

AUDIT COMMITTEE

Date and Time :- Thursday 30 September 2021 at 2.00 p.m.
Venue:- Rotherham Town Hall, Moorgate Street, Rotherham. S60 2TH.
Membership:- Councillor Baker-Rogers (Chair); Councillors Barley, Browne (Vice-Chair), Wilson and Wyatt

Mr. J. Barber, Independent Member

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

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

AGENDA

- 1. To determine whether the following items should be considered under the categories suggested in accordance with Part 1 of Schedule 12A (as amended 2006) of the Local Government Act 1972**
- 2. To determine any item(s) which the Chairman is of the opinion should be considered later in the agenda as a matter of urgency**
- 3. Apologies for Absence**

To receive the apologies of any Member who is unable to attend the meeting.
- 4. Declarations of Interest**

To receive declarations of interest from Members in respect of items listed on the agenda.
- 5. 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.

6. Exclusion of the Press and Public

The following items are exempt from the press and public:-

Agenda Item 10 (Internal Audit Progress Report) Appendix C
(Exempt under Paragraph 7 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime))

Agenda Item No. 14 (Assistant Chief Executive Directorate Risk Register) Appendix
(Exempt under Paragraph 3 (financial information) of Part 1 of Schedule 12(A))

Agenda Item No. 16 (Review of Grant Thornton's UKLLPs Audit of Rotherham Metropolitan Borough Council Financial statement and the Value for Money (VfM) Arrangements Conclusion for the Year ending 31st March, 2020)
(Exempt under Paragraph 3 (financial information) of Part 1 of Schedule 12(A))

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 the paragraphs indicated above of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

7. Minutes of the previous meeting held on 29th July, 2021 (Pages 5 - 17)

To consider and approve the minutes of the previous meeting held on 29th July, 2021, as a true and correct record of the proceedings.

8. Audited Statement of Accounts 2020/21 (Pages 18 - 175)

9. Annual Governance Statement 2020/21 (Pages 176 - 198)

10. Internal Audit Progress Report (Pages 199 - 218)

11. Internal Audit Charter Update (Pages 219 - 237)

12. Anti-Fraud and Corruption Policy, Strategy and Self-Assessment against CIPFA Code of Practice (Pages 238 - 268)

13. Audit Committee Forward Work Plan (Pages 269 - 277)

14. Assistant Chief Executive Directorate Risk Register (Pages 278 - 287)

15. Items for Referral for Scrutiny

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

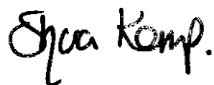
16. Review of Grant Thornton UK LLP's Audit of Rotherham Metropolitan Borough Council's Financial Statements and the Value for Money (VfM) arrangements conclusion for the year ended 31st March, 2020 (Pages 288 - 303)

17. Urgent Business

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

18. Date and time of next meeting

The next meeting of the Audit Committee will be held on Tuesday, 30th November, 2021, commencing at 2.00 p.m. in Rotherham Town Hall.



SHARON KEMP,
Chief Executive.

KEEP SAFE WHILE VISITING RIVERSIDE HOUSE AND THE TOWN HALL



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Further information about COVID-19 can be found at
www.rotherham.gov.uk/coronavirus

www.rotherham.gov.uk/coronavirus

AUDIT COMMITTEE
29th July, 2021

Present:- Councillor Baker-Rogers (in the Chair); Councillors Barley and Browne.

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

Apologies for absence were received from Councillors Wilson and Wyatt and John Barber, Independent Person.

16. MINUTES OF THE PREVIOUS MEETING HELD ON 26TH JUNE, 2021

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 22nd June, 2021.

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

17. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

18. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

19. EXCLUSION OF THE PRESS AND PUBLIC

Resolved:- That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for Minute No. 26 (Corporate Strategic Risk Register - appendix) and Minute No. 31 (Risk Management – Adult Social Care, Health and Housing), as they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972.

20. DRAFT STATEMENT OF ACCOUNTS

Rob Mahon, Head of Corporate Finance, presented the draft unaudited Statement of Accounts 2020/21 which would be published on the Council's website on 31st July, 2021.

The publication of the unaudited accounts triggered a period of 30 working days (starting on Monday, 2nd August and ending on Friday, 13th September, 2021) for local electors to exercise their rights to inspect the accounts and supporting records and to ask question of the external auditor.

The external audit of the 2020/21 accounts had commenced with the Finance Team working with Grant Thornton to produce the working papers. Due to the time pressures for Grant Thornton, it was expected that the Council would produce and publish its final account without external audit's final opinion on 30th September, 2021.

In order to comply with the Accounts and Audit Regulations, the Council would need to include a brief statement on its website by 30th September explaining the audit process was still ongoing with Grant Thornton and the Council agreeing the appropriate wording.

As in the report to the June meeting, there were a number of factors that had led Grant Thornton being unable to conclude the audit by 30th September. These factors were out of the Council's control and it should be noted that there were no financial penalties arising from not publishing the audited accounts by the September deadline. Where appropriate, Grant Thornton would set out any material adjustments made to the accounts and any uncorrected differences of a non-trivial nature.

Grant Thornton was targeting a November 2021 sign off date which was expected to be confirmed in their Audit Plan.

The Narrative Report attached at Appendix A to the report submitted, together with the Highlights Report (Appendix B), summarised the key financial disclosures reported in the 2020/21 draft Statement of Accounts and provided further detail on each of the key financial issues referred to above.

The Chair thanked the officers involved in the production of the Statement of Account during the very difficult circumstances.

Discussion ensued on the report with an explanation provided as to how the level of materiality was calculated based on a proportion of the Authority's gross revenue spend i.e. 1.5% and the differing grading of accounts.

Resolved:- That the draft unaudited Statement of Accounts 2020/21 be noted.

21. ANNUAL TREASURY MANAGEMENT REPORT AND ACTUAL PRUDENTIAL INDICATORS 2020/21

In accordance with Minute No. 21 of the Cabinet Meeting on 19th July, 2021, consideration was given to a report presented by Rob Mahon, Head of Corporate Finance, which detailed how the Council approved the Treasury Management Strategy in February, 2020, and received a mid-year report in January, 2021, representing a mid-year review of treasury activity during 2020/21.

The Annual Treasury Management report was the final treasury report for 2020/21. Its purpose was to review the treasury activity for 2020/21 against the Strategy agreed at the start of the year.

The report also covered the actual Prudential Indicators for 2020/21 in accordance with the requirements of the Prudential Code.

Presentation of the report met 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 was required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Appendix A of the report submitted gave a summary of the Prudential Indicators and Appendix B a summary of the Prudential Indicators for the former South Yorkshire County Council.

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

- The Council utilised the services of a Treasury Management Advisory Service with whom quarterly meetings were held as well as daily updates on base rate changes
- The Government had released significant grants/resources to support local authorities during the pandemic all within a short space of time. The demand then limited the availability of developers to deliver schemes which ultimately drove up costs and put pressure on capital spending. This was currently being worked through and would be picked up in the annual monitoring process
- The Treasury Management Strategy was very controlled and decisions made within an agreed set of criteria

Resolved:- That the Financial Outturn 2020/21 - Treasury Management and Prudential Indicators - be noted.

22. EXTERNAL AUDIT PROGRESS UPDATE

In accordance with Minute No. 6 of the previous meeting, Gareth Mills, Grant Thornton, presented the External Audit progress report highlighting the following 2 areas:-

Audit Fee

- Since the award of external audit contracts in 2017, there had been a number of developments within the accounting and audit profession. The Financial Reporting Council (FRC) had set out its expectation of improved financial reporting from organisations, the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing
- The 2020-21 Code had introduced a revised approach to Value for Money (VFM) work
- The ongoing impact of the additional work required on significant risk areas of the audit together with the new VFM Code and the requirements of the revised ISAs, resulted in a proposed audit fee for 2020-21 of £183,938 (2019-20 £148,438)
- Both the Redmond Review and MHCLG recognised the need to increase audit fees. MHCLG had made £15M available to local authorities to support the expected uplift in fees in 2020-21

Delivery of the Audit

- The MHCLG had set an indicative date of 30th September for audited local authority accounts (2 months earlier than last year). This date Grant Thornton felt was unrealistic although very supportive of the date in a “normal” year
- The impact of Covid working, the need to prioritise its Housing Benefit delivery in the early part of 2021 and the NHS given an earlier audit deadline of June, 2021, had meant that the company was behind in its local authority planning and interim work compared to its normal timings and profile of delivery
- Grant Thornton had also been selected by the Regulator for a full review of Rotherham’s external audit which had commenced in February. The final report had now been received
- It was proposed to complete the audit testing by the end of October with a view to completion and sign off in November. This would then give a relatively clean start to the work process for 2022 in order to meet the September deadline
- Where audits remained ongoing after the statutory date, a short statement would be included on the Council’s website stating that the audit remained ongoing and that the Council was continuing to engage with the external auditors to complete their audit. This would adhere to the Accounts and Audit Regulations

Discussion ensued with the following issues raised/clarified:-

- Grant Thornton needed to ensure it concluded the majority of the 2021 audits by the end of the calendar year thus allowing them to go into the start of 2022 with a clean slate; they had not been in that position at the start of 2021

- Nationally there was an expectation that very few audits would hit the 30th September 2021 sign off due to the backlogs
- The situation was not helped by the national lack of public sector auditors. It was hoped that the uplift in the audit fee would provide the ability to address some of the challenges and retain/attract staff by way of offering more attractive salaries/benefits
- There were only 3 companies that delivered local government audits
- Appreciation of the impact on the Council's Finance Team
- Grant Thornton would not be taking up any grant certification work to enable focus on audit work

Resolved:- That the update be noted.

23. GRANT THORNTON EXTERNAL AUDIT PLAN 2020/21

Gareth Mills, Grant Thornton, presented the External Audit Plan in which the Council's external auditor, Grant Thornton, 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 had satisfactory arrangements in place to secure Value for Money in the use of its resources. The Plan also outlined the areas Grant Thornton had determined to be significant risk for special audit consideration.

The International Standards on Auditing provided guidance on the significant risks which should be considered by auditors, these being risks which required special audit consideration. Grant Thornton had identified the following significant risks, a brief description of each provided within the submitted report:-

- 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

The Financial Reporting Council had issued an updated ISA(UK)540 (revised) Auditing Accounting Estimates and Related Disclosures which included significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of the process, auditors were required to understand and assess an entity's internal controls over accounting estimates as well as an understanding of the role of those charged with governance. This was particularly important where the estimates had high estimation uncertainty or required significant judgement. To ensure compliance with this revised auditing standard, further information would be requested from management and those charged with governance during the audit for the year ended 31st March,

2021. Based on Grant Thornton's knowledge of the Council, the following material accounting estimates had been identified for which this was 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 scheme

On 1st April, 2020, the National Audit Office had introduced a new Code of Audit Practice which came into effect from the 2021/21 audit year introducing a revised approach to the audit of Value for Money. The Code required auditors to consider whether the body had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code required auditors to structure their commentary on arrangements under 3 specified reporting criteria i.e. improving economy, efficiency and effectiveness, financial sustainability and governance. The findings would be summarised in the Auditor's Annual Report.

Rotherham had an agreed number of audit days for a metropolitan council of its size which was built into a timetable.

Resolved:- That the external auditor's audit plan for 2020/21 be noted.

24. ANNUAL GOVERNANCE STATEMENT 2020/21

Consideration was given to the updated 2020-21 draft Annual Governance Statement (AGS) as presented by David Webster, Head of Internal Audit, which had been published alongside the Council's Statement of Accounts on 21st July, 2021.

Covid-19 had had a significant impact during 2020/21 and was reflected within the AGS including actions taken in response to the pandemic and lockdown.

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

Resolved:- (1) That the 2020-21 draft Annual Governance Statement be noted.

(2) That the requirement for the Leader and Chief Executive to sign the Statement prior to the publication of the Annual Governance Statement be noted.

25. INTERNAL AUDIT ANNUAL REPORT 2020-21

Consideration was given to a report presented by David Webster, Head of Internal Audit, on the role of Internal Audit, the work completed during the 2020/21 financial year and highlighted the key issues that had arisen. It provided the overall opinion of the Head of Internal Audit on the adequacy of the Council's control environment as well as the performance of the Internal Audit function during 2020/21.

Based upon internal audit work undertaken and taking into account other internal and external assurance processes, it had been possible to complete an assessment of the Council's overall control environment. In the opinion of the Head of Internal Audit, the Council had overall an adequate and effective framework of governance, risk management and control during 2020/21 including the response to Covid-19.

Appendix 1 of the report submitted included:-

- Legislative requirements and Professional Standards
- The Head of Internal Audit's annual opinion on the control framework, risk management and governance
- Resources and audit coverage during the year
- Summary of audit work undertaken during 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

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.

Internal Audit had not issued any No Assurance audit opinions during the year and had given an opinion of Partial Assurance in 6 areas subject to audit, however, none were considered serious enough for inclusion in the Annual Governance Statement. Action plans had been agreed with management in respect of all final audit reports issues.

During the year, the Audit Team had supported the Finance Department for more than 235 days in the processing of Business Support Grant applications. There was also a substantial level of sickness absence within the Team with 70 days sickness being recorded. 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.

Public Sector Internal Audit Standards (PSIAS) required that an assessment of the Internal Audit function must be undertaken annually with an external assessment at least every 5 years; in 2020-21 an external assessment was completed which showed general conformance with the standards.

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-19 but 3 of the actions had been completed and 2 were in progress. One action would be completed in 2021. An updated QAIP, based on the external assessment, had been produced to maintain and increase the level of conformance within the Team. This had 12 Actions to Consider which would be actioned and monitored during 2021.

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

- The number of audit days planned compared to the number actually undertaken had varied in some Directorates. This was partly due to scheduling/resources on the subject matter of the proposed audit and some delays due to Covid, however, there was nothing that had led to cause for concern
- Each audit opinion/recommendation had its own due by date agreed at the time of the audit. By the end of the financial year the vast majority of the recommendations had been implemented. This was an area supported by the Strategic Leadership Team

Resolved:- (1) That the Internal Audit work undertaken during the 2020/21 financial year and the key issues that had arisen therefrom be noted.

(2) That 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, be noted.

26. CORPORATE STRATEGIC RISK REGISTER

Simon Dennis, Corporate Improvement and Risk Manager, presented the current Strategic Risk Register which summarised the current position of the Register and also provided additional background on the role of risk management in the Council's response to the Covid-19 pandemic.

Since early 2020, the Council had been involved in responding to an unprecedented emergency which had 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. The report summarised the current arrangements and presented the current Corporate Strategic Risk Register which had recently been considered by the Strategic Leadership Team.

The report detailed the overall arrangements which included:-

- Risk Champions each of whom led on risk for their Strategic Director
- The Risk Champions, Assistant Chief Executive and the Corporate Improvement and Risk Manager formed the Risk Champions Group responsible for co-ordinating risk management across the Council in normal circumstances
- Corporate Strategic Risk Register completed following reviews of individual risk by Directorate Leadership Teams. Every risk on the Register was owned by a member of SLT and also appeared on their Directorate's Risk Register
- The Strategic Risk Register had been formally reviewed by SLT both at joint SLT/AD Performance Management meetings and at separate SLT meetings. These meetings would continue to review the Register every 3 months
- It was also reported regularly to the Audit Committee together with the annual "deep dives" of Directorate Risk Registers
- The Corporate Improvement and Risk Manager, through the Risk Champions, ensured updates were obtained from all risk owners, reviewed each update and drew attention to issues or missing updates
- The Register had been updated, aligned with the Year Ahead Plan and would be reviewed again to ensure it aligned with the new Council Plan later in the year
- Work was taking place on developing a refreshed approach to risk management training

- The Risk Management Policy and Guide would be refreshed before the new financial year to ensure alignment with current practice

The Council's risk profile had been reducing and an increasing understanding of the key risks that needed to be managed at a strategic level. That improvement had inevitably slowed during the pandemic but the overall track in the last 2 years was still an improving one. Since January 2020, 40% of risks monitored at a strategic level had reduced or been removed, 40% had remained stable and 20% had increased/new to the register.

Since the last update, one risk had been removed and no new risks added. There were now 13 risks on the Strategic Risk Register, down from 14 at the last review but up from 12 in January, 2020.

The risk management process had recently been subject to an Internal Audit review which had compared arrangements to the requirements of the relevant International Standard ISO31000. The review had included that substantial assurance, the highest assurance level possible, could be derived from the controls that were in place.

Discussion ensued with the following issues raised/clarified:-

- Each Strategic Director was responsible for their own Risk Register and, within that, each Assistant Director responsible would have a more extensive Risk Register
- A risk may re-appear on the register but it would be in a different form as the process rolled forward
- The number of risks had slightly increased during the pandemic but was now decreasing
- Ongoing discussions regarding crosscutting-Directorate risks and moving from the Strategic Risk Register to the delivery area
- The Risk Register and the Corporate Plan were designed to address crosscutting issues

Resolved:- That the update be noted.

27. EXTERNAL INSPECTIONS, REVIEWS AND AUDITS UPDATE

Consideration was given to a report, presented by Simon Dennis, Corporate Improvement and Risk Manager, and Tanya Lound, Corporate Improvement and Risk Officer, providing details of recent and current external audits and inspections including the details of arrangements that were in place regarding the accountability and governance for implementing recommendations arising therefrom.

Since the last report to Committee in January, 2021, 6 external inspections, reviews and audits had taken place and 14 recommendations made 12 of which had been implemented and 2 remained ongoing. In addition, 8 of the ongoing recommendations in relation to external

inspections, reviews and audits that took place prior to January, 2021, had now been implemented, 15 remained either outstanding or ongoing.

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

- Children and Young People's Services
- Adult Care and Housing
- Regeneration and Environment Services
- Finance and Customer Services
- Assistant Chief Executive

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

- Benefit of inclusion of the date actions were completed and deadlines, if any, attached to outstanding actions
- Investigate as to whether any learning from an inspection in one Directorate could be transferred into another

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

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

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

(4) That where possible, inclusion of the completion date of actions and deadlines, if any attached to outstanding actions, in future reports.

(5) That consideration be given as to whether any generic inspection recommendations could be passed on as learning to other Directorates.

28. AUDIT COMMITTEE ANNUAL REPORT 2020/21

David Webster, Head of Internal Audit, submitted the Audit Committee 2020/21 Annual Report which had been produced in compliance with current best practice for audit committees. The Chartered Institute of Public Finance and Accountancy (CIPFA) had issued guidance that Audit Committees should report annually on how they had discharged their responsibilities during the previous municipal year.

The draft annual report was attached to the report submitted together with the Committee's Terms of Reference. The report set out:-

AUDIT COMMITTEE - 29/07/21

- A summary of the work undertaken
- External Audit
- Internal Audit
- Anti-Fraud and Corruption
- Risk Management
- Corporate Governance
- Finance
- Other
- Training
- Terms of Reference 2020/2021

The Chair requested that the foreword include appreciation of the work of the former Audit Committee Members particularly during the time of the pandemic.

Resolved:- That the Audit Committee Annual Report 2020/21, with the amendment above, be noted and submitted to Council for approval.

29. AUDIT COMMITTEE FORWARD WORK PLAN

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

Resolved:- That the Audit Committee forward plan, now submitted, be supported.

30. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

31. ADULT CARE, HOUSING AND PUBLIC HEALTH (ACPH) DIRECTORATE RISK REGISTER

Consideration was given to a report, presented by AnneMarie Lubanski, Strategic Director, Adult Care, Housing and Public Health, and Jo Hinchliffe, Governance Officer, providing details of the Risk Register and risk management activity within the Adult Care, Housing and Public Health Directorate.

