AUDIT COMMITTEE

Date and Time :- **Tuesday 30 November 2021 at 2.00 p.m.**

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

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

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. Exclusion of the Press and Public

To consider whether the press and public should be excluded from the meeting during consideration of any part of the agenda.

2. Matters of Urgency

To consider if there are any additional matters of urgency.

3. Apologies for Absence

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

4. Minutes of the previous meeting held on 30th September, 2021 (Pages 5 - 12)

To consider and approve the minutes of the previous meeting held on 30th September, 2021, as a true and correct record of the proceedings.

5. Declarations of Interest

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

6. **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.

7. **Statement of Accounts - External Audit Report ISA260 (Pages 13 - 214)**

8. **Estimation Techniques (Pages 215 - 242)**

9. **External Audit Re-Procurement (Pages 243 - 248)**

10. **Mid-Year Treasury Management and Prudential Indicators Monitoring Report - 2021/22 (Pages 249 - 267)**

11. **Code of Corporate Governance (Pages 268 - 296)**

12. **Annual Governance Statement (Pages 297 - 319)**

13. **Risk Management Strategy and Policy (Pages 320 - 349)**

14. **IG/GDPR Annual Report 2020/21 (Pages 350 - 355)**

15. **Internal Audit Progress Report (Pages 356 - 375)**

16. **Audit Committee Forward Work Plan (Pages 376 - 384)**

17. **Items for Referral for Scrutiny**

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

18. **Regeneration and Environment Directorate Risk Register (Pages 385 - 400)**

19. **Urgent Business**

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

20. Date and time of next meeting

The next meeting of the Audit Committee will be held on Tuesday, 11th January, 2022, commencing at 2.00 p.m. in Rotherham Town Hall.

SHARON KEMP,
Chief Executive.

KEEP SAFE WHILE VISITING RIVERSIDE HOUSE AND THE TOWN HALL

KEEP TWO METRES APART

WASH YOUR HANDS OFTEN

WEAR A FACE COVERING

STICK TO THE SEATING PLAN

HOUSE KEEPING TIPS

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

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

AUDIT COMMITTEE
30th September, 2021

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

Gareth Milles (Grant Thornton) attended the meeting by telephone.

Councillor Sheppard, Cabinet Member for Social Inclusion, was in attendance at the invitation of the Chair for Minute No. 44 (Assistant Chief Executive Directorate Risk Register).

An apology for absence was received from Councillor Barley.

34. DECLARATIONS OF INTEREST

There were no Declarations of Interest made at the meeting.

35. QUESTIONS FROM MEMBERS OF THE PUBLIC OR THE PRESS

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

36. 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. 40 (Internal audit Progress Report – Appendix C), Minute No. 44 (Assistant Chief Executive Directorate Risk Register Appendix) and Minute No. 46 (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) as they involve the likely disclosure of exempt information as defined in the Paragraphs 3 (financial information) and 7 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime) of Part 1 of Schedule 12A to the Local Government Act 1972.

37. MINUTES OF THE PREVIOUS MEETING HELD ON 29TH JULY, 2021

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 29th July, 2021.

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

38. AUDITED STATEMENT OF ACCOUNTS 2020/21

Further to Minute No. 20 of the 29th July, 2021, Rob Mahon, Head of Corporate Finance, presented the revised version of the Council's final accounts. The Council intended to publish the revised final accounts on the Council's website following approval from the Committee and the Council's Section 151 Officer.

As previously reported, it was not possible to submit an audited set of accounts nor a final/draft ISA260 report as insufficient progress had been made to date on the audit by the Council's external auditor, Grant Thornton.

At present there had been no significant material adjustment identified by the external auditor that required an adjustment to the Council's accounts. However, information had been received from the South Yorkshire Pensions Authority relating to a significant change in their fair value investment asset valuations for 2021/22. The draft accounts were published on the basis of the IAS19 report that the actuary provided to the Council, however, the valuation of investment assets at this point was based on data available as at 31st January, 2021. Following the closure of SYPA accounts, they had reviewed their valuations and updated the fair value of investment assets. The outcome was a material difference in the value of their assets and a knock-on impact for the Council of a £20M increase in pension fund assets that had to be disclosed within the Council's ISA19 note. The change did not impact the Council's budget outturn position for 2020/21.

