

### External Audit – Grant Thornton

- Received and considered a Progress Update including changes resulting from Covid.
- Received and considered the detailed results of the external auditor's work in relation to the audit of the 2019/20 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion. There was an unqualified value for money conclusion stating that the Council has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Received and considered the external auditor's annual audit letter in respect of the 2019/20 audit year. The Committee was pleased to note that the external auditors had given an unqualified value for money audit opinion and an unqualified opinion on the financial statements, and stated that the Annual Governance Statement was consistent with their understanding and compliant with the CIPFA/SOLACE framework on good governance in local authorities.
- Received a report on the outcomes of the Redmond Review into external audit.
- Received a report on the results of a review of Information Technology.

### Internal Audit

- Continued to oversee the internal audit arrangements for the Council. This included approving the review of the Internal Audit Charter.
- Received and approved the Internal Audit Plan for 2020/21. The plan had been updated as a result of Covid.
- Received and approved the Internal Audit Plan for 2021/22. The plan ensures that internal audit resources are prioritised towards those systems and areas which are considered to

be most at risk or which contribute most to the achievement of the Council's corporate objectives. The plan had been updated as a result of Covid.

- Monitored the delivery of the Internal Audit Plan through regular update reports presented by the Head of Internal Audit. Reviewed variations to the audit plans which were considered necessary to reflect new or changed Council priorities.
- Received and considered the results of internal audit work performed in respect of each Directorate.
- Monitored the progress made by management during the period to address identified control weaknesses.
- Monitored the performance of the Internal Audit team through regular update reports.
- Received and endorsed the results of the external validation of the internal assessment against Public Sector Internal Audit Standards. This confirmed the result of the internal assessment and showed General Conformance with the Standards.
- Received and considered the implementation of the Quality Assurance and Improvement Plan and the revised plan for 2021.

#### **Anti-fraud and Corruption**

- Received and considered updates to the Anti-Fraud and Corruption Policy and Strategy.
- Received and considered updates on completed fraud investigations as part of the Internal Audit Progress Reports.

#### **Risk Management**

- Continued to oversee the Council's risk management arrangements and strategy, including updates on the risk management arrangements in place during the Covid-19 response.
- Received a summary of risk management activity during 2019/20.
- Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register twice during the year.
- Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in their Risk Registers. Presentations were received from Strategic Directors and Cabinet Members on their approach to risk management.

#### **Corporate Governance**

- Considered changes to the refreshed Code of Corporate Governance prior to approval. The Code reflects the core principles and requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'.
- Considered the draft Annual Governance Statement for 2019/20.

- Considered and approved the Annual Governance Statement for 2019/20 of the Council. The Statement reflected the continued progress made by the Council during that year.
- Produced its own Annual Report for 2019/20 setting out the work undertaken by the committee.
- Received and considered at each meeting its own forward plan for the year ahead, ensuring that all relevant areas are covered during the year.

## **Finance**

- Considered the unaudited draft Statement of Accounts for 2019/20.
- Considered and approved the Statement of Accounts for 2019/20 for the Council.
- Received and considered a report on the final accounts closedown and accounting policies updates for 2020/21. A second closedown report showed the revised accounting timetable due to Covid-19.
- Continued to review the Council's Treasury Management arrangements. This included reviewing the Annual Treasury Management Report for 2019/20 which covered the actual Prudential Indicators, and the Mid-Year Monitoring Report which included the actual and proposed treasury management activity.
- Received a report detailing the position with regards to the Dedicated School Grant reserve and the plan to operate within the annual allocation and reduce the deficit over future years.

## **Other**

- Received and considered two update reports on progress made to implement recommendations arising from external inspections.
- Received and considered reports on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA). There had been no usage of these powers by the Council during 2019/20. The committee noted that a desktop inspection conducted by the Investigatory Powers Commissioners Office had a positive outcome.
- Received an annual report on Information Governance, including compliance with GDPR and the Data Protection Act.
- Received a report on procurement, including recent changes to processes and procedures implemented by the Corporate Procurement team.

## **TRAINING AND DEVELOPMENT**

The Committee received training or a briefing before most meetings based on the papers to be presented to the Committee and the results of the self-assessment.

During 2020/21 the audit chair and another committee member were members of the Sheffield City Region Audit and Standards committee, and the audit chair was also a member of the YPO Audit and Governance Committee.

Training for the Committee continues into the current year, with training planned for new committee members in September. The chair and two other members are members of the Sheffield City Region Audit and standards Committee.

## TERMS OF REFERENCE 2020/21

### Committee Size

To comprise:-

- Five Councillors, none of which are members of the Cabinet.
- One person who is not a councillor or officer of the Council (independent member).

### Statement of purpose

- 1 The Audit Committee is a key component of RMBC's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of the audit committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of RMBC's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider RMBC's code of governance.
- 4 To review the Annual Governance Statement (AGS) prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To approve the final AGS for publication.
- 6 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 8 To monitor the effective development and operation of risk management in the council.
- 9 To monitor progress in addressing risk-related issues reported to the committee.
- 10 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 11 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 12 To monitor the counter-fraud strategy, actions and resources.
- 13 To review the governance and assurance arrangements for significant partnerships or collaborations.