A detailed breakdown was given of the Directorate's approach to risk management and the efforts to ensure transparency and the understanding of risk management by all staff.

Discussion ensued with the following issues raised:-

- Shared risk assessment with regard to Housing partners/repairs and maintenance partners to understand where they were in terms of their workforce

- Any inspection recommendation to Adult Social Care would be shared with other premises
- Heavy involvement of all staff in the Directorate to enable a perception of what their risk may be
- Covid had posed, and still was, numerous issues for Adult Social Care
- Wellbeing of the Social Care workforce
- Residential care establishments had their own risk assessment process as part of the Care Quality Commission inspections
- The Wellbeing Forum provided staff with the ability to discuss situations they had come across in the community where there may be risk and as to whether it fell into the Safeguarding remit
- Suicide prevention was a new risk and would be populated with actions shortly

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

32. URGENT BUSINESS

There was no urgent business to be considered.

33. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 28th September, 2021, commencing at 2.00 p.m. in Rotherham Town Hall.

Committee Name and Date of Committee Meeting

Audit Committee – 30 September 2021

Report Title

Audited 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)

Rob Mahon (Head of Corporate Finance)
Finance & Customer Services Directorate
01709 254518 rob.mahon@rotherham.gov.uk

Ward(s) Affected

Borough-Wide

Report Summary

Under the Accounts and Audit Regulations 2015, local authorities were required to publish their unaudited accounts no later than 31 July 2021, for the financial year 2020/21, accompanied by a Narrative Report and draft Annual Governance Statement. The deadline for the final publication of the Councils audited accounts is 30th September 2021, however, as previously reported to Audit Committee by Grant Thornton, the Councils external audit of its 2020/21 accounts will not have completed by this point. This is through no fault or delay in providing audit information on the Council's behalf but due to national issues with public sector audit requirements that have been covered at previous Audit Committees.

As such, the Council is not able to present an audited set of accounts to the Audit Committee, nor a final or draft ISA 260 report as insufficient progress has been made to date on the audit to allow for this. Instead, the Council is presenting to Audit Committee the revised version of its final accounts, following a change to the pension fund statements, with regards to the valuation of pension fund assets. The Council intends to publish the revised final accounts on the Councils website following approval from Audit Committee and the Council's Section 151 Officer.

The external audit will continue and once that has been completed, the ISA260 will be brought to Audit Committee for consideration.

At this point Grant Thornton are not able to confirm any intention to issue an unqualified opinion on the Statement of Accounts.

Grant Thornton are not able to confirm an intention to issue an unqualified opinion in respect of the Council's value for money arrangements.

Recommendations

1. Having taken due regard of the current position of the external audit, formally approve the 2020/21 Statement of Accounts attached as Appendix 1 for publication as final and the 2020/21 Narrative Report attached as Appendix 2 for publication as final; and
2. Note that the ISA260 will be brought to a future Audit Committee for review once Grant Thornton have completed their audit work.

List of Appendices Included

Appendix 1 – 2020/21 Statement of Accounts to be published as final
Appendix 2 – 2020/21 Narrative Report to be published as final

Background Papers

CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
Accounts and Audit Regulations 2015
Audit Committee meeting – 4 February 2020

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Closure of the Accounts 2020/21

1. Background

- 1.1 At the Audit Committee meeting on 29th July 2021 members received Grant Thornton's Audit Plan for 2020/21 which set out the audit approach Grant Thornton planned to take to discharge their audit objectives and the risks they had identified in relation thereto, and, then at the same Audit Committee meeting members were presented with a report covering the challenges that public sector auditors are facing at present. At this point Grant Thornton made clear their view that the audit of the Council's accounts would not be completed in sufficient time to allow the Councils to publish final audited accounts by the statutory deadline, 30th September 2021.
- 1.2 In order to complete the audit process in compliance with the Accounts and Audit Regulations 2015, the Audit Committee, as the body charged with governance within the Council, is required to formally resolve that the Statement of Accounts and Narrative Report be approved for publication. The period for local electors to exercise their rights to ask questions of the auditor or to raise a formal objection that an item of account is unlawful has expired. However, as the external audit of the accounts has not been completed the Council cannot present to members an audited set of accounts with an audit opinion for consideration.
- 1.3 The Council is presenting to Audit Committee the revised version of its final accounts, following a change to the pension fund statements, with regards to the valuation of pension fund assets. The Council intends to publish the revised final accounts on the Council's website following approval from Audit Committee and the Council's Section 151 Officer. Should any material issues be identified as part of the ongoing external audit of the accounts, leading to a change in the accounts being required then Audit Committee will be updated on that change at the point the external audit completes and the ISA260 report is presented for consideration.

2. Key Issues

- 2.1 In order to complete the audit process in compliance with the Accounts and Audit Regulations 2015, the Audit Committee, as the body charged with governance within the Council, is required to formally resolve that the Statement of Accounts and Narrative Report be approved for publication. The period for local electors to exercise their rights to ask questions of the auditor or to raise a formal objection that an item of account is unlawful has expired. However, as the external audit of the accounts has not been completed the Council cannot present to members an audited set of accounts with an audit opinion for consideration.

- 2.2 The Council is presenting to Audit Committee the revised version of its final accounts, following a change to the pension fund statements, with regards to the valuation of pension fund assets. The Council intends to publish the revised final accounts on the Councils website following approval from Audit Committee and the Council's Section 151 Officer. Should any material issues be identified as part of the ongoing external audit of the accounts, leading to a change in the accounts being required then Audit Committee will be updated on that change at the point the external audit completes and the ISA260 report is presented for consideration.
- 2.3 At present there have been no significant material adjustments identified by the Councils external auditor that require an adjustment to the Council's accounts. However, the Council has received information from the South Yorkshire Pensions Authority relating to a significant change in their fair value investment asset valuations for 2021/22. The draft accounts are published on the basis of the IAS 19 report that the actuary provide to the Council, however, the valuation of investment assets at this point is based on data available as at the 31st January 2021. Following the closure of the SYPA accounts, they review their valuations and update the fair value of investment assets. The outcome of this process was a material difference in the value of their assets, the knock-on impact for the Council was a £20m increase in pension fund assets that have to be disclosed within the Councils IAS 19 note. This change does not impact the Councils budget position of outturn position for 2020/21.
- 2.4 Grant Thornton are not able to confirm an intention to issue an unqualified opinion in respect of the Council's value for money arrangements.

3. Options considered and recommended proposal

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

4. Consultation on proposal

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

5. Timetable and Accountability for Implementing this Decision

- 5.1 The statutory deadline for publishing the audited financial statements is 30th September 2021. Grant Thornton are not able to conclude their audit by this point.

6. Financial and Procurement Advice and Implications

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

7. Legal Advice and Implications

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

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

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

10. Equalities and Human Rights Advice and Implications

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

11. Implications for CO2 Emissions and Climate Change

- 11.1 No direct implications.

12. Implications for Partners

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

13. Risks and Mitigation

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

14. Accountable Officer(s)

Judith Badger (Strategic Director of Finance & Customer Services)

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

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

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2020/21

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AUDIT OF ACCOUNTS 2020/21

ROTHERHAM 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			20,489	18
		(67,948)	Other Comprehensive Income & Expenditure			(22,979)	
		(42,289)	Total Comprehensive Income & Expenditure			(11,710)	

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
Balance as at 1 April 19	26,380	26,574	25,346	10,596	18,940	107,836	(95,159)	12,677	37/38
Movement in reserves during the year:									
Total Comprehensive Income and Expenditure	(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	
Increase / (Decrease) in Year	6,502	(9,458)	(8,375)	5,378	(2,570)	(8,523)	50,812	42,289	
<i>Schools Balances transferred out on conversion to academy</i>	(865)					(865)		(865)	
Balance as at 31 March 20 carried forward	32,017	17,116	16,971	15,974	16,370	98,448	(44,347)	54,101	

2020/21	General Fund (GF) Balance including GF Earmarked Reserves	Housing Revenue Account (HRA) Balance including HRA Earmarked Reserves	Capital Receipts Reserve	Major Repairs Reserves	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves	Notes
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance as at 1 April 20	32,017	17,116	16,971	15,974	16,370	98,448	(44,347)	54,101	37/38
Movement in reserves during the year:									
Total Comprehensive Income and Expenditure	(21,913)	10,644	0	0	0	(11,269)	22,979	11,710	
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	
Increase / (Decrease) in Year	31,902	(6,516)	1,335	11,944	6,329	44,994	(33,284)	11,710	
<i>Schools Balances transferred out on conversion to academy</i>	(744)					(744)		(744)	
Balance as at 31 March 21 carried forward	63,175	10,600	18,306	27,918	22,699	142,698	(77,630)	65,068	

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	(585,323)	50
(6,963)	Capital Grants Received in Advance	(2,030)	8
(971,023)	Long Term Liabilities	(1,033,884)	
54,102	Net Assets	65,068	
(98,448)	Usable Reserves	(142,698)	37
44,346	Unusable Reserves	77,630	38
(54,102)	Total Reserves	(65,068)	

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 measure at fair value less cost to sell.

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

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum 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 Councils 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 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 is has exposure to or rights over variable returns and can use its power over the entity to affect the returns it receives.

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

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

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

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

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

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

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 £465m. 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	Net Cost of Services	(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	(Surplus) / Deficit	(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)	Closing General Fund and HRA Balance at 31 March			(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:

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

Note 1b Income and Expenditure Analysed by Nature

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

Expenditure/Income	2019/20 £000	2020/21 £000
Expenditure		
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
Total expenditure	652,759	678,040
Income		
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)
Total income	(627,100)	(666,771)
Deficit on the Provision of Services	25,659	11,269

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	2019/20	2019/20		2020/21	2020/21	2020/21
Income from contracts with service recipients £000	Other income £000	Total income £000		Income from contracts with service recipients £000	Other income £000	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)	Total Income analysed on a segmental basis	(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)	44,883	3,116	0	0	0	(47,999)
Employer's pension contributions and direct payments to pensioners payable in the year	(24,323)	(1,490)	0	0	0	25,813
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>						
Amount by which council tax income 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
General Fund									
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
Membr Comn 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
Total	21,347	(3,888)	(4,142)	94	13,411	0	(195)	15,607	28,823
Total HRA (within grant reserve 19/20)	35	0	(35)	0	0	0	0	1	1
Total General Fund	21,312	(3,888)	(4,107)	94	13,411	0	(195)	15,606	28,822
Covid-19 Grants Reserve	0	0	0	15,274	15,274	0	(15,274)	27,430	27,430
DSG Grant Reserve	(15,114)	0	(10)	(4,768)	(19,892)	0	(1,366)	0	(21,258)
Total Earmarked Reserves	6,233	(3,888)	(4,152)	10,600	8,793	0	(16,835)	43,037	34,994

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. Children's 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 4 Other Operating Expenditure

2019/20		2020/21	
£000		£000	Notes
2,977	Parish Council precepts	3,135	
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	49
0	Loss on revaluation & disposal of Assets Held for Sale	51	22
25,161	Total	36,611	

Note 5 Financing and Investment Income and Expenditure

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

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

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

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

2019/20				2020/21		
Expenditure	Income	(Surplus) / Deficit		Expenditure	Income	(Surplus) / Deficit
£000	£000	£000		£000	£000	£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	Expenditure	2019/20		Income	Expenditure	2020/21
£000	£000	£000		£000	£000	£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		2020/21
£000		£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	Better Care Fund - Pool 1 RMBC	2020/21 £000
(509)	Balance B/F	(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	Better Care Fund - Pool 2 RCCG	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	65,000.00 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 £
Senior Officer Salary Costs:					
Sharon Kemp - Chief Executive - Refer to Note (i)	168,129.00	0.00	0.00	168,129.00	24,763.32
Assistant Chief Executive - Refer to Note (ii)	102,948.00	0.00	0.00	102,948.00	15,339.24
Former Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	135,575.00	0.00	0.00	135,575.00	19,968.52
Interim Strategic Director of Children and Young Peoples Services - Refer to Note (iii)	57,516.67	0.00	0.00	57,516.67	8,471.49
Strategic Director or Regeneration & Environment - Refer to Note (iv)	120,336.00	0.00	0.00	120,336.00	17,930.04
Strategic Director of Adult Care and Housing - Refer to Note (v)	130,176.00	0.00	0.00	130,176.00	19,396.20
Strategic Director of Finance & Customer Services - Refer to Note (vi)	120,336.00	0.00	0.00	120,336.00	17,930.04
Former Assistant Director of Legal Services - Refer to Note (vii)	11,693.45	0.00	26,968.05	38,661.50	1,090.07
Head of Legal Services - Refer to Note (vii)	64,289.68	9,579.13	0.00	73,868.81	11,006.44
Total	910,999.80	9,579.13	26,968.05	947,546.98	135,895.36

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 (vii)	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
Total	807,678.19	21,995.14	0.00	829,673.33	141,601.12

- (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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
Schools								
£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	ISB	Total		Central Expenditure	ISB	Total
£000	£000	£000		£000	£000	£000
		239,945	Final DSG before Academy recoupment			252,972
		(155,744)	Less Academy figure recouped			(167,769)
		84,201	Total DSG after Academy recoupment			85,203
		(15,114)	Brought forward from previous year			(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:

- 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.
- 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.
- 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 £
	Assisted Organisations:		
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
	Member Related:		
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
	Officer Related:		
69,156	The Source (Meadowhall Education Centre)	Fees	- 4,892
	Other Related Organisations:		
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 2020/21 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 Sargeant/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	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
		Net Cost of Services		
(38,360)	0	- Current Service Cost	(35,811)	0
(4,319)	0	- Past Service	(229)	0
5,997	0	- Gain / (loss) from settlements	3,170	0
		Financing and Investment Income and Expenditure		
(11,317)	(524)	- Net Interest Expense	(10,580)	(448)
		Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service		
(47,999)	(524)		(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)	213,449	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)
		Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
38,851	2,421		(20,489)	(1,525)
		Movement in Reserves Statement		
		- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code		
22,186	(788)		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 £20.489m (£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	31 Mar 21
	£000	£000
Fair Value of Scheme Assets	1,129,998	1,377,595
Present value of Funded Liabilities	(1,560,847)	(1,822,430)
Net (under) funding in Funded Plans	(430,849)	(444,835)
Present Value of Unfunded Discretionary Liabilities	(19,306)	(19,984)
Per Mercers Report	(450,155)	(464,819)
<u>Amount in the Balance sheet:</u>		
Liabilities - funded and unfunded	(1,580,153)	(1,842,414)
Assets - funded and unfunded	1,129,998	1,377,595
Add back Employer Contributions Prepayment for 2021/22 & 2022/23		(28,514)
Pensions Reserve	(450,155)	(493,333)
Pensions Liability	(450,155)	(464,819)

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

Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)		Total Funded & Unfunded Local Government Pension Scheme	Unfunded Discretionary Benefits Arrangements (included in Total)
2019/20	2019/20		2020/21	2020/21
£000	£000		£000	£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
		Remeasurement gain / (loss):		
(65,080)	0	- The return on plan assets, excluding the amount included in interest expense	213,449	0
(564)	0	- Administrative expenses	(568)	0
(9,849)	0	- Settlements	(4,303)	0
18,613	1,312	- Employer contributions	20,761	1,295
0	0	- Prepayment Employer Contributions for 2021/22 & 22/23	28,514	0
7,227	0	- Member contributions	7,258	0
(42,789)	(1,312)	- Benefits/transfers paid	(44,910)	(1,295)
1,129,998	0	Fair Value of Scheme Assets at end of period	1,377,595	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	16,531
Equity Investments:			
- UK quoted	Y	167,691	143,272
- UK unquoted	N	113	0
- Overseas quoted	Y	417,195	528,996
Bonds:			
- UK Government fixed	Y	0	0
- UK Government indexed	Y	122,153	144,647
- Overseas Government fixed	Y	29,832	35,817
- Overseas other	Y	26,442	39,950
- UK other	Y	56,048	68,880
Property:			
- UK direct	Y	90,965	107,452
-Property Funds	Y	10,283	13,776
Alternatives:			
- Pooled Investment Vehicles	N	175,263	278,274
		1,129,998	1,377,595

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

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis discounted to present value terms using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rate, salary levels, etc. The Council Fund liabilities have been assessed by Mercer Human Resources Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	Discretionary Benefits		Local Government Pension Scheme	Discretionary Benefits
2019/20	2019/20		2020/21	2020/21
22.4 years	22.4 years	Mortality assumptions:	22.5 years	22.5 years
25.2 years	25.2 years	Longevity at 65 for current pensioners:	25.3 years	25.3 years
		Men		
		Women		
23.9 years	23.9 years	Longevity at 65 for future pensioners:	23.9 years	23.9 years
27.1 years	27.1 years	Men (in 20 years time)	27.2 years	27.2 years
2.1%	2.1%	Women (in 20 years time)		
3.35%	-	Rate of CPI inflation	2.4%	2.4%
2.2%	2.3%	Rate of increase in salaries	3.65%	-
2.4%	2.4%	Rate of increase in pensions	2.5%	2.5%
		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
Cost or Valuation								
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
Depreciation and Impairment								
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)
Net Book Value								
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
	Cost or Valuation:	
61,172	At 1 April	56,609
(708)	Accumulated Depreciation and Impairment written out to gross cost/valuation	(1,875)
153	Additions	240
822	Revaluation Increases / (Decreases) taken to Revaluation Reserve	2,988
(539)	Revaluation Increases / (Decreases) taken to (Surplus) or Deficit on the Provision of Services	933
(4,291)	Derecognition - Disposals	0
56,609	Cost or Valuation at 31 March	58,894
	Depreciation & Impairment:	
4,709	At 1 April	5,194
(708)	Adjustments between cost / value & depreciation/impairment	(1,875)
1,395	Depreciation Charge	1,693
0	Depreciation written out on Revaluation Reserve	0
0	Depreciation written out on Revaluation taken to (Surplus) or Deficit on the Provision of Services	0
42	Impairment Losses Recognised in the Revaluation Reserve	129
106	Impairment Losses taken to (Surplus) or Deficit on the Provision of Services	111
(350)	Derecognitions - Disposals	0
5,194	Depreciation and impairment at 31 March	5,252
	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 be processed against those assets not revalued in year to ensure the accounts are not materially misstated. In addition a detailed assessment of the movement of asset value in year has taken place, ie from the 1 April 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
Total Cost or Valuation	694,440	282,293	61,743	251,641	7,482	8,388	44,382	1,350,369

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 & Environment</u>	
Parkway Widening	35,619
Holmes Tail Goit	2,778
Total	121,445

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
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	8,375	0	8,375
Total	0	8,375	0	8,375

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	Level 2	Level 3	
	£000	£000	£000	£000
Land and Buildings	0	10,101	0	10,101
Total	0	10,101	0	10,101

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	Level 2	Level 3	
	£000	£000	£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	Level 2	Level 3	
	£000	£000	£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
<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 £000	2020/21 £000	2019/20 £000	2020/21 £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)	31 Mar 21 % (c)	£000 (a*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
Total		Liabilities measured at amortised cost	amortised cost	fair value through profit or loss	fair value through other comprehensive income	Total
£000		£000	£000	£000	£000	£000
18,976	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
Total			190	190

Equity shareholding in BDR Property Ltd

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

Transfers between Levels of the Fair Value Hierarchy

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

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

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

- For loans from the PWLB payable, fair value estimates are calculated using new borrowing (certainty rate) discount rates. As the Debt Management Office provides a transparent approach to allow the exit cost of PWLB loans to be calculated.
- For non-PWLB loans payable, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

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

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

Note 31 **Inventories**

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
Total	59,170	81,879	1,022	993

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)
Total	(76,052)	(112,173)	(1,550)	(519)

Note 36 **Provisions**

Current Year	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)
Total	(8,948)	(1,346)	898	0	(9,396)
Current Provisions	(5,153)	(1,346)	874	0	(5,625)
Long Term Provisions	(3,795)	0	24	0	(3,771)
Total	(8,948)	(1,346)	898	0	(9,396)
Comparative Year	Balance as at 1 Apr 19 £000	Increase in provision during year £000	Utilised during year £000	Unused Amounts Reversed £000	Balance as at 31 Mar 20 £000
Insurance Claims	(4,879)	0	1,192	0	(3,687)
Compensation Payments	(679)	0	13	0	(666)
Business Rates Appeals	(4,326)	(588)	375	0	(4,539)
Other	(56)	0	0	0	(56)
Total	(9,940)	(588)	1,580	0	(8,948)
Current Provisions	(4,940)	(588)	375	0	(5,153)
Long Term Provisions	(5,000)	0	1,205	0	(3,795)
Total	(9,940)	(588)	1,580	0	(8,948)

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	493,333
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	77,630

(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)	20,489
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	493,333

(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
	3,869	Balance 1 April		4,424
(3,838)		Settlement or cancellation of accrual made at the end of the preceding year	(4,424)	
4,234		Amounts accrued at the end of the current year	4,068	
	555	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	305
	Movement in year:	
69	Premium and discounts	(25)
(189)	Soft Loans	(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	(4,452)	(556)	(5,008)
471	539	1,010	Difference between amount receivable in the Comprehensive Income and Expenditure Statement for the year and General Fund balance	1,514	15,898	17,412
(4,452)	(556)	(5,008)	Balance at 31 March	(2,938)	15,342	12,404

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

2019/20 £000		2020/21 £000
	Items included in the net surplus or deficit on the provision of services that are investing and financing activities:	
21,858	Capital Grants credited to surplus or deficit on the provision of services	38,699
0	Net adjustment from sale of long term investments	28
15,604	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 40**Cash 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 41**Cash 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	72,098
5,824	Investment Properties	789
5,308	Intangible Assets	3,116
0	Heritage Asset	13
7,312	Revenue Expenditure funded from Capital under Statute	4,624
922,574		924,342
	Sources of finance:	
(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 Councils CFR position. These values have now been factored into the CFR table above. It should be noted that this is a disclosure adjustment, the adjustment made does not impact any financial transactions posted to the Councils accounts, it is merely reporting them correctly in this CFR note.