The external audit had now commenced and no other material changes identified so far. Following completion of the audit, Grant Thornton would produce a draft ISA260 and any issues found in the audit.

There were no changes to the narrative report which had been submitted to the Committee in July.

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

- The fair value assessment valuation of the multi million pound pension fund had resulted in a material difference in the value of its assets. There had been a material change in 2019/2020 between the draft and final accounts
- This would have been raised by the external auditor had it not already been picked up and adjusted accordingly
- It was a relative common update to the annual draft accounts across the local authority sector. Forecasts were sought from SYPA in January/February to meet the Council's draft accounts deadline

Resolved:- (1) That, having taken due regard of the current position of the external audit, the 2020/21 Statement of Accounts attached as Appendix 1 be approved for publication as final together with the 2020/21 Narrative Report attached as Appendix 2.

(2) That it be noted that the ISA260 will be submitted to a future Audit Committee for review once Grant Thornton have completed their audit work.

39. ANNUAL GOVERNANCE STATEMENT 2020/21

Further to Minute No. 24 of the meeting held on 29th July, 2021, David Webster, Head of Internal Audit, presented the final version of the Annual Governance Statement (AGS) for approval.

COVID-19 had had a significant impact throughout the year and was reflected in 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 Annual Governance Statement prior to its publication alongside the Audited Statement of Accounts.

Resolved:- (1) That the final 2020/21 Annual Governance Statement be approved.

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

40. INTERNAL AUDIT PROGRESS REPORT

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

Twelve audits had been finalised since the last Committee meeting of which 6 had received Reasonable Assurance and 6 Substantial Assurance as set out in Appendix B to the report.

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

Internal Audit's performance against a number of indicators was summarised in Appendix D. Target performance was almost achieved in March due to 2 complex reports, however, all indicators had been achieved in June to August.

Appendix E showed the number of outstanding recommendations that had passed their original due date, age rated. The number of outstanding actions currently stood at 9, 4 of which were due to be completed by the end of the month.

The previous issue of a high number of outstanding actions had already been resolved through the actions of the Chief Executive and Strategic Leadership Team who had been very supportive.

Discussion ensued with the following issues raised/clarified:-

- Pleasing to hear that discussions took place across the Council to develop the next Internal Audit Plan
- Details of the unplanned responsive work taking place
- Any suspected area of fraud should be reported to Internal Audit who would carry out a fraud investigation. Internal Audit would work with the senior management of the Directorate concerned

Resolved:- (1) That 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 be noted.

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

(3) That once complete, the outcome of the unplanned responsive work be submitted to the Committee including consideration as to whether it would be appropriate for the relevant members of staff to pursue a Certificate in International Quality Management System Standard.

(Appendix C was considered in the absence of the press and public in accordance with Paragraph 7 of the Act – information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime)

41. INTERNAL AUDIT CHARTER UPDATE

Further to Minute No. 112 of the meeting of the Audit Committee held on 29th September, 2020, David Webster, Head of Internal Audit, presented the revised Internal Audit Charter.

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

Although none of the requirements had changed in the last year, there was one change made to the Charter outlining the use of Salford Internal Audit Services to provide ICT audits.

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

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

It was noted that IT auditing was a very specialised field and there would be not be enough work within the Authority to justify the employment of a full-time IT auditor. The best compromise was to buy in that expertise; Salford Internal Audit Services provided the service for a number of authorities.

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

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

Further to Minute No. 8 of the Audit Committee meeting held on 29th September, 2020, consideration was given to a report presented by David Webster, Head of Internal Audit. It detailed the proposed update to the Council's Anti-Fraud and Corruption Policy and Strategy following an annual review process designed to ensure that the Policy and Strategy were up-to-date with current best practice and to take into account any changes to the Council's organisational structure.