### Internal audit

- 14 To approve the Internal Audit Charter.
- 15 To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

- 16 To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- 17 To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.
- 19 To approve the internal or external assessments of Internal Audit against Public Sector Internal Audit Standards. This will include:-
  - regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
  - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), considering whether the non-conformance is so severe that it must be included in the AGS
- 20 To consider reports from the Head of Internal Audit on Internal Audit's performance during the year. These will include updates on the work of Internal Audit including:-
  - progress against the plan
  - key findings and issues of concern
  - action in hand as a result of internal audit work
  - performance indicators
- 21 To approve the Head of Internal Audit's annual report:-
  - The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement.
  - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.
- 22 To consider summaries of specific Internal Audit reports.
- 23 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 24 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 25 To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for him/her to meet privately with the committee.

#### **External audit**

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).
- 27 To approve the external auditor's annual plan
- 28 To approve any revisions to the external auditor's plan
- 29 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 30 To consider specific reports as agreed with the external auditor.
- 31 To comment on the scope and depth of external audit work and to ensure it gives value for money.

- 32 To commission work from internal and external audit.
- 33 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Financial reporting**

- 34 To receive the draft annual statement of accounts following approval by the s151 Officer. Specifically, to consider whether appropriate accounting policies have been followed.
- 35 To approve the final audited annual statement of accounts for publication. Specifically to consider whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 36 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- 37 To deal with any matters referred to the Committee by the Strategic Director Finance and Customer services in relation to his/her responsibilities under section 151 of the Local Government Act 1972.

### **Treasury Management**

- 38 To review treasury management policy, strategy and procedures and to be satisfied that controls are satisfactory
- 39 To receive annual reports on treasury management, specifically the outturn report and the mid-year report
- 40 To review the treasury risk profile and adequacy of treasury risk management processes
- 41 To review assurances on treasury management, for example an internal audit report, external audit report or other review.

### **Accountability arrangements**

- 42 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 43 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 44 To submit a report on the work of the committee to the Council on an annual basis.

**Committee Name and Date of Committee Meeting:**  
Audit Committee – 29<sup>th</sup> July 2021

**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).  
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**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  
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## Audit Committee Forward Work Plan

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

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
28 September 2021	Financial Reporting	Training Final Statement of Accounts	Graham Saxton
	Governance Risk and Control	Final AGS	Judith Badger
	External Audit	Interim Audit Findings	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	Jo Brown
	Governance Risk and Control	Anti-Fraud and Corruption Policy and Strategy review and update	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
30 November 2021	External Audit	Training – Code of Corporate Governance External Audit Findings (ISA 260)	Grant Thornton / Graham Saxton

Meeting	Key Responsibility	Agenda Item	Author
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Date			
11 January 2022	Financial Reporting	Training Final Accounts closedown and accounting policies	Graham Saxton
	External Audit	Annual Report (VFM)	Grant Thornton / Graham Saxton
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	Judith Badger
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
15 March 2022	Internal Audit Internal Audit / Governance Risk and Control External Audit Governance Risk and Control Governance Risk and Control Governance Risk and Control Internal Audit Internal Audit Audit Committee Accountability	Training IA Annual Plan IA Progress Report External Audit Progress Update Procurement Update Designated Schools Grant Risk Management Directorate Presentation – Children and Young People's Service Public Sector Internal Audit Standards Internal Audit Quality Assurance and Improvement Plan Audit Committee Forward Work Plan	David Webster David Webster Grant Thornton / Graham Saxton Karen Middlebrook Neil Hardwick Suzanne Joyner David Webster David Webster David Webster

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
June 2022	External Audit Governance Risk and Control Governance Risk and Control Internal Audit / Governance Risk and Control Internal Audit / Governance Risk and Control Governance Risk and Control Audit Committee Accountability	Training External Audit Progress Update Review of Surveillance and use of Regulation of Investigatory Powers Risk Management Annual Report IA Progress Report Internal Audit Annual Report Audit Committee Annual Report Risk Management Directorate Presentation – Adult Care Housing and Public Health Audit Committee Forward Plan	Grant Thornton / Graham Saxton Bal Nahal Simon Dennis David Webster David Webster David Webster Anne Marie Lubanski David Webster

<b>Meeting Date</b>	<b>Key Responsibility</b>	<b>Agenda Item</b>	<b>Author</b>
July 2022	Financial Reporting	Training – Statement of Accounts	
	Governance Risk and Control	Draft Statement of Accounts	Graham Saxton
	Governance Risk and Control	Draft Annual Governance Statement	Judith Badger
	Treasury Management	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	Annual Treasury Management	Graham Saxton
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Audit Committee Accountability	External Audit and Inspection Recommendations	Simon Dennis
	Governance Risk and Control	Audit Committee Forward Work Plan	David Webster
		Private meeting	

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