Covid-19 There is no evidence at present that suggests any capital projects in 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
Total	2,630	185	0	2,815

Trust Funds – Balance Sheet

2019/20 £		2020/21 £
	<u>Assets</u>	
	Investments	
58	- Treeton Council School War Memorial	58
59	- EJ Butland, Treeton Infants	59
233	- Whiston Two Wars Memorial	233
350	Total Investments	350
44	- Debtors	45
2,587	- 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	(464,819)	18
0	Deferred Liabilities	0	
(573,645)	Total	(585,323)	

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 or 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)		Transfers to(from) reserves	1	
	9,424	Decrease in year on the HRA		6,517
	(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)
Total Adjustments	(14,438)	5,378	(9,060)

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
Total	10,105	5,321	4,769	20,195

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

2019/20	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 19	638,675	12,653	491	24,668	10,264	686,751
Additions	21,243	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	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation						
At 1 Apr 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	7995
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		2020/21 £000
	Rent Arrears	
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		132,534	Council Tax Receivable	136,424		136,424	2
	77,665	77,665	National Non-Domestic Rates (excluding write-offs)		45,587	45,587	
	(2,164)	(2,164)	NNDR Transitional Payments		(1,678)	(1,678)	
132,534	75,501	208,035	Total Income	136,424	43,909	180,333	
			Precepts:				
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	
			Distribution of previous years surplus(deficit):				
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	
			Charges to Collection Fund:				
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	
133,075	76,283	209,358	Total amounts charged to the Collection Fund	137,910	79,197	217,107	
(541)	(782)	(1,323)	Surplus/(Deficit) arising during the year	(1,486)	(35,288)	(36,774)	
			Collection Fund Balance				
(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	1,155	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 it's 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
	Less Income:	
16	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
	Capital Liabilities	
20,131	Loans Outstanding	0
(7,404)	Cash at bank	0
12,727		0
	Capital Assets	
12,727	Advances Outstanding	0
	Reserves	
0	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.

ACCRUALS

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

ADDED YEARS

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

ASSET

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

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

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

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

BORROWING

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

BUDGET

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

CAPITAL ADJUSTMENT ACCOUNT

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

CAPITAL CHARGE

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

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

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

COUNCIL TAX

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

CREDITOR

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

CURRENT SERVICE COST (PENSIONS)

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

DEBTOR

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

DEFINED BENEFIT PENSION SCHEME

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

DEPRECIATION

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

DISCRETIONARY BENEFITS (PENSIONS)

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

DEDICATED SCHOOLS GRANT (DSG)

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

EARMARKED RESERVE

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

EQUITY

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

EVENTS AFTER THE BALANCE SHEET DATE

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

EXCEPTIONAL ITEMS

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

FAIR VALUE

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

FEES AND CHARGES

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

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT

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

FINANCE LEASE

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

GENERAL FUND SERVICES

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

GOING CONCERN

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

GOVERNMENT GRANTS

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

HERITAGE ASSETS

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

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

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

IMPAIRMENT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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

INFRASTRUCTURE ASSETS

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

INVENTORIES

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

INTANGIBLE ASSETS

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

NET INTEREST EXPENSE (PENSIONS)

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

INVESTMENTS

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

INVESTMENTS (PENSION FUND)

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

LIABILITY

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

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

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

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

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

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, 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

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Slovak

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

Kurdish Sorani

دی سۆرانی

هەر تۆ یان کەسێک کە تۆ دەیناسی پێویستی بە یارمەتی هەبێت بۆ ئەوەی لەم بەنگەنامە یە تێبگات یان بێخوێنتەوه، یە پەڕیوەندیمان پێوە بکە لەسەر ئەو ژمارەییە سەرەویدا یان بەو ئیمەیلە.

Arabic

بي

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

Urdu

و

آپ یا آپ کے جاننے والے کسی شخص کو اس دستاویز کو سمجھنے یا پڑھنے کیلئے مدد کی ضرورت ہے تو سے 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.

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 31st July 2021, with final accounts due for publication by 30th 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 ACES 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 Governments grant support local businesses (with processes in place prior to April

1st when the scheme was expected to officially commence) and households. This work 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 Councils 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 Councils 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 reduce 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 31st 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:

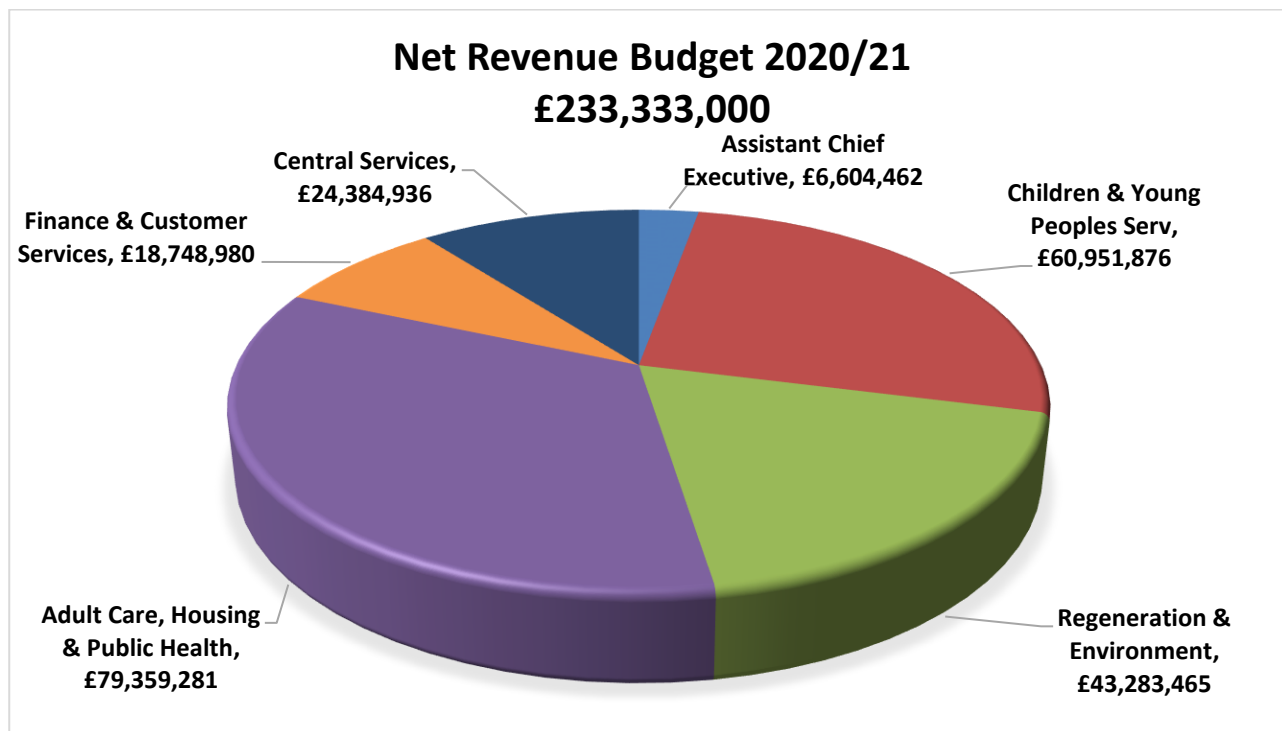
- *Statement of Responsibilities*
This sets out the respective responsibilities of the Council and the Strategic Director of Finance and Customer Services.
- *Comprehensive Income and Expenditure Statement*
This account summarises the revenue costs of providing all Council services and the income and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

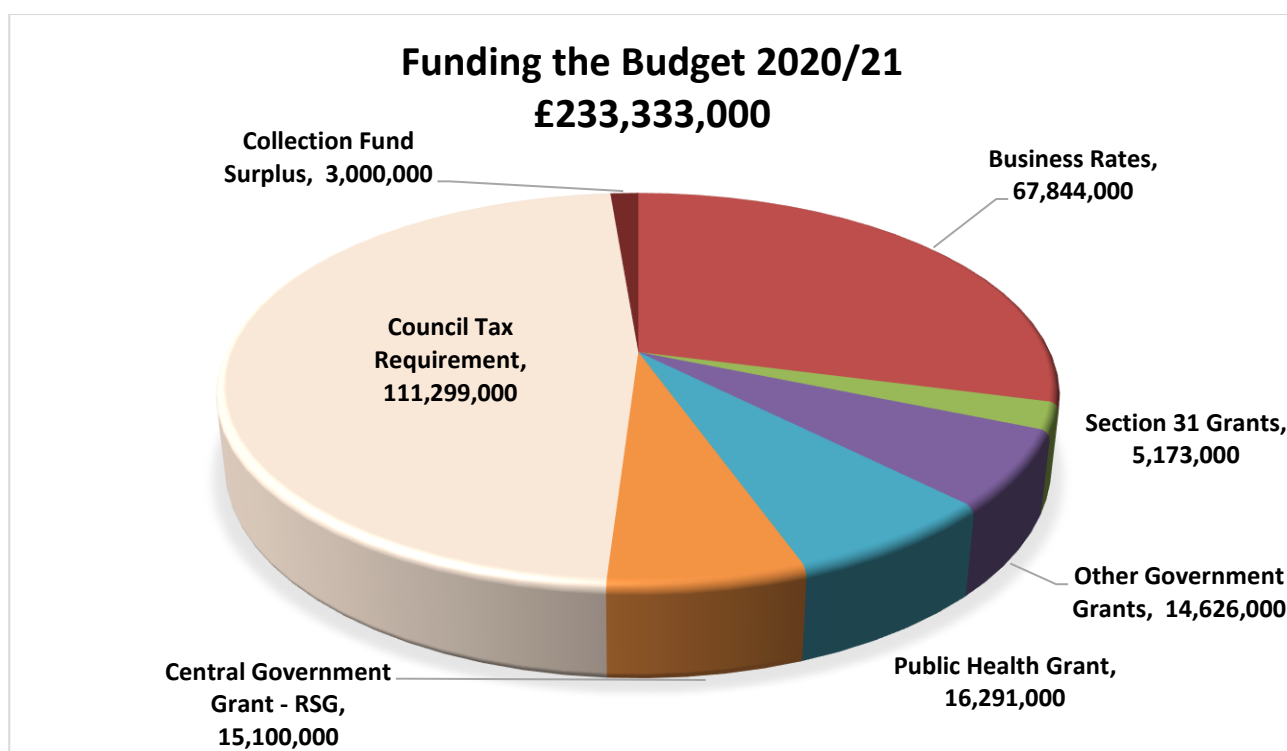
A summary of the Council's revenue and capital outturns for 2020/21 is included in the following paragraphs. Further details have been reported to Cabinet on the 19 July 2021. The agenda for this meeting can be accessed through the Council & Democracy page of the Council's website. ([Financial Outturn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

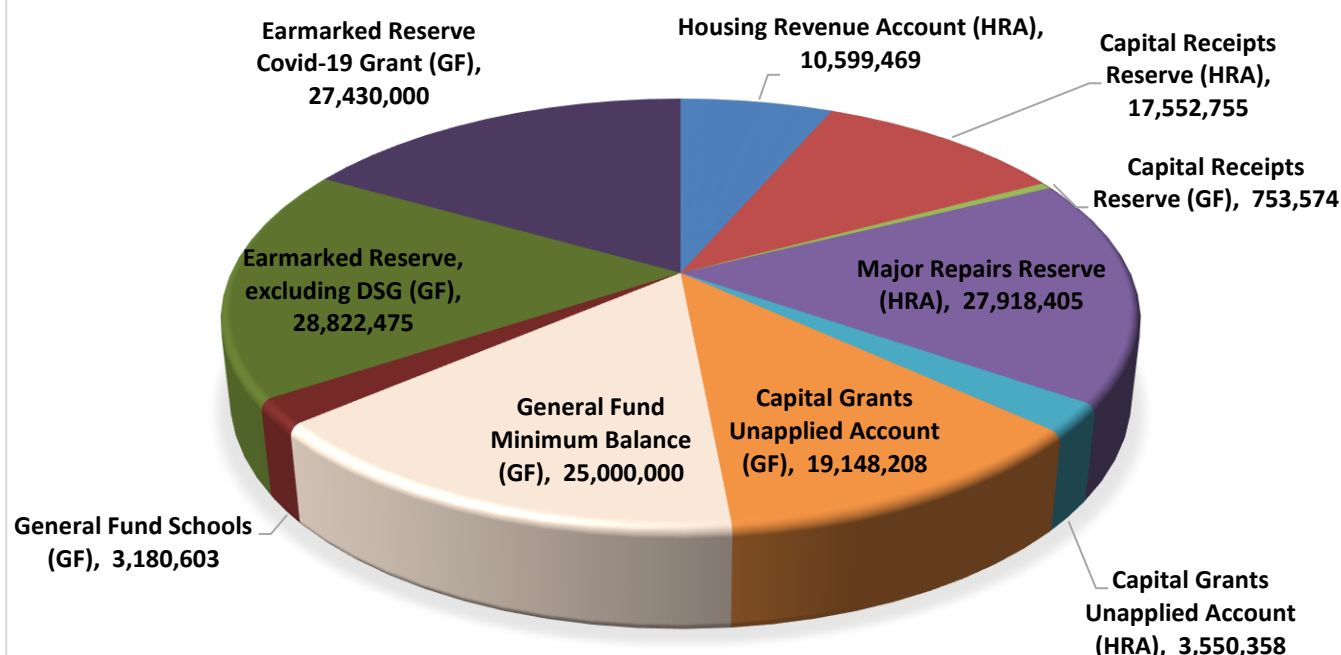
Usable reserves are funds that the Council has set aside to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve may only be used to fund capital spend or repay debt, and cannot be used to support revenue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

Useable Reserves as at 31st March 2021 £163.956m (Excluding Dedicated Schools' Grant)



Reserves	General Fund	HRA	Total Reserves
Housing Revenue Account	£0	£10,599,469	£10,599,469
Capital Receipts Reserve	£753,574	£17,552,755	£18,306,329
Major Repairs Reserve	£0	£27,918,405	£27,918,405
Capital Grants Unapplied Account	£19,148,208	£3,550,358	£22,698,566
General Fund Minimum Balance	£25,000,000	£0	£25,000,000
General Fund Schools	£3,180,603	£0	£3,180,603
Earmarked Reserve, excluding DSG	£28,822,475	£0	£28,822,475
Earmarked Reserve Covid-19 Grant	£27,430,000	£0	£27,430,000
Total Reserves	£104,334,859	£59,620,987	£163,955,846

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
Total	80.644

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
Total	80.644

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 31st 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 19th 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	Short Term Borrowing Temporary Borrowing	302.500
(0.000)	External Investments Debt Management Office	(0.000)
(39.675)	Money Market Funds	(47.830)
596.714	Net Borrowing	639.739

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 31st 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 31st 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 Councils 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 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 September 2021

Council Report

Audit Committee Meeting – 30th November 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

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

Simon Dennis, Corporate Risk Manager

Tel: 01709 822114 Email: simon.dennis@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

On the 29th July 2021 the Audit Committee reviewed the Council's draft Annual Governance Statement (AGS) for the 2020/21 financial year. The draft AGS was published alongside the Council's financial statements. This report briefly reminds the Committee of the process that was followed to construct the AGS and provides an update on changes made to the draft AGS to produce this final version. The full AGS is attached to this report as Appendix A.

Recommendations

The Audit Committee is asked to

- Agree the final 2020/21 Annual Governance Statement
- Note that following the Audit Committee's approval of the AGS, the Leader and Chief Executive will be asked to sign the statement to confirm the Council's approval of it.

List of Appendices Included

Annual Governance Statement 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 27th November 2018 “Code of Corporate Governance”

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

Council Approval Required
No.

Exempt from the Press and Public
No.

Annual Governance Statement 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 31 July 2021 and the final will be published by 30th September 2021.
- 1.2 The committee will recall that a process to gather assurances and evidence to support the AGS was led by the Corporate Governance Group, chaired by the Strategic Director Finance and Customer Services. The group included the Head of Internal Audit and the Corporate Risk Manager.
- 1.3 The assurance and evidence process produced a strong evidence base and enabled the Council to have confidence in the statements that it is making in the AGS.
- 1.4 Although the AGS relates to 2020/21, it has to be up to date at the time of publication and must include any planned changes in the coming year. There have been no changes made to the AGS since the draft was published.

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 returned the required Statement of Assurance and supporting documents and the Corporate Governance Group has reviewed the evidence contained in them. Additionally, the group has considered which issues are of sufficient significance to require reporting in the AGS. The group then produced the AGS itself, which was reviewed by the Strategic Director Finance and Customer Services, and the Chief Executive.
- 2.3 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored. The AGS recognises the improvements made in the Council's performance throughout the financial year but also highlights a number of areas for further developments in 2021/22.
- 2.4 Covid-19 had a significant impact throughout the year. This is reflected within the AGS, which includes actions taken in response to the pandemic and lockdown.
- 2.5 The AGS outlines the governance arrangements in place throughout the year and how their effectiveness was monitored.

- 2.6 The Committee are invited to comment on any aspect of the Annual Governance Statement attached to this report at Appendix A.
- 2.7 The AGS will be published by 30th September, taking account of any further comments made by the Audit Committee.

3. Options considered and recommended proposal

- 3.1 This paper considers the final AGS for 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 final AGS has been reviewed by the Strategic Director Finance and Customer Services and the Chief Executive.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its September 2021 meeting.
- 5.2 The Corporate Governance Group will ensure that the final AGS is published by 30th September 2021.