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

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

The main changes to the documents were:-

- Reference to anti-fraud work relating to Covid grants
- Reference to annual exercises examining the electoral roll and single person's discounts

Discussion ensued with the following issues raised:-

- A new e-learning course had been prepared and ready to be rolled out to the relevant officers within the Council to ensure they were aware of the possibility of fraud and what to do if they suspected it
- All anti-fraud and whistleblowing policies were published on the intranet, their publication was included in management briefings
- Whistleblowing referrals were received which confirmed that staff were aware of the process - approximately 5-6 whistleblowing referrals had been received so far this year
- Such referrals could be investigated by Internal Audit/HR or management
- All staff should have an awareness of anti-fraud and what to do if they suspected something was not right but should everyone undertake a course? Possibility of a shorter/awareness raising course?

Resolved:- (1) That the revised Anti-Fraud and Corruption Policy and Strategy be approved and the proposed actions intended to strengthen the Council's fraud and corruption arrangements be noted.

(2) That consideration be given to an awareness raising e-learning course for all staff and the Anti-Fraud and Corruption Policy and Strategy be included in the weekly briefings.

43. AUDIT COMMITTEE FORWARD WORK PLAN

Consideration was given to the proposed forward work place for the Audit Committee covering the period November, 2021 to September, 2022.

Resolved:- That the Audit Committee forward work plan, as now submitted, be approved.

44. ASSISTANT CHIEF EXECUTIVE DIRECTORATE RISK REGISTER

Consideration was given to a report presented by Jo Brown, Assistant Chief Executive, supported by Simon Dennis, Acting Head of Policy, Performance and Intelligence, Tanya Lound, Acting Corporate Improvement and Risk Manager and Rob Savage, Acting Head of Change and Innovation, providing details of the Risk Register and risk management activity within the Assistant Chief Executive's Directorate.

Councillor Sheppard, Cabinet Member for Social Inclusion, was also present.

Due to the nature of the work of the Assistant Chief Executives Directorate, 5 of the 14 risks also featured on the Council's Strategic Risk Register. These were:-

- Building stronger communities and thriving neighbourhoods
- Tackling family poverty
- Hope and confidence in Rotherham
- Effective partnership working within and beyond Rotherham to maximise benefits to residents, service users and businesses
- Reduction of carbon emissions for the Council and the Borough

Attention was drawn to:-

- Regular discussion/review at the Directorate Leadership Team meeting. Where necessary any risk was escalated to the next strategic level for inclusion on the risk register
- Due to the broad policy agendas within the Directorate's oversight but delivery resting within other parts of the Council, strong linkages to ensure performance was monitored
- Risk register reviewed and revised accordingly to align with the Council Plan key priorities
- In the last 9 months the direction of travel for the risk ratings had been downward
- Discussions were taking place at Chief Executives and Leaders level with regards to the management and delivery of the vulnerable people resettlement scheme which was out of local authorities' control. The Government had contracted directly with a company to prepare properties across the region/country. Local councils were only consultees to the process

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

(The appendix was considered in the absence of the press and public under Section 3 of the Act (financial information) of Part 1 of Schedule 12(A))

45. 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

Gareth Mills, Grant Thornton, presented the report submitted illustrating the findings of the Financial Reporting Council's review of the external audit work carried out by Grant Thornton for the 2019-20 financial year.

The review covered both accounts, audit and the value for money arrangements review. Files were graded on a 4 point basis – 1 (Good), 2 (Limited improvement required), 3 (Improvements required) and 4 (Significant improvements required). Acceptable level was now Grade 2.

Both Grant Thornton's accounts and value for money audit work were graded at level 2 with only limited improvements required.

Discussion ensued with the following issues raised/clarified:-

- There were no findings on the 4 main audit risks – PPE and Investment Property valuations, Rotherham's share of the South Yorkshire Pension Fund deficit, use of journals and value for money (Dedicated Schools Grant) deficit
- The next external audit would include work on MRP calculations and have a specific commentary in the ISA260 report
- New value for money arrangements review to be submitted to the January Committee meeting

Resolved:- That the report be noted.

(Exempt under Paragraph 3 (financial information) of Part 1 of Schedule 12A)

46. ITEMS FOR REFERRAL FOR SCRUTINY

There were no items for referral.

47. URGENT BUSINESS

There was no urgent business to be considered.