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
- 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.

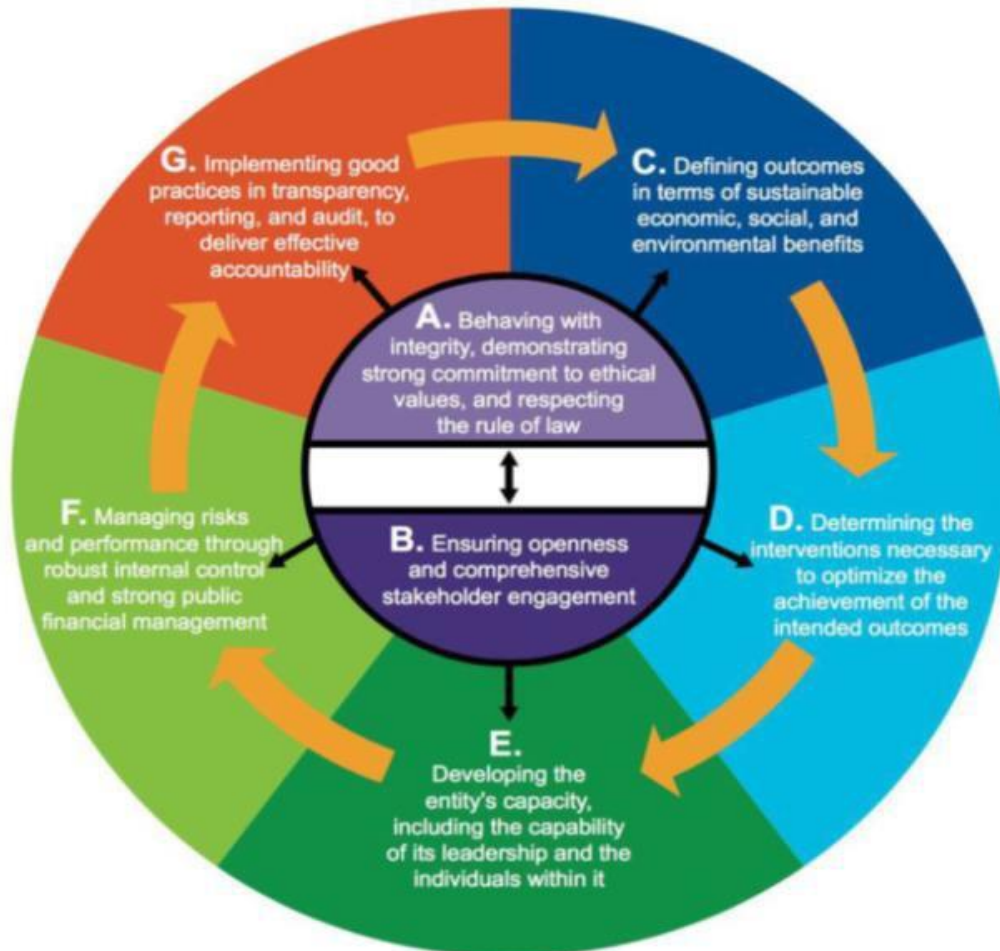
- 2.3 The “Year Ahead” Plan sets out how the Council will work with Rotherham communities, residents and businesses in these uncertain times; providing ongoing support to those who continue to be affected by the pandemic and helping to build resilience as we all adapt to the challenges ahead.
- 2.4 The “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.

Council Committee or group	Governance Function
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 www.rotherham.gov.uk</p>
Principle B – Ensuring openness and comprehensive stakeholder engagement.	<p>The Council is committed to openness and acting in the public interest. The 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>Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.</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>Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.</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>Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<p>The Council has been working with the Local Government Association to support the development of all councillors, and this will continue in future years. Personal development planning 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 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>Principle F - Managing risks and performance through robust internal control and strong public financial management.</p>	<p>The Council has a Risk Management Policy and Guide which is fully embedded. 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>Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective</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 Statement.</p>

accountability.	<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 Councils financial affairs
- 4) Information Governance, which is monitored by:
 - The Designated Senior Information Risk Owner (SIRO)
 - Data Protection procedures
 - Information Security and Records Management procedures
- 5) The Overview and Scrutiny Management Board, who carry out policy review and challenge as well as have an overview and carry

out scrutiny of specific topics

- 6) The Audit Committee which;
 - Reviews the effectiveness of internal and external audit
 - Considers the adequacy of the internal control, risk management and governance arrangements
 - Carries out a Self-assessment
- 7) Internal Audit who produce;
 - An Annual opinion on the adequacy and effectiveness of internal controls, risk management and governance arrangements
 - An Internal Audit plan, reports and action tracking reported to Audit Committee
- 8) External Audit and other external 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 29th 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 number of outstanding actions. 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 and governance arrangements. 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 31st March 2020 year on 4th 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 4th 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 31st 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 Strategic 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 operational 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 1st 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 26th 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 31st 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

Councillor Chris Read,
Leader, Rotherham MBC
Date:

Signed

Sharon Kemp,
Chief Executive, Rotherham MBC
Date:

Council Report

Audit Committee Meeting – 30th September 2021.

Title

Internal Audit Progress Report for the period 1st June to 31st August 2021.

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author(s)

David Webster, Head of Internal Audit

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

Ward(s) Affected

All wards.

Report Summary

This Progress Report provides the committee with an up to date position on the Internal Audit Plan, a summary of Internal Audit work completed during the period 1st June to 31st August 2021 and the key issues that have arisen from it, and the status of actions arising from audits. It also provides information regarding the performance of the Internal Audit function during the period.

Recommendations

The Audit Committee is asked to:

- 1) Note the Internal Audit work undertaken since the last Audit Committee, 1st June to 31st August 2021, and the key issues that have arisen from it.
- 2) Note the information contained regarding the performance of Internal Audit and the actions being taken by management in respect of their performance.

List of Appendices Included

Internal Audit Progress Report for the period 1st June to 31st August 2021.

Background Papers

Public Sector Internal Audit Standards and Associated 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

Yes – partially exempt.

An exemption is sought for Appendix C under Paragraph 7 (Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

Internal Audit Progress Report for the period 1st June to 31st August 2021

1. Background

- 1.1 CIPFA guidance for Audit Committees in Local Authorities gives the Audit Committee a clear role in supporting the effectiveness of the internal audit process. This role is reflected in the Terms of Reference of the committee. To fulfil this role the committee receives updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. In addition, it receives information on performance relative to the audit plan.
- 1.2 Public Sector Internal Audit Standards require that the Head of Internal Audit reports periodically to the Audit Committee. This is reflected in the Audit Charter which provides for Progress Reports to be presented to the Audit Committee regarding the audit plan and progress against it; resource requirements; the results of audit activities; the tracking of audit recommendations; and the performance of the audit team.
- 1.3 This report includes the position up to the end of August on the completion of the annual plan for 2021/22, the reports finalised in June, July and August, the latest position on overdue actions arising from audit reports and performance indicators for the team.

2. Key Issues

2.1 Internal Audit Annual Plan

Internal Audit produced a risk based Annual Audit Plan for 2021/22 and presented it to the Audit Committee at its meeting on 23rd March 2021. Work has commenced on this plan. The current position with regards to the plan is given in **Appendix A**.

2.2 Audit Work Undertaken During the Period

Internal Audit provides an opinion on the control environment for all systems or services which are subject to audit review. These are taken into consideration when forming our overall annual opinion on the Council's control environment. There are four possible levels of assurance for any area under examination, these being "Substantial Assurance", "Reasonable Assurance" "Partial Assurance" and "No Assurance". Audit opinions and a brief summary of all audit work concluded since the last Audit Committee are set out in **Appendix B**. Twelve audits have been finalised since the last Audit Committee, all of which one had Substantial or Reasonable Assurance.

- 2.3 In addition to the planned audit assurance work, Internal Audit also carries out unplanned responsive work and investigations into any allegations of fraud, corruption or other irregularity. There has been one report of this type issued since the last meeting, see **Appendix C**.

2.4 Internal Audit Performance Indicators

Internal Audit's performance against a number of indicators is summarised in **Appendix D**. Target Performance for the issue of reports was almost achieved in

March, two complex reports took longer than usual to review. All other indicators were achieved in June to August.

2.5 Management Response to Audit Reports

Following the completion of audit work, draft reports are sent to or discussed with the responsible managers to obtain their agreement to the report and commitment to the implementation of recommendations. This results in the production of agreed action plans, containing details of implementation dates and the officers responsible for delivery. Draft reports are copied to the relevant Head of Service and Assistant Director and final reports are also sent to the Strategic Director.

Confirmation of implementation of audit recommendations is sought from service managers when the implementation date is reached. This is automated, with alerts being sent out a week before the due date to the Responsible Manager and Head of Service, and overdue alerts sent out weekly, copied into the Assistant and Strategic Director. Managers should enter the system and provide an update on the action – either implemented or deferred.

Summary reports of outstanding actions are produced monthly and distributed to Strategic Directors. The previous issue of a high number of outstanding actions has largely been resolved through the actions of the Chief Executive and SLT.

Appendix E shows the number of outstanding recommendations that have passed their original due date, age rated. In the detailed spreadsheet, where they have been deferred, the comment received from the Manager is given.

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 a summary of Internal Audit work completed and the key issues arising from it for the period from 1st June to 31st August 2021 and information about the performance of the Internal Audit function during this period.

4. Consultation on proposal

- 4.1 The Internal Audit plan was produced after consultation with management teams. All Internal Audit reports referred to in this report have been discussed and agreed with management in the respective service areas.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 30th September 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:

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

- 7.2 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 includes a report of progress against delivery of the Internal Audit Plan. A significant proportion of the Plan is devoted to the examination of risks facing Children and Young People's Services and Adult Social Care.

10. Equalities and Human Rights Advice and Implications

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

11. Implications for Partners

- 11.1 Internal Audit is an integral part of the Council's Governance Framework, which is wholly related to the achievement of the Council's objectives, including those set out in the Council Plan.

12. Risks and Mitigation

- 12.1 An effective Internal Audit Department helps to minimise the Council's exposure to risk.

13. Accountable Officer(s)

David Webster, Head of Internal Audit.
Tel 01709 823282 E mail david.webster@rotherham.gov.uk

Internal Audit Plan 2021-22

<u>ASSISTANT CHIEF EXECUTIVE</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Payroll	Directorate Risk ACX20	Fundamental System	Fundamental system. Ongoing review of system and to provide assurances on procedures for carrying out reconciliations and error resolution and prevention.	35	WIP
Risk Management		Risk Based	Review of the effectiveness of risk management.	10	3
HR Policies		Risk Based	Review of policies and procedures to provide assurances that they are fit for purpose.	20	3
Performance Management		Risk Based	Review of policies and procedures in place to gain assurances on the accuracy of performance management measurements reported.	15	4
Members Allowances		Risk Based	Review of allowances paid to members following May 21 Borough Elections, including a follow-up of 2020/21 audit actions.	10	FINAL
Establishment Control		Risk Based	Follow-up of 19/20 Audit	5	FINAL
Give As You Earn Payroll Deductions		System Based	Review of processes for staff donations to charities made by deductions from Payroll	10	FINAL
Total Planned Days – Assistant Chief Executive				105	

<u>ADULT CARE HOUSING AND PUBLIC HEALTH</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Liberty Protection Safeguards	Strategic Risk SLT22	Risk Based	Review of compliance with new legislative changes and requirements. Detailed scope to be agreed in Q3 / Q4 after new procedures have been	10	3 / 4

	ACS22		embedded.		
Public Health		Risk Based	Scope to be agreed for a review of elements from the What Good Looks Like (WGLL) Programme.	10	3
Homecare and Support Delivery Model	Directorate Risk PH16	Risk Based	Review new delivery model to ensure services are being delivered to vulnerable people on date of contract implementation.	15	WIP
Direct Payments		Risk Based	Review the updated policies and procedures and ensure that all previous Internal Audit recommendations, covering this service, have been addressed and incorporated into these policies and procedures.	20	WIP
Repairs & Maintenance Contract	Housing Services Risk No.8	Risk Based	Review and provide assurance on the new repairs and maintenance contract; and ensure that previous Internal Audit recommendations have been addressed within the new contract.	20	WIP
Housing Rents		System Based	Audit examines key areas within the system on a cyclical basis.	10	4
Rothercare Service		Risk Based	Support Housing's internal review of systems and operations of Rothercare and Assistive Technology	20	3
Homelessness	Housing Options Risk 18	Risk Based	Review of findings from Housing's internal review of processes.	10	WIP
Transition from Children's Care to Adult Care		Follow up	Follow up of review in 2020/21	5	3
Total Planned Days – Adult Care and Housing				120	

CHILDREN AND YOUNG PEOPLES SERVICE					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Early Years Education	ES6	Risk Based	Review of policies and procedures to ensure compliance with statutory duties. Detailed scope and brief to be agreed with CYPS Management	20	WIP

			prior to commencement of audit.		
School Exclusions		Risk Based	Review the Council's procedures in respect of permanent exclusions to ensure compliance with statutory requirements	15	4
Schools CRSA and Themed Audits		Risk Based	Reviews based on the results of the schools' Control and Risk Self-Assessment. Includes School Visits.	30	WIP
Special Education Needs and Disability	CYPS03	Risk Based	Review of the management of SEND requirements. Detailed scope and brief to be agreed with CYPS Management prior to commencement of audit.	20	4
LAC Sufficiency (Children's Homes)	CPQ42	Risk Based	To provide an independent risk based review on progress with the LAC Sufficiency Strategy. This review can be used to support any further project changes and provide independent assurance on any changes in delivery post Covid.	15	3
Rating of Schools	ES2 / ES14		Review of the arrangements to ensure maintained schools are rated highly.	10	3
Fostering and Adoption Allowances		Follow up	Follow up of review in 2020/21	5	DRAFT
Total planned days - Children and Young People's Services				115	

<u>FINANCE AND CUSTOMER SERVICES</u>					
<u>Finance</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Annual Governance Statement		Risk Based	Review of the process for the production of the AGS.	10	4
NNDR		Systems Based	Fundamental system. Previously no concerns, audit resources to examine changes to the system.	10	WIP
Debtors		Systems Based	Assess the degree of compliance with Finance Procedures by Directorates.	15	WIP

Capital Procedures		Risk Based	Review the updated capital procedures and provide assurance that they are being complied with and that expenditure is appropriately approved, controlled and monitored.	15	WIP
Social Values		Risk Based	Review of compliance with Social Value policy requirements for procurement and provide assurances that controls are in place to ensure the policy is embedded.	15	FINAL
Procurement Governance	Operational Risk	Risk Based	Review procurement procedures and assess Directorate adherence to them.	20	4
IR35 Anti-Avoidance Tax Legislation		Risk Based	Review procedures and provide an assurance on compliance with IR35 legislation	15	WIP
<u>Customer Information & Digital Services</u>					
Cyber Attacks	Directorate Risk FCS14	Risk Based	Provide assurance on how the Council manages the risk of threats from cyber-attack in terms of preventative & reactive measures.	10	3/4
Physical Security of servers / data		Risk Based	Provide assurance that the Councils server / data areas are secure and resilient to withstand physical & environmental attack.	10	2
Hardware Asset Management		Risk Based	Confirm the adequacy of arrangements for managing the issue of new IT equipment (laptops) and any items that are returned and overall stock management.	15	DRAFT
Vulnerability Management (Salford)		Risk Based	Confirm that vulnerabilities in the IT 'estate' are effectively managed in a timely & controlled manner.	10	3
Network Management (Salford)		Risk Based	Provide assurance that the Council's IT infrastructure (network, server and storage) is robust, fit for purpose, secure & resilient.	10	2
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	WIP
<u>Legal Services</u>					

Adult Care Protection Legal Support		Risk Based	Provision of effective Adult Care Protection legal support to Adult Care, Housing and Public Health Services.	10	4
Whistleblowing		Risk Based	Provide assurance that reported cases are investigated and there is supporting evidence to justify the investigations overall findings.	15	3
Contract Sealing		Risk Based	Partial Assurance level reported in 2021 audit review, follow up audit to ensure agreed actions are in the process of, or have been, implemented.	5	FINAL
Right to Buy		Risk Based	Review of Right to Buy procedures from receiving instructions to completion of sales to highlight any delays in the processes and reduce risk of complaints.	10	4
Total Planned Days – Finance and Customer Services				205	

<u>REGENERATION AND ENVIRONMENT</u>					
Audit	Risk Register and Rating	Audit Classification	Auditable Area	Number of days	Planned Quarter
Property Estate Management	Strategic Risk SLT27 / Directorate Risk R&E13	Risk Based	Review Health & Safety arrangements in management of property estate & follow-up previous audit actions from 20/21 audit.	10	3
Enforcement	Directorate Risk R&E2	Risk Based	Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements.	10	3
Historic Sites	Directorate Risk R&E8 / Operational Risk CST15	Risk Based	Review the adequacy of arrangements for the management of the health & safety programme for maintenance of the Council's historic sites.	10	3
Building Security	Directorate Risk R&E26 /Operational Risk PRT39	Risk Based	Ensure adequate building security arrangements are in place across the property estate. To include follow-up of agreed actions relating to security at Hellaby Depot.	15	WIP

Private Rented Housing		Risk Based	Review policies & procedures and gain assurance that the Council is compliant with regulations surrounding selective licensing and administration of the scheme	10	3
Household Waste Recycling Centres		Risk Based	Seek assurance adequate contract management arrangements are in place & operating effectively.	10	WIP
Catering / Cleaning (Facilities Services)		Risk Based	Review adequacy of health & safety arrangements around catering & cleaning and that appropriate PAT testing is in place.	15	4
Home to School Transport		Follow up	Follow up of review in 2020/21	5	3
S106 & Community Infrastructure Levy		Follow-up	Follow-up of review in 2020/21	5	FINAL
Total Planned Days – Regeneration and Environment				90	

<u>OTHER</u>	Provision	Days Used
Follow Up reviews	20	0
Grants	50	18
Provision for investigations	100	91
Pro-active fraud	30	10
Contingency	90	10
Covid – grant work	75	21
Other Work Total	365	150
Overall Plan Total	1000	

Summary of Audit Work Completed since the last meeting

Note:- Internal Audit uses an Executive Summary and reporting structure which gives four levels of overall assurance for areas under examination. Within each area audited an overall assurance opinion is assessed as being either “Substantial Assurance”, Reasonable Assurance”, “Partial Assurance” or “No Assurance”, taking into account the results of all the risks assessed.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
Corporate				
Annual Governance Statement	To provide assurance on the processes and systems in place to ensure the AGS is produced and published in line with Accounts and Audit Regulations	7.7.21	Substantial Assurance	The review found the process was well controlled. No significant issues were found.
Sub-Schemes of Delegation Follow Up	To provide assurance that the actions arising from the previous audit have been fully implemented.	14.6.21	Reasonable Assurance	There were a few minor points still to be addressed. Most of these were cleared in the closing meeting.
Assistant Chief Executive				
Establishment Control Follow Up	To provide assurance that the actions arising from the previous audit have been fully implemented.	14.6.21	Substantial Assurance	The actions were found to have been completed
Give As You Earn Payroll Deductions	To provide assurance that there are proper processes in place for the payment of staff donations to third parties made via payroll deductions	12.7.21	Reasonable Assurance	Procedures were not fully documented and records of contracts with third parties were not available in some instances. A change in the method of payment had not been actioned, resulting in payments not being processed.
HR Policies	To provide assurance that	22.7.21	Reasonable	The HR system does not automatically identify when

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	policies are fit for purpose, in particular those relating to Attendance management and Restructuring, Redeployment and Redundancy.		Assurance	sickness triggers are met. The policies for Restructuring, Redevelopment and Redundancy have not been updated since 2014. Post-implementation reviews had not been completed for recent restructures.
Members Allowances	To provide assurance on the accuracy of allowances paid to Members following the May 2021 elections and to follow up actions from a previous review.	22.7.21	Substantial Assurance	Previous actions had been implemented and payments before and after the election were found to be correct.
Children and Young People's Services				
Placements	To review policies and procedures for sourcing and agreeing placements to ensure they are correctly considered, authorised and costed.	6.7.21	Reasonable Assurance	Fully completed and authorised Placement Approval forms could not be found in all instances, and not all of the forms and Residential Panel Meeting minutes were attached to the child's record in Liquid Logic.
Unregistered and Unregulated Placements	To review policies and procedures and provide assurance that unregulated placements are authorised and unregistered placements do not take place.	6.7.21	Reasonable Assurance	A small number of children (normally 3-7) are in unregulated or unregistered placements at any one time, to meet emergency requirements. The placements manual needs to be updated, and not all Placement Approval Forms could be traced.
Finance and Customer Services				
Self-Isolation Grants	To review the arrangements for making Test and Trace Support payments and Local Self Isolation Support Payments to individuals.	14.6.21	Substantial Assurance	The review found that the process was well controlled with the appropriate checks being made.
Contract Sealing Follow Up	To provide assurance that the actions arising from the previous audit have been fully	18.6.21	Substantial Assurance	Most actions had been implemented. There is still a need for guidance for staff in R&E to ensure contracts over £100k are passed to Legal Services for signing and

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	implemented.			sealing.
Procurement Social Values	To provide assurance that the Council is complying with Social Value policy requirements for procurements of contracts of £25k and above.	29.7.21	Substantial Assurance	Analysis of contracts showed that where applicable they followed the requirements for social values in including local suppliers in the procurement process.
Purchasing Cards	To provide assurance that expenditure on purchasing cards is appropriate and supported by receipted records.		Reasonable Assurance	The guidelines needed to be re-issued to ensure managers were aware of them, further controls were needed to ensure cards were retrieved/cancelled for leavers and not all transactions were supported by receipts.

Definitions

Rating	Definition
Substantial Assurance	<p>Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk.</p> <p>The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.</p>
Reasonable Assurance	<p>Reasonable assurance that the system of internal control is designed to achieve the service's objectives and minimise risk. However, some weaknesses in the design or inconsistent application of controls put the achievement of some objectives at risk.</p> <p>There are some areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations are no greater than medium (2 star) priority.</p>
Partial Assurance	<p>Partial assurance where weaknesses in the design or application of controls put the achievement of the service's objectives at risk in a significant proportion of the areas reviewed.</p> <p>There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently</p>

Rating	Definition
	developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.
No Assurance	<p>Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk.</p> <p>There is significant non-compliance with basic controls which leaves the system open to error and / or abuse. Recommendations will include high priority (3 star) matters and may also include medium priority (2 star) matters.</p>

Appendix D

Internal Audit Performance Indicators

Performance Indicator	Target	Mar 2021	Apr to May 2021	Jun to Aug 2021
Draft reports issued within 15 working days of field work being completed.	90%	86%	100%	83%
Chargeable Time / Available Time.	80%	75%	80%	84%
Audits completed within planned time	90%	86%	100%	92%
Client Satisfaction Survey.	100%	100%	100%	100%

Appendix E

Consolidated Agreed Action Due Date 1.6.21

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
Adult Care, Housing &Public Health	0	0	0	0	0	0
Assistant Chief Executive	0	1	0	0	2	3
Children & Young Peoples Services	0	0	0	0	0	0
Finance & Customer Services	2	0	0	0	1	3
Regeneration & Environment	0	0	0	0	1	1
Totals	2	1	0	0	4	7

Consolidated Agreed Action Due Date 31.8.21

	< 30 Days	< 60 Days	< 90 Days	< 120 Days	120+ Days	Totals
Adult Care, Housing &Public Health	0	0	2	0	0	2
Assistant Chief Executive	1	1	0	0	2	4
Children & Young Peoples Services	0	0	0	0	0	0
Finance & Customer Services	0	0	0	2	1	3
Regeneration & Environment	0	0	0	0	0	0
Totals	1	1	2	2	3	9

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Agreed Action details

Data revision date: 31/08/2021

ACH&PH														
Ref	Audit Name	Title	Issue	Recommendation	Agreed Action	Priority	Manager	Head of Service	Assistant Director	Start Date	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
1017	Transition from Children's Care to Adult Care	Communication channels	New communication channels for the transitions team to interact with all of its potential clients via schools. have not been established.	Include on the Transitions web pages the communication. options to interact with parents and carers	Implement solution. Communication team to support the exciting and new communication information to ensure they are well linked with other services. Dedicated staff member to be the face to face communication link.	Green	Gordon Waigand	Gordon Waigand	Ian Spicer	30/09/2020	30/06/2021	31/12/2021	1	Linked to actions 1016 - 1018 the actions around linking in with CYPs, Adults, MFD and PFA around the messaging and communicating as part of the transition comms plan. Meeting of the 3/8/21 cancelled due to absence of comms. Meeting to be rearranged. As the current Team Manager is leaving in August the new Team manager will need to take actions forward.
1018	Transition from Children's Care to Adult Care	Transitions Team events to engage with its stakeholders	Progress has not been made with appropriate media projects from youth groups, students etc. to explain the transitions experience	Instigate appropriate media projects from youth groups, students etc. to explain the transitions experience until such time as staffing resources allow for formal events such as workshops to be provided.	Amalgamate into one media strategy and implementation of accessible information. The Transition Team information and advice to be available via a media offer and dedicated staff member. Linked to action points: 4, 5 and 6.	Green	Gordon Waigand	Gordon Waigand	Ian Spicer	30/09/2020	30/06/2021	31/12/2021	1	Again aligns to all the comms actions 1016 - 1018 we need to baseline and understand our messaging and comms strategy in the first instance. This links into Adults, MFD, CYPs, PFA activity and comms plan will support this.Meeting of the 3/8/21 cancelled due to absence of comms. Meeting to be rearranged. As the current Team Manager is leaving in August the new Team manager will need to take actions forward.

ACX														
Ref	Audit Name	Title	Issue	Recommendation	Agreed Action	Priority	Manager	Head of Service	Assistant Director	Start Date	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
634	ACE03-Payroll	Standby Payment Rates	Current Standby policy and payment rates not adhered to.	HRP should ensure that all Standby payments are in line with the rates outlined in the HR Employee Standby & Call-Out Policy and have a process in place to prevent any payments outside of the published rates from being processed.	Current arrangements not in line with policy to be reviewed and contractual terms changed.	Amber	Ian Henderson	Paul Cosgrove	Lee Mann	03/06/2019	31/03/2020	31/12/2021	3	Registrar service is now the only service which needs moving onto the corporate rates. Due to the sensitivities around the work staff have been undertaking during the COVID19 outbreak it has been agreed not to issue notice to change current arrangements until September 2021. Contractual notice will expire at the end of December 2021.
666	ACE03-Payroll	Standby Payment Rates	Current Standby Policy and payment rates not adhered to.	HR should ensure that all Standby payments are in line with the rates outlined in the HR Employee Standby & Call-Out Policy and have a process in place to prevent any payments outside of the published rates from being processed.	System development to be undertaken for calculation based on hourly rate with employee claiming number of hours on standby.	Amber	Ian Henderson	Paul Cosgrove	Lee Mann	03/06/2019	31/03/2020	31/12/2021	3	Registrar service is now the only service which needs moving onto the corporate rates. Due to the sensitivities around the work staff have been undertaking during the COVID19 outbreak it has been agreed not to issue notice to change current arrangements until September 2021. Contractual notice will expire at the end of December 2021.
1189	Schemes of Delegation	Amendments to sub-scheme documents	Improvements to standard of published documents	To improve the standard of the revised 6 sub-scheme of delegation documents up to an accurate and publishable standard, directorates should be requested to address the issues identified for their directorate's document. The documents should then be re-published.	All identified amendments to the sub-scheme will be addressed	Green		Emma Hill		14/06/2021	16/07/2021	30/09/2021	2	To complete 2 of the 16 actions identified will require additional work to be undertaken with R&E officers.
1219	GAYE Payroll Deductions	communications with employees	Communications with affected employees have been delayed	Ensure that affected employees are formally notified of the situation and action taken	Letter to be sent to each individual employee once final confirmation is received from CAF in relation to the refunded monies and values credited to individual GAYE accounts.	Green	Alan Rodgers	Alan Rodgers	Lee Mann	12/07/2021	31/08/2021	30/09/2021	1	Delay in returned funds from CAF.

F&CS														
Ref	Audit Name	Title	Issue	Recommendation	Agreed Action	Priority	Manager	Head of Service	Assistant Director	Start Date	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
779	Rotherham Opportunities College	Capital Procedures	Capital Approvals Procedures have not ben formall approved.	The Capital Approvals Procedures should be finalised and presented to SLT and Cabinet for formalisation.	The Financial Accounting Team (Capital Element) are working closely with the Assistant Director of Financial Services to finalise the new capital governance documentation, updated financial regulations (to reflect changes to capital); and establish a clear approvals process for all capital expenditure. initial plans are due to be presented to the Strategic Director Finance and Customer Services before being moved on to SLT and DLTs for wider buy in. Eventually they will need to be presented to Cabinet.	Amber	Rob Mahon	Rob Mahon	Graham Saxton	01/10/2019	30/11/2019	29/09/2021	8	The deferral will allow the revised capital procedures note and linked FPPR's updates to be approved by Council on the above date.
1079	Social value	Mandatory e-learning Course	Guidance and training for all staff involved with procurement not available.	The Procurement Service should develop a mandatory e-learning course for all RMBC staff involved in the procurement process which outlines procurement requirements including the importance of complying with social value legislation.	E-learning to be developed once the rewrite of Financial and Procurement Procedure Rules has taken place. In the interim, when requisitioner training takes place on e5 for new users / refresher training reference to the requirement for the sourcing of a local quotation can be made.	Amber	Karen Middlebrook	Karen Middlebrook	Graham Saxton	24/09/2020	31/05/2021	29/10/2021	2	- Update will now go to September 21 Council (delayed from July) due to further changes to the constitution (unrelated to FPPRs) which need to be progressed. - Completion of this action follows on from recommendation 1082 around the updates to FPPRs. Delay due to the election. Timeline now established following briefing that took place with the Leader during w/c 15/3. Plan to take to CWG in June and then progress for full sign off in July. Additional time allocated to ensure the learning material reflects any proposed changes that may be during CWG/sign off processes.
1082	Social value	Financial Procurement Procedure Rules	Social Value Legislation is not reflected in appendix 5 of the Constitution - Financial Procurement Procedure Rules	The social value legislation and policy requirements should be referenced within the appendix 5 (FPPR) of the Constitution to ensure consistency and transparency of procurement procedures.	Full re-write of Financial and Procurement Procedure Rules required of which Social Value will form a part of.	Green	Karen Middlebrook	Karen Middlebrook	Graham Saxton	24/09/2020	31/05/2021	30/09/2021	2	- Update will now go to September 21 Council (delayed from July) due to further changes to the constitution (unrelated to FPPRs) which need to be progressed. - Delay due to the election. Timeline now established following briefing that took place with the Leader during w/c 15/3. Plan to take to CWG in June and then progress for full sign off in July.

Committee Name and Date of Committee Meeting

Audit Committee – 30th September 2021.

Report Title

Internal Audit Charter.

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author

David Webster, Head of Internal Audit

Internal Audit, Finance and Customer Services

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

Ward(s) Affected

Borough-Wide.

Report Summary

The Internal Audit Charter is in effect the Terms of Reference of the Internal Audit department. It is aligned to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN), which are mandatory for all local government audit departments. It also takes account of the contents of the CIPFA Statement on the Role of the Head of Internal Audit. The Charter must be reviewed periodically and presented to the Audit Committee for approval. The review has been completed. Although none of the requirements has changed in the last year there is one small change made to the Charter outlining the use of Salford Internal Audit Services to provide ICT audits.

Recommendations

The Audit Committee is asked to approve the Internal Audit Charter as attached in Appendix A.

List of Appendices Included:-

Appendix A – Internal Audit Charter

Background Papers

Accounts and Audit (England) Regulations 2015.

Public Sector Internal Audit Standards, 2017.

CIPFA publication – Local Government Application Note for the United Kingdom

Public Sector Internal Audit Standards, 2019.

CIPFA Statement on the Role of the Head of Internal Audit in Public Services Organisations, 2019.

Committee on Standards of Public Life's Seven Principles of Public Life

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

Council Approval Required
No.

Exempt from the Press and Public
No.

Internal Audit Charter

1. Background

- 1.1 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.”

- 1.2 Public Sector Internal Audit Standards (PSIAS) state:-

“the purpose, authority and responsibility of the internal audit activity must be formally defined in an Internal Audit Charter, consistent with the Definition of Internal Auditing, Code of Ethics and Standards.”

- 1.3 Additionally, the Standards require the “chief audit executive” (in Rotherham’s case, the Head of Internal Audit), to periodically review the Internal Audit Charter and present it to the Audit Committee for approval.
- 1.4 The current Charter was produced in September 2020 and has now been reviewed. During the last year there have been no changes in the requirements for the Charter, which has therefore not been amended this year. The Charter has been presented to the Council’s Senior Leadership Team.

2. Key Issues

- 2.1 The Charter outlines the regulatory requirements for Internal Audit and details:
- The Mission, Definition, Core Principles and Code of Ethics of Internal Audit.
 - The Independence, Role, Scope of Work, Responsibilities, Reporting arrangements, Relationships, Resources and Performance Reporting of Internal Audit.
 - The role of Internal Audit in reducing and investigating fraud, and in consulting services.

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.

4. Consultation on Proposal

- 4.1 This section is not applicable to this report.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its September 2020 meeting.

6. Financial and Procurement Advice and Implications

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

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. 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 The scope of Internal Audit's work, as defined in the Charter, will extend to all areas of the Council and its key risks, including CYPS and Adult Services.

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 and Other Directorates

- 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 As above the statutory guidance requires Internal Audit to be in place and supported by an Audit Charter, approved by Members. An effective Internal Audit Department helps to minimise the Council's exposure to risk.

13. Accountable Officer

David Webster, Head of Internal Audit.

Tel 01709 823282, E mail david.webster@rotherham.gov.uk



Internal Audit Charter 2021

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1. Introduction

- 1.1 The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the activity's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the 'board'; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the 'board'.
- 1.2 Internal Audit is a statutory requirement for local authorities. The two pieces of legislation that impact upon internal audit in local authorities are:
 - The Accounts and Audit (England) Regulations 2015 states that "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."
 - Section 151 of the Local Government Act 1972 requires every authority to make arrangements for the administration of its financial affairs and to ensure that one of the officers has responsibility for the administration of those affairs. CIPFA has defined 'proper administration' in that it should include 'compliance with the statutory requirements for accounting and internal audit'.
- 1.3 The Internal Audit function is required to comply with Public Sector Internal Audit Standards (PSIAS). The PSIAS were published in 2013 and updated in 2016 and 2017 and encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF) and CIPFA requirements in respect of local government and include the following:
 - Definition of Internal Auditing
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing
 - Mission Statement for Internal Audit
 - Core principles for Internal Audit
- 1.4 The latest Local Government Application Note, which sets out the requirements for local government internal audit was published by CIPFA in February 2019.
- 1.5 The CIPFA Statement on 'The Role of the Head of Internal Audit' published in 2019, aligns to the PSIAS and explicitly links to the Core Principles, helping to demonstrate how the Head of Internal Audit role supports internal audit effectiveness.
- 1.6 PSIAS state that the charter must:
 - Define the terms 'senior management' and 'board' for the purposes of internal audit activity;

- Cover the arrangements for appropriate resourcing
- Define the role of internal audit in any fraud related work; and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities

1.7 Within Rotherham Council:

- 'chief audit executive' is the Head of Internal Audit
- 'board' refers to the Audit Committee;
- 'senior management' refers to the Chief Executive, Assistant Chief Executive and Strategic Directors.

1.8 The role of 'senior management' is not linked to a specific job title or pay grade, but includes the following key duties:-

- Input to the risk based internal audit plan;
- Receive periodic reports from the Head of Internal Audit on internal audit activity; that includes follow-up reports; and
- Receive the results of the quality assurance and improvement programme from the Head of Internal Audit.

1.9 The PSIAS lays out the role of a "board"., with the key duties being as follows:

- Approve the internal audit charter;
- Approve the risk based internal audit plan, including the approval of the internal audit budget and resource plan;
- Receiving communication from the Head of Internal Audit on internal audit performance relative to its plan and other matters;
- Receive an annual confirmation from the Head of Internal Audit with regard to the organisational independence of the internal audit activity;
- Receive the results of the quality assurance and improvement programme from the Head of Internal Audit;
- Make appropriate enquiries of the management and the Head of Internal Audit to determine whether there are inappropriate scope or resource limitations.
- Receive the Head of Internal Audit's Annual Report, timed to support the Annual Governance Statement.

1.10 The Head of Internal Audit reports functionally to the "board". The Internal Audit department is part of the Finance and Customer Services Directorate. The Head of Internal Audit reports administratively to the Strategic Director Finance and Customer Services.

2. Mission, Definition and Core Principles of Internal Audit

2.1 The Mission of Internal Audit articulates what internal audit aspires to accomplish within the organisation and PSIAS defines this as:

'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

2.2 Internal Auditing is defined as:-

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

2.3 The standards include 10 core principles for the professional practice of internal auditing. These, taken as a whole, should be present and be operating effectively in an effective internal audit function. Failure to achieve any of the core principles would imply that an internal audit activity was not effective as it could be in achieving internal audit's mission. The ten Core Principles are listed as follows:-

- Demonstrates Integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk- based assurance
- Is insightful; proactive and future - focussed
- Promotes organisational improvement.

3. Code of Ethics

3.1 Anyone delivering internal audit work for the Council must comply with the PSIAS Code of Ethics. This covers:

Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Internal Auditors:

- Shall perform their work with honesty, diligence and responsibility
- Shall observe the law and make disclosures expected by the law and the profession
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation
- Shall respect and contribute to the legitimate and ethical objectives of the organisation

Objectivity

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant

circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation
- Shall not accept anything that may impair or be presumed to impair their professional judgement
- Shall disclose all material facts known to them that ,if not disclosed, may distort the reporting of activities under review

Confidentiality

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Internal Auditors:

- Shall be prudent in the use and protection of information acquired in course of their duties
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation

Competency

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Internal Auditors:

- Shall engage only in those services for which they have the necessary knowledge, skills and experience
- Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing
- Shall continually improve their proficiency and effectiveness and quality of their services.

- 3.2 Internal auditors who work in the public sector must also have regard to the Committee in Public Life's Seven Principles of Public Life (the Nolan Principles).

4. Independence

- 4.1 The Council's Internal Audit Services is an appraisal and advisory function having independent status within the Council.

- 4.2 The Head of Internal Audit:

- Has direct access to the Leader, Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, the Chair and Members of the Council's Audit Committee and any other officer or member of the Council as the Head of Internal Audit shall determine.

- Is able to make appropriate provisions for the undertaking of an objective assessment of the resource requirements of Internal Audit Services.
- 4.3 Internal Audit activity is free from interference in determining the scope of activity, performing work and communicating results. It is independent of all activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations without giving rise to conflicts of interest. Internal Auditors have no direct operational responsibility or authority over any of the activities they review. Accordingly, they do not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited. Internal Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the last 12 months.
- 4.4 The Head of Internal Audit is a member of the Corporate Governance Group, tasked with the production of the Annual Governance Statement. He is also a Whistleblowing Officer, responsible with the Strategic Director Finance and Customer Services and the Monitoring Officer for the Whistleblowing Policy and procedures. He remains independent from the audit processes with regards to these areas, with any reviews carried out by a Principal Auditor reporting directly to the Strategic Director.
- 4.5 To further ensure the independence of the Head of Internal Audit, the Chief Executive and Chair of the Audit Committee provide feedback into his/her annual Performance Development Review.

5. Authority

- 5.1 The Head of Internal Audit and Internal Audit staff have the authority to:
- Enter any Council premises and access Council records, assets, personnel and premises, including accounting records, documents, invoices, vouchers, correspondence and other data, whether held manually or electronically, the examination of which is necessary for the proper performance of internal audit duties.
 - Require prompt response, every assistance, all information and explanation from any Council employees or Council Members necessary for the internal auditors to carry out their audit duties.
 - Require any officer of the Council to account for cash, stores or any other Council asset under their control.
 - Access as listed above, depending on the terms of the contract with the partner organisation, those items held by contractors / partner organisations that affect the business of Rotherham Council or its control environment.

6. Role and Scope of Internal Audit Work

- 6.1 Internal Audit must provide the Council with an annual independent and objective opinion on the adequacy and effectiveness of its risk management, control and governance processes.

6.2 This involves:

- Reviewing and appraising risks related to the achievement of objectives and business goals, and evaluating the adequacy and effectiveness of the system of internal control related to those risks;
- Appraising the relevance, reliability and integrity of information;
- Reviewing compliance with those policies, plans, procedures, statutory requirements and regulations which could have a significant impact on the achievement of the Council's objectives and business operations;
- Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets;
- Appraising the economy, efficiency and effectiveness with which resources are employed, and the delivery of services in a best value manner;
- Reviewing operations or projects to ascertain whether results are consistent with the Council's established objectives and goals and whether the operations or projects are being carried out as planned;
- Maintaining a program of review and assessment to enhance the integrity and usefulness of the Council's risk management processes;
- Maintaining a program of development, review and audit in relation to quality improvement and assurance methods;
- Assisting management in conducting special assignments and investigations into any matter or activity affecting the interests of the Council.

6.3 The internal audit coverage embraces the entire control environment of the Council, and extends to all areas of the Council and its controlled entities.

6.4 Particular attention is given to any aspects of the control environment affected by significant changes to the Council's risk environment.

6.5 Internal Audit completes advisory / consultancy work in agreement with senior management by responding to requests for audit reviews and by contributing to projects and working groups throughout the Council.

6.6 Internal Audit provides advice and practical support to service management in investigating fraud. Any allegation of fraud and corruption received is followed-up in accordance with the agreed procedures of the Anti-Fraud and Corruption Policy, Whistleblowing Policy and Disciplinary Procedures.

6.7 The Council also participates in the biennial National Fraud Initiative. Internal Audit administers the initiative.

6.8 Where the Council has entered into a partnership with other organisations the partnership arrangement will be subject to review. In addition, where Rotherham Council is the lead authority of a partnership or collaboration, the work undertaken will be subject to review by RMBC Internal Audit.

6.9 Internal Audit may undertake work for new clients by extending its work to third parties. All engagements will be performed in accordance with this Charter to an agreed schedule of audit days. The scope of Internal Audit's work for external

bodies is primarily to provide assurance relating to the bodies' systems of internal control, although the bodies might also ask for additional consultancy work to be conducted. Where appropriate, Internal Audit might also be asked to assist in or carry out investigations into suspected irregularities. Example of this work is where internal audit carry out work for Academies.

7. Responsibilities

- 7.1 It should be noted that internal audit is not responsible for the operation of control functions within the Council; these responsibilities rest with management. Internal audit should not be regarded as a substitute for good management.
- 7.2 The primary task of Internal Audit is to review the systems of internal control operating throughout the authority, and in doing this it adopts a predominantly risk-based approach to audit.
- 7.3 The Head of Internal Audit is required to manage the provision of a complete audit service to the Council that includes risk based, systems, and advisory audit in addition to the investigation of potential fraud and irregularity. In discharge of this duty the Head of Internal Audit has a responsibility to:
 - Prepare and implement an effective strategic and annual internal audit plan, providing for the review of significant operations of the Council, based on an assessment of risk pertaining to the achievement of Council objectives;
 - Ensure that the scopes and boundaries of individual audit assignments are in line with the plan;
 - Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe;
 - Undertake follow up reviews and action tracking to ensure management has implemented agreed internal control improvements within specified and agreed timeframes;
 - Ensure a system of close supervision of audit work;
 - Maintain the appropriate auditing standards as defined by the PSIAS.
 - Maintain a Quality Assurance and Improvement Programme including annual internal assessments and external assessments at least every five years;
 - Report the results of assessments to the Audit Committee and state that the department conforms with the standards or disclose any non-conformance;
 - Develop, implement and have oversight of internal audit methods and procedures, including the maintenance of an Audit Manual;
 - Maintain knowledge, skills and expertise within the department specifically for the investigation of fraud and irregularity;
 - Liaise with the external auditor to provide consistent advice to management and the Audit Committee;
 - Prepare reports on audit and investigation activities for presentation to the Audit Committee, and other reports as may be required.

- Utilise designated internal audit resources to maximise the efficiency and effectiveness of the internal audit function.

8. Audit Reports

- 8.1 All standard audit assignments are the subject of formal reports. Draft reports are issued to the manager of the area under review. Debrief meetings are then held for agreement of the factual accuracy of findings and the necessary actions. After agreement, final reports are issued to management and the respective Strategic Director. The Head of Internal Audit considers the release of investigation reports on a case by case basis.
- 8.2 All reports that give an overall audit opinion of either “Partial Assurance” or “No Assurance” are submitted to the Chief Executive. A summary of reports is presented to SLT meetings to inform all Strategic Directors of areas of concern within the Council, and also sent to Cabinet Members.
- 8.3 Progress Reports are presented to the Audit Committee at every meeting summarising outcomes of audit activities. The reports contain significant findings and issues arising from the internal audit work undertaken
- 8.4 The Progress Reports include the tracking of audit recommendations, any agreed actions that are not implemented within the agreed timescales and any failure of managers to respond to internal audit reports and requests for information relating to the implementation of recommendations within the set time limits.
- 8.5 The Head of Internal Audit submits an annual report to the Audit Committee timed to support the Annual Governance Statement which includes:
- An annual Internal Audit Opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
 - Any qualifications to the opinion, together with the reasons for those qualifications
 - Disclosure of any impairments to independence or objectivity
 - A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies).
 - Any particular control weaknesses judged to be relevant to the preparation of the annual governance statement.
 - A comparison of work undertaken against planned work and a summary of performance of internal audit against performance targets
 - A statement on conformance with PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme.
- 8.6 In giving the opinion it should be noted that assurance can never be absolute, the most that can be provided is a reasonable assurance that there are no major weaknesses in governance, risk management and control processes.

9. Relationships

- 9.1 To provide optimum benefit to the organisation, internal audit works in partnership with management to improve the control environment and assist the organisation in achieving its objectives.
- 9.2 The internal audit function, as part of an effective process of service delivery, maintains good and effective working relationships with its clients and with those charged with responsibility for partner organisations.
- 9.3 It also maintains effective working relationships with the Audit Committee, the Chief Executive, the Strategic Director Finance and Customer Services, the Monitoring Officer, the External Auditor, other inspection and agency teams, and the Council's Members, management and employees.
- 9.4 Internal audit is not responsible for the management of the Council's risks; this is the responsibility of the Council's management. However, internal audit takes account of the corporate risk management processes in the way it relates to managers in the control of risks. Emphasis is placed on the importance of risk management to all managers in the Council as part of the delivery of the internal audit service. Internal Audit regularly reviews the Council's risk management arrangements as an integral aspect of its work.
- 9.5 Internal audit's work assists managers to better understand risk management. This is an important educational / informative role that adds value to the organisation where appropriate. All reports that have No Assurance or Partial Assurance are submitted to the Corporate Risk Manager to ensure that findings are considered for inclusion in risk registers to ensure they are kept up-to-date and relevant.
- 9.6 Where the Council has partnership arrangements, the Head of Internal Audit ensures that there is effective and efficient control environment which takes account of the governance, risk and control framework of the partner body, and that the risks associated with such an arrangement are subject to internal audit review. Suitable protocols are in place where these safeguard the Council's interests for effective internal audit.
- 9.7 Where there are incidents of fraud the Head of Internal Audit advises or intervenes as appropriate in ensuring that there is suitable involvement with the Police or other agencies and seeks to maintain effective working relationships with them.
- 9.8 Internal audit comments on the efficient, economic and effective use of resources, where appropriate, in both the routine internal audit work and also where specifically charged with evaluating value for money / efficiency improvements.

10. Resources and Prioritisation

- 10.1 Internal Audit endeavours to maintain an effective number of staff to undertake the required workload, supported by effective systems of operation. Internal

Audit applies staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS.

10.2 The Head of Internal Audit, s151 Officer and Audit Committee all have a responsibility to ensure Internal Audit has sufficient resources to enable it to fulfil its mandate. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Audit Committee.

10.3 Internal Audit's annual planning process sets out clearly the range of work it expects to do.

- Risk Based Audits

This refers to our work on assessing the management of the key risks currently facing the Council.

- Systems Audits

This includes work on fundamental financial systems that helps the s.151 officer to fulfil his/her statutory responsibilities for proper financial administration and control.

- Advisory Work

This refers to our work on supporting continuous improvement by reviewing change projects and systems developments and by contributing to working groups

- Follow Up

This is the completion of full follow up reviews for selected audits, and the tracking of the implementation of audit recommendations.

- Responsive Work

This refers to responding to requests from management for additional work.

- Investigations

Responding to the need to investigate potential fraud and irregularity.

- Work for External Bodies

There is also some work arising that does not fall into these headings such as income earning work for external bodies such as audit work for academy schools.

10.5 The quantum of work is identified following a full assessment of risks across the Council and after taking into account other forms of assurance available to oversee and mitigate some risks identified (for example external audit work or improvement board activities).

10.6 Internal Audit prepares a plan of work each year. Resources to deliver the plan of work, in terms of the level of resources and the skills required, are identified at the planning stage of the audit. Both the Head of Internal Audit and the Strategic Director Finance and Customer Services satisfy themselves at the start of the year that there are sufficient resources in place at least to deliver the plan and to give an opinion on the Council's system of governance, risk management and internal control at the end of the year, and to ensure some coverage in other necessary areas in accordance with PSIAS.

- 10.7 Where there are any deficiencies arising in resources at any stage, the Head of Internal Audit and Strategic Director Finance and Customer Services will, firstly, try to provide additional audit support to the section. Where it becomes necessary to limit the amount of work it is possible for the Service to do, work for external parties, risk related work, follow up and responsive work will be reduced.
- 10.8 Internal Audit annually carries out a review of the skills within the team and any development needs, linked to operational requirements. Training and development is prioritised to reflect the needs of the service and individuals. This enables the service to maintain appropriate expertise for the delivery of the audit plan and strategy and to continuously adapt to new developments.
- 10.9 Where necessary, appropriate staff from within the Council or from external sources, will be obtained to complete specialist reviews. ICT Audit reviews are completed by Salford Internal Audit Services, who have the specialist staff and expertise necessary to carry them out.

11. Fraud and Corruption

- 11.1 Managing the risk of fraud and corruption is the responsibility of management; Internal Audit assists management in the effective discharge of this responsibility. There is a need for the Council to maintain an effective counter-fraud culture and the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. There is a public expectation for public monies to be spent wisely and safeguarded against fraudulent activity. Accordingly, the section's audit plans provide for counter fraud activity.
- 11.2 Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit does not have the responsibility for the identification, prevention or detection of fraud and corruption. Internal Audit will, however, be alert in all their work to risks and exposures that could allow fraud and corruption.
- 11.3 The Head of Internal Audit develops and maintains the Anti-Fraud and Corruption Policy.
- 11.4 Council Policy requires that where there is suspicion or detection of fraud or corruption by employees they report it to the appropriate manager, or if necessary, directly to the Chief Executive, Assistant Director Legal and Democratic Services or the Head of Internal Audit. Management will notify Internal Audit immediately, so that this can be considered when forming the overall opinion on the control environment and preparation and delivery of the Audit Plan. Depending on the nature and anticipated extent of the allegation(s), the Head of Internal Audit will normally work closely with management and other agencies, such as the Police, to ensure that the allegation(s) are properly investigated and reported so that maximum recoveries are achieved. If the irregularity or suspected irregularity involves theft or suspected theft of assets, it must be referred to the Police. In addition where a break-in is suspected, the Police must be informed immediately.

- 11.5 When notified of a suspected fraud, Internal Audit will consult with HR with regards to the disciplinary procedures and possible suspension of the employee concerned. They will then conduct an investigation in conjunction with management of the department. Internal Audit will prepare a report which may or may not lead to disciplinary action being taken. The report will also address any systems weaknesses and make recommendations for improvements to prevent a recurrence.

12. Performance Reporting

- 12.1 Performance indicators for Internal Audit are reported to each Audit Committee meeting and the Strategic Director Finance and Customer Services.

13. Definition of Consulting Services

- 13.1 The standards define consulting services as follows: “Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation’s governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.”
- 13.2 Internal Audit provides ad hoc advice to management on an ongoing basis. Time is allocated for this work in the audit plan.
- 13.3 Requests for any significant additional consulting services not already included in the audit plan will be submitted to the Audit Committee for approval prior to accepting the engagement.

Council Report

Audit Committee Meeting – 30th September 2021

Title

Anti-Fraud and Corruption Policy, Strategy and Self-assessment against CIPFA Code of Practice

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

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director Finance and Customer Services.

Report Author(s)

David Webster, Head of Internal Audit
Internal Audit, Finance and Customer Services
Tel. 01709 823282 E.mail: david.webster@rotherham.gov.uk

Ward(s) Affected

All wards.

Report Summary

This report refers to a proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy. The update follows an annual review process which is designed to ensure that the Policy and Strategy are up to date with current best practice and to take into account any changes to the Council's organisation structure. The CIPFA Code of Practice on Managing the Risk of Fraud and Corruption requires an annual report on performance against the Strategy. The self-assessment and resulting Action Plan are included in this report.

Recommendations

The Audit Committee is asked to:

- **approve the revised Anti-Fraud and Corruption Policy and Strategy, and**
- **note the proposed actions intended to strengthen the Council's fraud and corruption arrangements.**

List of Appendices Included:-

Appendix A – Anti Fraud and Corruption Policy 2021
Appendix B – Anti Fraud and Corruption Strategy 2021
Appendix C – Self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

Background Papers

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

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

Council Approval Required
No.

Exempt from the Press and Public
No.

Title: Anti-Fraud & Corruption Policy and Strategy

1. Background

- 1.1 Rotherham Metropolitan Borough Council, like every Local Authority, has a duty to ensure that it safeguards the public money that it is responsible for. It expects the highest standards of conduct and integrity from all who have dealings with it including staff; members; contractors; volunteers and the public. The Council is committed to the elimination of fraud and corruption and to ensuring that all activities are conducted ethically; honestly and to the highest possible standard.
- 1.2 The Council's last update of its Anti-Fraud and Corruption Policy and Strategy was in September 2020. This report provides an update to the Anti-Fraud and Corruption Policy and Strategy. As required by the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, an assessment against the Strategy has been completed and the results are included in this report.

2. Key Issues

- 2.1 The Council's updated Anti-Fraud & Corruption Policy is attached at **Appendix A** and the updated Strategy is included at **Appendix B**
- 2.2 The main changes to the previous versions are:
 - Reference to anti-fraud work relating to Covid grants (Policy para 4.1)
 - Reference to annual exercises examining the electoral roll and single persons discounts (Policy para 4.15)
- 2.3 Attached at **Appendix C** is an update to the self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This leads to the action plan for maintaining / developing the Council's arrangements.

3. Options Considered and Recommended Proposal

- 3.1 This report is presented to enable the Audit Committee to fulfil its responsibility for ensuring the Council has appropriate arrangements in place for managing the risk of fraud.

4. Consultation on Proposal

- 4.1 This section is not applicable to this report.

5. Timetable and Accountability for Implementing this Decision

- 5.1 Timescales for implementation of the actions are given in the Action Plan at Appendix C.

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 There are no legal implications arising from this report.

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 immediate implications associated with the proposals.

10. Equalities and Human Rights Advice and Implications

10.1 There are no immediate implications associated with this report.

11. Implications for Partners

11.1 Implementation of the Anti-Fraud and Corruption Strategy will contribute towards ensuring the Council operates and maintains a culture in which fraud and corruption are understood to be unacceptable.

12. Risks and Mitigation

12.1 Failure to refresh the anti-fraud and corruption initiatives could expose the Council to increased risk of fraud and corruption as new and emerging risks appear.

13. Accountable Officer(s)

David Webster, Head of Internal Audit
Tel 01709 823282, E mail david.webster@rotherham.gov.uk



Anti-Fraud & Corruption Policy

A guide to the Council's approach to preventing fraud and corruption and managing any suspected cases.

September 2020¹

Contents

- 1. Background - Principles of Public Life.**
- 2. Policy Context.**
- 3. Anti-Fraud and Corruption Policy.**
- 4. How the Council Currently Manages the Risk of Fraud and Corruption.**
 - Internal Control Environment**
 - Key Controls**
 - Roles and Responsibilities**
 - Policies, Procedures and Controls**
 - Internal Audit Activity**
- 5. Procedure for the Reporting of Suspected Fraud and Corruption.**
- 6. Procedure for the Investigation of Suspected Fraud and Corruption.**

1. Background – Principles of Public Life

1.1 The Nolan Report relating to the Principles of Public Life published in 1997 defined seven general principles that should underpin public life. These were subsequently incorporated by the Government into the “Relevant Authorities (General Principles) Order 2001”. The Council expects both members and employees to follow these principles when carrying out their roles and responsibilities:-

- **Selflessness.** Holders of public office should act solely in terms of the public interest.
- **Integrity.** Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- **Objectivity.** Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **Accountability.** Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **Openness.** Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **Honesty.** Holders of public office should be truthful.
- **Leadership.** Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

1.2 The Council is fully committed to ensuring that it carries out its day to day operations in accordance with the principles of good Corporate Governance, including integrity, openness and accountability. These principles require a culture within the Council that is based upon honesty, where accountability is clear and where decisions and behaviours can be challenged.

1.3 An Anti-Fraud and Corruption Policy is an essential element of such a culture and signifies the Council’s expectation that elected Members and employees at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

2. Policy Context

2.1 The Council recognises that it is important that its policy is deliverable and clearly links to operational considerations. Our approach is articulated in the Council’s Anti-Fraud and Corruption Strategy, which is focused on identifying, delivering and monitoring outcomes, and an action plan which includes practical measures which ensures the Council’s Policy is turned into practice.

3. Anti-Fraud and Corruption Policy

- 3.1 The Council is determined to prevent and eliminate all fraud and corruption affecting itself, regardless of whether the source is internally or externally based. Our strategy to reduce fraud is based on deterrence, prevention, detection, investigation, sanctions and redress within an over-riding anti-fraud culture. We will promote this culture across all our service areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.
- 3.2 The Council takes a holistic approach to anti-fraud measures. Fraud prevention and system security is an integral part of the development of new systems and ongoing operations. Managers will consider the fraud threats and take advice where appropriate when implementing any financial or operational system.
- 3.3 To achieve this aim the Council will:-
- Identify the procedures to encourage Members, employees and the general public to report any suspicions of fraud and corruption in the knowledge that such reports will be treated confidentially and not result in discrimination against the person providing the information.
 - Identify procedures and policies within the Council to encourage prevention.
 - Promote detection.
 - Determine the procedure for investigation and subsequent actions required following the conclusion of the investigation.
- 3.4 The Policy is designed to supplement existing Council policies and procedures including Standing Orders and Financial Regulations, Codes of Conduct (Employees and Members) and the Disciplinary Procedure.

4. How the Council Currently Manages the Risk of Fraud and Corruption

- 4.1 ~~In recent years the~~ The Council ~~continues to has~~ experienced a relatively low level of detected fraudulent and corrupt activity. Where such activity has been identified prompt action has been taken to investigate and seek sanctions and redress. In its policies and procedures, the Council gives out the clear message that it will not tolerate any impropriety by employees or Members. ~~There have been some new attempts by organised criminals to fraudulently claim small business grants linked to the Covid 19 pandemic which have been reported for investigation nationally. The Council has administered a number of grants relating to the Covid pandemic and all apart from the Additional Restrictions grant have now closed. Some~~ A small number of fraudulent claims were made and others stopped. The Department for Business, Energy and Industrial Strategy (BEIS) are working with the NAFN to conduct data reconciliation exercises to confirm numbers of fraudulent Covid 19 related business grants paid, and the Authority has been contacted to provide information on cases.

4.2 The Council manages the risk of fraud and corruption in a number of ways:-

Internal Control Environment

- 4.3 The Council revised ~~its~~ Constitution ~~in-annually~~ ~~May 2018~~, incorporating responsibilities for decision making and rules of procedure. These procedures, together with detailed Financial and Procurement Procedure Rules, act as the framework for financial control within the Council. All officers are required to act in accordance with these rules and regulations when carrying out their duties.
- 4.4 The Council aims to have in place efficient and effective systems of control that as far as possible prevent potential fraudsters from exploiting weaknesses. The prime responsibility for maintaining such systems lies with service managers with support provided by the Council's Internal Audit function.

Key Controls

- 4.5 Corporate Governance best practice specifies that the following key controls should exist within an authority committed to the prevention of financial irregularities:
- The Authority has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption
 - All Members and employees act with integrity and lead by example.
 - Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.
 - High standards of conduct are promoted amongst Members by the Standards Committee, including the provision of advice and relevant training on matters relating to the Code of Conduct.
 - A Corporate, electronic Register of Interests is maintained to enable Members and employees to record any financial or non-financial interests that may bring about conflict with the authority's interests.
 - A Corporate, electronic, Register of Gifts and Hospitality is maintained to enable employees to record gifts and hospitality either received, or offered and declined, from the authority's contractors and suppliers.
 - Confidential Reporting ("Whistle blowing") procedures are in place and operate effectively.
 - All relevant legislation is adhered to.
 - The risk of theft, fraud and corruption is specifically considered as part of the Council's risk management processes.
- 4.6 The Council is fully committed to ensuring that the examples of best practice indicated above are an integral part of its operations.

Roles and Responsibilities

- 4.7 Members should:
- Be aware of situations of potential conflict of interest and should always declare any interests and also the receipt of gifts and hospitality valued in excess of £25 that are in any way related to the performance of their duties as an elected member of the Council. Examples of situations of potential conflict include letting of contracts to external suppliers, planning and land issues. Declarations

should be made on the on-line form which is managed centrally by the Corporate Support Unit. Members' conduct and decisions should always be seen to be impartial together with an obligation to ensure that confidential information is not improperly disclosed to others.

4.8 Strategic Directors will:

- Ensure that all suspected financial irregularities or financial impropriety that are brought to their attention are reported to the Head of Internal Audit.
- Instigate the Authority's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- Ensure that all Declarations of Interest and entries in the Gifts and Hospitality Register are reviewed (and where applicable, a risk assessment has been undertaken) by Line Managers / Senior Managers.
- Ensure staff dealing with financial systems including cash handling and payment systems (cashier / payroll / creditors etc) are appropriately trained.
- Ensure that as far as possible all new employees, regardless of type of employment contract, have their honesty and integrity verified by authenticated written references and qualifications checks. In circumstances where potential employees are working with children and vulnerable members of society that Disclosure and Barring Service [DBS] checks are undertaken.

4.9 The Head of Internal Audit will:

- Develop and maintain an Anti-Fraud and Corruption Policy.
- Maintain adequate and effective internal control arrangements.

4.10 Employees should:

- Always be alert to the possibility of theft, fraud and corruption occurring in the workplace and be aware of the mechanisms available for reporting such issues to management within the Authority.
- Comply with the Council's Code of Official Conduct together with any additional code relating to their professional qualifications.
- Act in accordance with Financial and Procurement Procedure Rules.
- Declare any interests and offers of gifts and hospitality that are in any way related to the performance of their duties of employment at the Council. Both the Register of Interests and Gifts and Hospitality Register are electronic and ~~completed online. They~~ they are managed corporately by the Corporate Support Unit.

Policies, Procedures and Codes

4.11

This Policy is designed to supplement existing Council policies, which form the key building block in the Council's anti-fraud and corruption governance arrangements:

- Financial and Procurement Procedure Rules
- Anti-Money Laundering Policy
- Whistleblowing and Serious Misconduct Policy
- Employee Code of Conduct

- Members Code of Conduct.
- Regulation of Investigatory Powers Act Policy

4.12 These policies provide a framework within which the organisation operates. Having clear policies ensures clarity about the appropriate course of action in any given event. The policies ensure that a consistent and fair approach is taken during any investigations regarding suspected fraud or corruption; this is of particular importance where referral to the Police and Crown Prosecution Services is deemed appropriate.

Internal Audit Activity

4.13 The audit plan provides for system reviews of all major financial and management systems, whether computerised or manual, on a risk assessed basis. Auditors are required to be alert to the risk of fraud at all times in all their work.

4.14 The plan also includes provision for Anti-Fraud projects to be carried out.

4.15 Internal Audit also co-ordinates the National Fraud Initiative (NFI) exercise within RMBC. This is a biennial data-matching exercise that helps detect and prevent fraud and overpayments from the public purse across the UK. The NFI matches data across organisations and systems to help public bodies identify fraud and overpayments. In addition, there are also annual exercises examining the Electoral Role and Single Person Discounts and at the time of writing the Council has currently cleared reviewed all NFI data matches.

5. Procedure for the Reporting of Suspected Fraud and Corruption

5.1 This procedure and the employee obligations contained within it have been adopted as Council policy and it is, therefore, incorporated into all employees' terms of employment and specified in Appendix 5a of the Employees Code of Official Conduct.

5.2 Anyone who suspects a fraud in the workplace, including fraud perpetrated by Council contractors, or who receives information from an external source regarding fraud, should **make an immediate note of all relevant details, including:**

- ✓ The date and time of the event.
- ✓ A record of conversations relating to the issue (including telephone conversations).
- ✓ The names of persons present (or description if the name is not known).
- ✓ Other details as appropriate, for example for vehicles the type, colour, registration etc.

They should also:

- ✓ Report any suspicions as rapidly as possible together with the relevant details to an appropriate level of authority and experience. This can either be a line manager **OR** the Internal Audit Service on Ext 23282 **OR** the s151 Officer on Ext 22046 **OR** the Head of Legal Services on Ext 23661 **OR** the Chief

Executive on Ext 22770. Alternatively any suspicions may be put in writing to the **Head of Internal Audit, Riverside House, Main Street, Rotherham, S60 1AE**, with the envelope marked “**CONFIDENTIAL – TO BE OPENED BY THE ADDRESSEE ONLY**”.

Anyone suspecting fraud **should not:**

- ✗ Confront or accuse any suspected culprit directly.
- ✗ Try to investigate the matter themselves.
- ✗ Discuss their suspicions with anyone else other than the appropriate level of authority
- ✗ Be afraid to report a matter on the basis that any suspicions may be groundless; all reports will be treated on the basis that they are made in good faith.

5.3 A person who wishes to report a suspected serious wrongdoing under the whistleblowing policy should do so by:-

E-mail to: whistleblowing@rotherham.gov.uk

Telephone: Whistleblowing Hotline 01709 822400 where a recorded message can be left

Post to:- Whistleblowing,
c/o the Head of Legal Services,
Rotherham Metropolitan Borough Council,
Riverside House,
Main Street,
ROTHERHAM. S60 1AE

Setting out the following information:-

- Name: (unless they wish to be anonymous)
- Contact details (unless they wish to be anonymous)
- Who has committed the alleged serious wrong doing?
- What is the nature of the alleged serious wrong doing?

Alternatively a person wishing to report any suspected wrong doing may contact any of the three Whistleblowing Officers who are

- Monitoring Officer – Tel: 01709 823661
- S151 Officer – Tel: 01709 822046
- Head of Internal Audit – Tel: 01709 823282

The three Whistleblowing Officers are responsible for the oversight and operation of the Whistleblowing Policy, once a disclosure has been received by the Council.

Further, a person wishing to report any suspected wrongdoing may do so by contacting the Chief executive as below, providing the information as set out above:

- Chief Executive – Tel: 01709 822770

- 5.4 Council employees are also entitled to make a Protected Disclosure, under the Council's Whistleblowing Policy, through their manager, if they feel confident in approaching their manager to report a concern or allegation of serious wrongdoing that falls under this policy. The manager must follow the obligation of confidentiality, but must, as soon as possible, and no later than 2 working days after receiving the Protected Disclosure, log the disclosure in accordance with 5.2 above, and then confirm to the employee concerned, in writing or email, that this matter has been recorded.
- 5.5 The Council prefers anyone raising any suspicions not to provide information anonymously as it may be necessary for them to provide further information. However, all anonymous information that is received will be investigated. All reported suspicions will be dealt with sensitively and confidentially.
- 5.6 In the event that an employee does not feel comfortable in making a disclosure internally to Council officers, they are entitled to also make a Protected Disclosure in a number of other different ways:-
- Local Councillors - Details of how to contact them and surgery hours are on the Council's website www.rotherham.gov.uk;
 - The Council's External Auditors. They are completely independent from the Council and can be contacted on 0113 245 5514 or by writing to them at:-
Grant Thornton UK LLP,
No 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN
 - Relevant professional bodies;
 - Solicitors;
 - South Yorkshire Police - Telephone: 101;
 - PROTECT (formerly Public Concern At Work (PCaW)) - An independent authority which seeks to ensure that concerns about malpractice are properly raised and addressed in the workplace. PROTECT can provide confidential advice at any stage about how to raise a concern about fraud or other serious malpractice in the workplace. PROTECT can be contacted by telephone on 020 3117 2520. Contact details are on their website at www.pcaw.org.uk;
<https://protect-advice.org.uk/>
- 5.7 Concerns about a child safeguarding issue, e.g. that a child may have suffered harm, neglect or abuse, can be reported to the Children's Social Care Service on 01709 336080; or in an emergency contact South Yorkshire Police direct.
- 5.8 Adult safeguarding concerns can be reported to the Adult Care Service on 01709 822330, or in an emergency contact South Yorkshire Police direct.

6. Procedure for the Investigation of Suspected Fraud and Corruption

- 6.1 The responsibility for the prevention of fraud, other irregularities and error rests with management. Internal Audit is responsible for reporting to management on areas of

weakness and deficiencies in internal controls and financial systems, together with investigating circumstances where occurrence of fraud is suspected.

- 6.2 Once management has discovered, or suspected, a fraud Internal Audit should be notified immediately.
- 6.3 When Internal Audit discovers or suspects a fraud, management of the relevant department should be contacted ~~and discussion take place and agreement reached to discuss and agree~~ on how the matter will be investigated. The ~~Chief Executive and~~ Strategic Director Finance and Customer Services will be notified of all frauds and the Chief Executives should be briefed regarding ~~the significant~~ issues.
- 6.4 Where the matter involves employees of the Council it will be necessary to tie the investigation into the Council's Disciplinary Procedure and it will be appropriate to consult with a Human Resource Service Manager to discuss procedures for possible suspension of the employee pending further investigation.
- 6.5 Members shall be informed of any investigation into Council affairs that requires reporting to the External Auditor as soon as is practical without prejudicing the investigation.
- 6.6 The objectives of any investigation shall be to:
 - ✓ Prove or disprove the original suspicions of fraud.
 - ✓ Provide evidence in an appropriate format to substantiate proven cases of fraud.
 - ✓ To implement appropriate controls to prevent a recurrence of the incident.
- 6.7 The investigation should be conducted by Internal Audit in conjunction with management of the department in the following manner:
 - ✓ Secrecy and confidentiality shall be maintained at all times.
 - ✓ An early decision may be required, in consultation with Human Resources, on whether to suspend an employee to ensure evidence is not tampered with, subject to the proviso that the suspension does not prejudice the outcome of the investigation.
 - ✓ All documentation and evidence that is relevant to the investigation should be requisitioned and secured at an early stage by either management or Internal Audit. Evidence and relevant information should be properly documented, considered and evaluated and returned on the conclusion of the investigation.
- 6.8 Interviews with potential perpetrators of fraud will normally be held both at the beginning and at the end of an investigation. However, this procedure may be subject to alteration dependent upon circumstances. Interviews will be held in accordance with the Council's disciplinary procedure and, in cases where the person(s) under investigation are employees of the Council, they will be allowed to have a work colleague, friend, or trade union representative present.
- 6.9 Once a decision has been reached after interviewing the suspect, the following further matters will need to be considered:

- Involvement of Police: the Council should always have a consistent and fair approach to the involvement of the Police in proven cases of fraud and corruption. The question of Police involvement should be discussed by the relevant Strategic Director, the Strategic Director Finance and Customer Services, the Head of Internal Audit and the Human Resources Business Partner for the relevant area. The Chief Executive should then be informed of the decision reached. In appropriate cases the Police will be notified, in order for them to investigate and determine with the Crown Prosecution Service whether any prosecution will take place.
- Informing the External Auditor: the External Auditor should always be informed of the outcome of all fraud investigations as required to fulfil their role relating to fraud.
- Review of Systems - where a fraud has occurred as a result of weaknesses in existing systems, then steps must be taken to remedy the problem to prevent recurrence.
- Insurance / Recovery of Losses incurred: Chief Officers shall take appropriate action to ensure that the losses incurred by the Council are minimised including:
 - (i) Recovering losses directly from the perpetrator of the fraud.
 - (ii) Recovery from an employee's contributions to the Superannuation Fund, where appropriate.
 - (iii) Claiming against the Council's insurance policy.

6.10 Attempts of cyber-crime or fraud by organised criminals are investigated nationally by the Police and reported to Action Fraud by Internal Audit. Action Fraud Alert is provided by the National Fraud Intelligence Bureau which is run by the City of London Police as a national service.



Anti-Fraud & Corruption Strategy

Contents

- 1. Introduction**
- 2. Purpose and Objectives of this Document**
- 3. What is Fraud and Corruption?**
 - Fraud**
 - Theft**
 - Corruption**
 - Bribery**
- 4. Objectives of the Strategy**
- 5. Defining Success**
- 6. Keeping Ahead**
- 7. Whistleblowing Arrangements**
- 8. Delivery Plan**

1. Introduction.

Context

- 1.1 Fraud affects the UK across all sectors and causes significant harm. ~~The last, most reliable and comprehensive set of figures relating to fraud was published by the University of Portsmouth Centre for Counter Fraud Studies in 2016, and indicates that fraud may be costing the UK £193bn a year. The latest comprehensive set of figures relating to fraud published by the University of Portsmouth was in a report entitled "The Financial Cost of Fraud 2019 – The latest data from around the world". This indicates that fraud may be costing the UK as much as £190bn a year.~~
- 1.2 The Council ~~has 6968 appointments of which 6271 are currently in post. It also employs around 7,200 staff and spends around £670 £793m million per year made up of a revenue budget of £511m; HRA revenue expenditure of £88m and £194m of capital expenditure.~~ The Council has a net revenue budget for 2021/22 of £236m, this includes almost £600m of gross expenditure. This includes HRA revenue expenditure of £85m, over £75m of Housing Benefits payments and over £30m of specific schools budgets. The Council also has a multi-year capital programme that includes over £400m of investment over the next 4 years, including an £193m programme for the current year. The Council both commissions and provides a wide range of services to individuals and households, working with a range of many other private and public and voluntary sector organisations. The size and nature of our services, as with any other large organisation, mean that there is an ever-present risk of loss due to fraud and corruption, from sources both internal and external.
- 1.3 RMBC takes a responsible, long-term view of the need to continuously develop anti-fraud initiatives and maintain its culture of anti-fraud awareness.
- 1.4 The Council expects all Councillors, employees, consultants, contractors and service users to be honest, and to provide any information, help and support the Council needs to prevent and detect fraud and corruption.

Links to Strategic Objectives

- 1.5 The Council developed a ~~new Council Plan for 2019-20 a Year Ahead Plan for 2020/21~~ and the Cabinet continues to work to ensure Council decisions reflect the concerns of local people and the needs of local communities. A new Council Plan is currently being developed.
- 1.6 The Council has sought expert guidance to strengthen its Scrutiny System and are also working more proactively with partners across Rotherham on new arrangements for joint working in the best interests of local communities.
- 1.7 An effective anti-fraud and corruption policy and strategy is a critical component of the Council's improved scrutiny and governance framework and will support partnership objectives to create safe and healthy communities.

2. Purpose and Objectives of this Document.

- 2.1 The purpose of this document is to outline the strategy for taking forward counter fraud and corruption work within RMBC. Whilst the term 'anti-fraud' is used in the document, the strategy also covers anti-theft and anti-corruption measures, including bribery.
- 2.2 The key objectives of this anti-fraud strategy are to maintain minimal losses through fraud and corruption and embed the management of fraud risk within the culture of the organisation. These objectives will be achieved by ongoing revision and implementation of a plan of action, based on a fraud self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. ("Chartered Institute of Public Finance and Accountancy, Code of Fraud Risk Management, CIPFA, 2014").

3. What is Fraud and Corruption?

Fraud

- 3.1 The Fraud Act 2006 came into force on 15th January 2007 as a response to the recommendations of the Law Commission Report 'Fraud' published in 2002. The Act repeals the deception offences enshrined in the 1968 and 1978 Theft Acts and replaces them with a single offence of fraud which can be committed in three separate ways: -

- False representation.
- Failure to disclose information where there is a legal duty to do so.
- Abuse of position.

The Act also created four new offences of: -

- Possession of articles for use in fraud.
- Making or supplying articles for use in fraud.
- Obtaining services dishonestly.
- Participating in fraudulent business.

- 3.2 CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain".

Theft

- 3.3 Theft is defined in the 1968 Theft Act:-

'A person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it'.

Corruption

3.4 The Council defines the term "corruption" as:-

"The offering, giving, soliciting or accepting of any inducement or reward which would influence the actions taken by the body, its members or officers."

Bribery

3.5 A bribe is:

"A financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity" [CIPFA].

3.6 The Bribery Act 2010 replaced the common law offences of offering or accepting a bribe with two statutory offences (S1 and S2). The Act also created two further offences: namely that of bribing or attempting to bribe a foreign official (S6) and being a commercial organisation failing to prevent bribery (S7). An S7 offence can only be committed by a commercial organisation.

3.7 The 'Corruption Acts 1889 to 1916' were repealed in their entirety. Wider offences were created by the Act which mean that the more specific offences created by the old Acts serve no practical purpose. Other statutes less relevant to Local Authorities were repealed or amended by the Act and a full list is in one of the schedules of the Act.

4. Objectives of the Strategy.

4.1 The Council's objectives for its anti-fraud and corruption strategy are to maintain minimal losses through fraud and corruption and further embed management of fraud risk within the culture of the organisation. The intention is to achieve this by implementing the CIPFA Fraud Standards which state that the foundations of an effective anti-fraud framework comprise five key elements:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action.

5. Defining Success.

5.1 Activity should not be confused with outcomes. The focus should always be fixed firmly on the clear outcomes described above for work to counter fraud and corruption. It is important that outcomes relate to the actual sums lost to fraud and corruption rather than to the activity around it. This is no different from a commercial organisation focusing on profit rather than turnover. While activity can give an organisation the air of being busy and, therefore, successful, what matters is the bottom line. Preventing fraud prevents losses that can be directed into core

business. A comprehensive and professional approach to countering fraud and corruption is required to effectively protect an organisation's valuable resources.

6. Keeping Ahead.

6.1 In order to try and stay one step ahead of the fraud to which the Council may be exposed, it is necessary to undertake a regular review of national developments and strengthen systems and procedures. Key sources of information that are used to inform the ongoing continuous improvement of the Anti-Fraud Strategy are:

- National Audit Office Publications
- Audit Commission Publications / HM Treasury Publications
- National Anti-Fraud Network
- Member of the South and West Yorkshire Fraud Group.

7. Whistleblowing Arrangements

7.1 The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing, a comprehensive, management led, anti-fraud and corruption culture needs to be maintained, including clear whistleblowing arrangements. These arrangements should ensure that staff and the public have access to a fraud and corruption whistle-blowing helpline, and should be kept under review. The Council refreshed its whistleblowing arrangements in 2019.

8. Delivery Plan

8.1 The Council's own arrangements are consistently checked against best practice guidance including the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

Self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

- 1.1 The Council's objectives for its anti-fraud and corruption strategy are to maintain minimal losses through fraud and corruption and further embed management of fraud risk within the culture of the organisation. The intention is to achieve this by implementing the CIPFA Fraud Standards which state that the foundations of an effective anti-fraud framework comprise five key elements:
 - Acknowledge responsibility
 - Identify risks
 - Develop a strategy
 - Provide resources
 - Take action.
- 1.2 In the Audit Commission's publication, "Protecting the Public Purse 2014", the Commission encourages all public bodies, including local authorities, to assess themselves against the CIPFA Code.
- 1.3 Internal Audit completes a self-assessment against the CIPFA checklist annually and a fraud and corruption action plan is produced to indicate actions that will be taken to ensure compliance with the Code. Completion of the self-assessment exercise helps the Council demonstrate substantial compliance with best practice, as well as providing a framework upon which to further develop its Anti-Fraud and Corruption Strategy.

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
A. Acknowledge responsibility The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation.	A1 The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.	Y	Anti-Fraud & Corruption Strategy and Policy document presented to Audit Committee on 29 th September 2020.		
	A2 The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.	Y	As above		
	A3 The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.	Y	As above		
	The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.	Y	As above		
B. Identify risks. Fraud risk identification is	B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.	Y	Fraud risks are routinely considered by risk champions.		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.	B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.	Y	Anti-Fraud & Corruption Strategy and Policy. Code of Official Conduct.		
	B3 The organisation uses published estimates of fraud loss, and where appropriate, its own measurement exercises, to aid its evaluation of fraud risk exposures.	Y	When formulating the Internal Audit [IA] Plan, IA considers published national estimates of fraud loss. IA also considers previous fraud losses.		
	B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	Y	Fraud risks are considered as part of the standard evaluation of risks.		
C. Develop a strategy. An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining	C1 The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.	Y	Anti-Fraud & Corruption Strategy and Policy document presented to Audit Committee on 29 th September 2020.		
	C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.	Y	See Anti-Fraud & Corruption Strategy Sections 1.6 and 1.7.		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
responsibilities for action.	C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below :				
	Proactive Developing a counter-fraud culture to increase resilience to fraud.	Y	Mentioned many times within the Anti-Fraud & Corruption Policy. The fraud awareness e.Learning course has been reviewed and updated ready for relaunch on the new e.learning platform. It will be available as learning for all staff but will be a mandatory e.learning course for specific individuals.	The new e.learning course will be launched on the new e.learning platform.	Rec 1
	Proactive Preventing fraud through the implementation of appropriate and robust internal controls and security measures.	Y	See Self-Assessment, Section C1. Anti-Fraud & Corruption Policy, Section 4.3 and 4.4.		
	Proactive Using techniques such as data matching to validate data		See Self-Assessment, Section C1.		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
		Y	<p>We participate in the National Fraud Initiatives data matching exercise.</p> <p>We are a member of the South & West Yorkshire Fraud Group.</p>		
	Proactive Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters	Y	<p>See Self-Assessment Section E4.</p> <p>Anti-Fraud and Corruption Policy and Strategy is on the Council Website.</p> <p>Council website includes facility to report Blue Badge / Benefit fraud / Trading Standards</p>		
	Responsive Detecting fraud through data and intelligence analysis	Y	<p>See Self-Assessment, Section C.1.</p> <p>Internal Audit uses analytics for fraud and non-fraud work:</p>		
	Responsive Implementing effective whistleblowing arrangements.	Y	Anti-Fraud & Corruption Strategy, Section 7.1.		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
			Anti-Fraud & Corruption Policy Sections 5.3 to 5.8.		
	Responsive Investigating fraud referrals.	Y	See Self-Assessment, Section C.1. Link to Fraud and Investigation Plan and Disciplinary Procedures.		
	Responsive Applying sanctions, including internal disciplinary, regulatory and criminal.	Y	See Self-Assessment, Section C.1.		
	Responsive Seeking redress, including the recovery of assets and money where possible	Y	See Self-Assessment, Section C.1.		
	C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	Y	Anti-Fraud & Corruption Policy 4.3.		
D. Provide Resources. The organisation should make arrangements for	D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.	Y	The IA Planning exercise matches resources to risk.		
	D2 The organisation utilises an appropriate mix of experienced and		IA staff includes 1 experienced fraud		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
appropriate resources to support the counter fraud strategy.	skilled staff, including access to counter fraud staff with professional accreditation.	Y	qualified member of staff; 1 newly qualified and other very experienced staff.		
	D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.	Y	All IA staff has such access, in accordance with. Financial and Procurement Procedure Rules.		
	D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.	Y	The Council participates in the National Fraud Initiative and follows agreed protocol. Also a member of the South & West Yorkshire Fraud group.		
E. Take Action. The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take	E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes: <ul style="list-style-type: none"> • Counter fraud policy • Whistleblowing policy • Anti-money laundering policy • Anti-bribery policy • Anti-corruption policy 	Y	These documents are available on the Council Council Intranet pages.		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
action to prevent, detect and investigate fraud.	<ul style="list-style-type: none"> • Gifts and hospitality policy and register • Pecuniary interest and conflicts of interest policies and register • Codes of conduct and ethics • Information security policy • Cyber security policy 				
	E2 Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.	Y	Anti-Fraud and Corruption Policy 2.1 and Section 3. Anti Fraud Strategy 1.7.		
	E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.	Y	The Council participates in the National Fraud Initiative		
	E4 Providing for independent assurance over fraud risk management, strategy and activities.	Y	Annual self-assessment in conjunction with Fighting Fraud & Corruption Locally 2016-19 Checklist.		
	E5 There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy.	Y	Progress against the Anti-Fraud and Corruption Plan is reported to Audit Committee, and a		

The five key principles of the code are to:	Specific steps should include:	RMBC Compliance Y/N/P [partial]	Details of compliance	Action required	Action Plan Rec Ref
	Conclusions are featured in the annual governance report.		comment is included in the AGS.		
Applying the code in practice	<p>Where organisations are making a statement in an annual governance report about their adherence to this code, one of the following statements should be approved according to whether the organisation conforms to the code or needs to take further action. The statement should be approved by the governing body and signed by the person responsible for signing the annual governance report.</p> <p>Statement 1 Having considered all the principles, I am satisfied that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud, or</p> <p>Statement 2 Having considered all the principles, I am satisfied that, subject to the actions identified below, the organisation has adopted a response that is appropriate.</p>	Y	See above.		

Action Plan				
Rec	Guidance	Action	Officer	Target date
1	Developing a counter fraud culture to increase resilience to fraud.	The updated e-learning course will be launched on the new e.learning platform and be mandatory for designated staff.	Head of Internal Audit	1 st January 2022

Committee Name and Date of Committee Meeting:

Audit Committee – 30th September 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).

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

Ward(s) Affected:

Borough-Wide.

Executive Summary:

The report presents to the Audit Committee a forward work plan covering the next year. The plan shows how the agenda items relate to the objectives of the Committee. It is presented for review and amendment as necessary.

Recommendation:

The Audit Committee is asked to review the Forward Work Plan and suggest any amendments to it.

List of Appendices Included

Audit Committee Forward Work Plan.

Background Papers

Audit Committee Terms of Reference – Constitution, Appendix 9 Responsibilities and Functions, Section 5 Terms of Reference for Committees, Boards and Panels.

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

No

Council Approval Required:

No

Exempt from the Press and Public:

No

Audit Committee Forward Work Plan

1. Background

- 1.1 The Audit Committee's Terms of Reference are published in the Constitution. The attached Forward Work Plan details how the committee meets those Terms of Reference.

2. Key Issues

- 2.1 Local Government Audit Committees should comply with the Chartered Institute of Public Finance and Accountancy's Position Statement and Practical Guidance for Audit Committees. The Terms of Reference for the Audit Committee are designed to ensure the Committee meets the CIPFA standards.
- 2.2 The forward work plan is designed to ensure that the key Audit Committee responsibilities are fulfilled.

3. Options considered and recommended proposal

- 3.1 The work plan for the Audit Committee is a helpful guiding document for the Committee itself and other stakeholders with an interest in the Committee's activities. The work plan for the coming year by date is presented to each committee meeting for review and amendment.

4. Consultation on Proposal

- 4.1 Relevant officers and the Audit Committee were consulted in producing the work plan.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Forward Plan comprises a schedule of reports to be presented to the Audit Committee at each of its meetings during the year. Various reports have to be presented at specified meetings in order to comply with statutory requirements (for example relating to the statement of accounts and annual governance statement).

6. Financial and Procurement Implications

- 6.1 There are no financial or procurement issues arising from this report.

7. Legal Advice and Implications

- 7.1 There are no direct legal implications associated with this report.

8. Human Resources Advice and Implications

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

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 The Audit Committee reviews the management of risks across the Council including those relating to Children's and Adult Services. Review of the management of risks helps to ensure the risks are mitigated.

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no direct Equalities or Human Rights implications arising from this report.

11. Implications for Partners

- 11.1 Partners will be able to take assurance on the Control's application of governance controls and management of risks from the work of the Audit Committee.

12. Risks and Mitigation

- 12.1 The Audit Committee aims to comply with standards established by the Chartered Institute of Public Finance and Accountancy (CIPFA). The maintenance of a work plan is consistent with the CIPFA standards. The production of a work plan also helps the Audit Committee to ensure it achieves its terms of reference.

13. Accountable Officer:

David Webster, Head of Internal Audit
01709 823282 – david.webster@rotherham.gov.uk

Audit Committee Forward Work Plan

Meeting Date	Key Responsibility	Agenda Item	Author
30 November 2021	External Audit	Training – Code of Corporate Governance	
		External Audit Findings (ISA 260)	Grant Thornton / Graham Saxton
	Financial Reporting	External Audit Annual Report	Grant Thornton / Graham Saxton
	Governance / Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance	Information Governance Annual Report	Paul Vessey
	Treasury Management	Mid-Year Report on Treasury Management	Graham Saxton
	Governance Risk and Control	Code of Corporate Governance	Simon Dennis
	Governance Risk and Control	Risk Management Strategy and Policy	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Regeneration and Environment	Paul Woodcock
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
11 January 2022	Financial Reporting	Training	Graham Saxton
	External Audit	Final Accounts closedown and accounting policies	Grant Thornton / Graham Saxton
	Governance Risk and Control	Annual Report (VFM)	Simon Dennis
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance Risk and Control	External Audit and Inspection recommendations	Judith Badger
	Internal Audit / Governance Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	David Webster
	Audit Committee Accountability	IA Progress Report	David Webster
		Audit Committee Forward Work Plan	

Meeting Date	Key Responsibility	Agenda Item	Author
15 March 2022	Internal Audit	Training	
		IA Annual Plan	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	Procurement Update	Karen Middlebrook
	Governance Risk and Control	Designated Schools Grant	Neil Hardwick
	Governance Risk and Control	Risk Management Directorate Presentation – Children and Young People’s Service	Suzanne Joyner
	Internal Audit	Public Sector Internal Audit Standards	David Webster
	Internal Audit	Internal Audit Quality Assurance and Improvement Plan	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
June 2022		Training	
	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	Review of Surveillance and use of Regulation of Investigatory Powers	Bal Nahal
	Governance Risk and Control	Risk Management Annual Report	Simon Dennis
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Internal Audit / Governance Risk and Control	Internal Audit Annual Report	David Webster
		Audit Committee Annual Report	David Webster
	Governance Risk and Control	Risk Management Directorate Presentation – Adult Care Housing and Public Health	Anne Marie Lubanski
	Audit Committee Accountability	Audit Committee Forward Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
July 2022		Training – Statement of Accounts	
	Financial Reporting	Draft Statement of Accounts	Graham Saxton
	Governance Risk and Control	Draft Annual Governance Statement	Judith Badger
	Governance Risk and Control	External Audit Progress Update	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
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster
	Governance Risk and Control	Private meeting	

Meeting Date	Key Responsibility	Agenda Item	Author
September 2022	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



Public Report with Exempt Appendices
Audit Committee

Committee Name and Date of Committee Meeting

Audit Committee – 30 September 2021

Report Title

Assistant Chief Executive Directorate 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)

Tanya Lound, Acting Corporate Improvement and Risk Manager
01709 249982 tanya.lound@rotherham.gov.uk

Ward(s) Affected

All

Report Summary

This report provides an update to the Audit Committee in relation to the current position of the Assistant Chief Executive Directorate Risk Register and risk management activity.

Recommendations

The Audit Committee is asked to note the progress and current position in relation to risk management activity in the Assistant Chief Executive Directorate.

List of Appendices Included

Appendix 1 Assistant Chief Executive Directorate Risk Register

Background Papers

Assistant Chief Executive Directorate Risk Register to Audit Committee in November 2020.

Corporate Strategic Risk Register report to Audit Committee in July 2021.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

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.

Assistant Chief Executive Directorate Risk Register report

1. Background

1.1 The Assistant Chief Executive's Risk Register was last presented to Audit Committee in November 2020.

1.2 The current Assistant Chief Executive Directorate Risk Register has fourteen risk items listed (**Appendix 1**).

1.2 Due to the nature of the work of the Assistant Chief Executive Directorate, a significant number of the Directorate risks (five of the fourteen) also feature on the Council's Strategic risk register, these are referenced below:

- **ACX2 & SLT08**

Building Stronger Communities & Thriving Neighbourhoods

Risk: Failure to enhance community cohesion throughout the borough

- **ACX3 & SLT03**

Tackling Family Poverty

Risk: Families living in poverty are inadequately supported.

- **ACX4 & SLT09**

Hope and confidence in Rotherham

Risk: The Council's communications fail to be of sufficient quality to attract inward investment.

- **ACX5 & SLT11**

Effective partnership working within and beyond Rotherham to maximise benefits to residents, service users and businesses.

Risk: Risk to effective joint working and lack of direction caused by a lack of support and trust from partners for local priorities and better outcomes.

- **ACX30 and SLT36**

Reduction of carbon emissions for the Council and the borough.

Risk: Insufficient resources of the necessary expertise are available to the Council to inform the Carbon Reduction Plan.

2. Key Issues

2.1 There are six Services within the Assistant Chief Executive Directorate:

- Human Resources and Organisation Development
- Policy, Performance and Intelligence
- Neighbourhoods
- Communications and Marketing
- Democratic Services
- Change and Innovation.

The Assistant Director of Human Resources and Organisation Development also manages a service level risk register.

- 2.2 Risks are regularly discussed and reviewed at the Directorate Leadership Team (DLT), by individual members of DLT and, where necessary, risks are escalated to the next strategic level for inclusion on the risk register.
- 2.3 As part of the programme to embed Risk Management into the culture of the Council, all managers from Assistant Chief Executive Directorate are required to attend the mandatory “Risk Management Training for Managers” workshops. New managers are invited to attend workshops as soon as possible after commencement in role.
- 2.4 The attached revision of the Assistant Chief Executive Risk Register, dated 21 September 2021 is aligned to the Year Ahead Plan.
- 2.5 New risk items which have been added or amended since the last report to Audit Committee in November 2020 include:

- **ACX4 & SLT09**

Hope and confidence in Rotherham

Risk: The Council’s communications fail to be of sufficient quality to attract inward investment.

This risk has been reworded.

- **ACEX25**

Management and Delivery of the Vulnerable people resettlement scheme and the asylum programme.

Risk: housing issues and supply issues relating to operation Oak

The above risk has been added to the existing risk item.

- **ACX30 and SLT36**

Reduction of carbon emissions for the Council and the borough

Risk: Insufficient resources of the necessary expertise are available to the Council to inform the Carbon Reduction Plan.

- **ACX31**

Maintaining excellence in service across the payroll and HR shared service centre

Risk: Failure to embed the use of the self-service functionality of the new system will impact on customer perception and service efficiency.

- 2.6 A new Council Plan for 2022-2025 is currently under development and once approved the Assistant Chief Executive Risk Register will be reviewed and aligned to this.

3. Options considered and recommended proposal

- 3.1 Only one of the fourteen risks on the Assistant Chief Executive Directorate risk register is now currently assessed as being a high risk, marked as ‘Red’ on the attached risk register. This is:

- **ACX25**

Management and Delivery of the Vulnerable people resettlement scheme and the asylum programme

Risk: of housing issues following the transfer to the new accommodation provider (Mears) and risk of housing and supply issues relating to operation Oak.

3.2 The above Risk Register entries are closely linked to the Service Plans, team plans, reports and service meeting agendas across the directorate.

3.3 Progress against key actions to mitigate the above risks is monitored through management team meetings.

4. Consultation on proposal

4.1 Risk Registers are subject to review by the Strategic Leadership Team. A strategic Risk Champions Forum has been established and the Assistant Chief Executive Directorate is actively represented at all meetings.

5. Timetable and Accountability for Implementing this Decision

5.1 Not applicable

6. 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 There are no direct financial or procurement implications arising from this report. Financial implications linked to risk mitigation are detailed in associated Service Plans and Directorate Plans and are closely scrutinised and monitored.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

7.1 There are no direct legal implications arising from the Risk Register. Any actions taken by the Council in response to risks identified will take into account any legal implications.

8. Human Resources Advice and Implications

8.1 There are no direct Human Resources implications arising from this report. However, the risks contained in the Assistant Chief Executive Risk Register (Appendix 1) directly link to the Workforce Strategy and the Year Ahead Plan.

9. Implications for Children and Young People and Vulnerable Adults

9.1 Not applicable

10. Equalities and Human Rights Advice and Implications

10.1 Not applicable

11. Implications for CO2 Emissions and Climate Change

- 11.1 There are no direct CO2 emissions and climate change implications from this report. However, a new risk has been added to the Assistant Chief Executive Directorate Risk Register (Appendix 1) focused on: Insufficient resources of the necessary expertise are available to the Council to inform the Carbon Reduction Plan.

12. Implications for Partners

- 12.1 The actions relating to any issues affecting partners and other directorates are reflected in the risk register and accompanying risk mitigation action plans.

13. Risks and Mitigation

- 13.1 The Assistant Chief Executive Risk Register (Appendix 1) details the Directorate level risks and mitigations. Risks and mitigation in respect of HR&OD are further detailed in the service area Risk Register.

14. Accountable Officer(s)

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