48. DATE AND TIME OF NEXT MEETING

Resolved:- That a further meeting be held on Tuesday, 30^{th} November, 2021, commencing at 2.00 p.m. in Rotherham Town Hall.

Agenda Item 7

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 30 November 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 was 30th September 2021, however, as previously reported to Audit Committee by Grant Thornton, the Council's external audit of its 2020/21 accounts would not complete by this point. This was 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.

The Council presented final unaudited accounts to Audit Committee on the 30th September 2021, in light of the delayed audit. The audit of the Council's accounts is now nearing completion and Grant Thornton will present to Audit Committee their ISA 260 report along with any recommendations as a result of the audit. At the point of this report production, Grant Thornton's ISA260 had not been shared with the Council but it is expected the ISA260 will be circulated prior to the meeting.

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

At this point 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 external audit findings, detailed within the ISA 260 report, formally approve the 2020/21 audited Statement of Accounts attached as Appendix 2 for publication as final and the 2020/21 Narrative Report attached as Appendix 3 for publication as final.

List of Appendices Included

Appendix 1 – ISA 260 (to be circulated at the prior to meeting)
Appendix 2 – 2020/21 Audited Statement of Accounts (to be circulated at the prior to meeting)
Appendix 3 – 2020/21 Narrative Report

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 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 Council's audited accounts was 30th September 2021, however, as previously reported to Audit Committee by Grant Thornton, the Councils external audit of its 2020/21 accounts would not complete by this point. This was 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.

1.2 The Council presented final unaudited accounts to Audit Committee on the 30th September 2021, in light of the delayed audit. The audit of the Councils accounts is now nearing completion and Grant Thornton will present to Audit Committee their ISA 260 report along with any recommendations as a result of the audit. At the point of this report production, Grant Thornton's ISA260 had not been shared with the Council and it is expected the ISA260 will be circulated prior to the meeting.

2. Key Issues

2.1 As Grant Thornton's audit report was not available at the time of writing this report, the Council isn't able to specify the main recommendations from the report or respond to any required changes to the Councils' Statement of Accounts that may be requested by Grant Thornton. In addition, the Council isn't able to provide any indication of the external audit opinion with regards to the Statement of Accounts or value for money assessment.

2.2 The Council has fully engaged with the external audit and endeavoured to respond to issues as quickly and efficiently as possible.

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 was 30th September 2021. Grant Thornton were 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.

Grant Thornton

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

Year ended 31 March 2021

23 November 2021

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit Committee.

Gareth D Mills

Name : Gareth Mills, Engagement Lead for Rotherham MBC

For Grant Thornton UK LLP

Date : 23 November 2021

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rotherham Metropolitan Borough Council ('the Council') and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our year-end audit work was performed from August into November. Our findings are summarised in Section Two of this report. As at the date of this report, we have not identified any audit adjustments impacting on the Council's useable reserves. As reported by management at the September Audit Committee, there has been one material adjustment to the draft financial statements in relation to the Pension fund liability.

There has been a decrease in the Council's net pension fund liability by c£20.3m to reflect the actual pension asset valuations as at 31 March 2021, replacing the provisional valuation included within the draft Statement of Accounts.

A list of presentational audit adjustments are detailed at Appendix C. We have raised some recommendations for management as a result of our work in the Action Plan at Appendix A. Our follow up of recommendations from the prior year are detailed at Appendix B.

Our work is nearing completion in advance of our target sign off date of the end of November. At present, there are no matters of which we are aware that would require modification of our proposed audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters:

- completing the remaining few elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments, journals, grant income, operating expenditure
- receiving a response to our inquiries made in July 2021 around informing the risk assessment including the fraud risk assessment (we expect management to present this to the Audit Committee on 30 November)
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of significant audit risks of PPE valuation, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

We have concluded that the other information to be published together with the audited financial statements is consistent with our knowledge of the Council and the financial statements we have audited, subject to satisfactory completion of our review of the final Narrative Report and AGS.

We plan to issue an unqualified (clean) audit opinion by 30 November 2021.

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness - Financial sustainability - Governance.	We have not yet completed all of our VFM work and are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay was sent to the Chair of the Audit Committee in September and is attached at Appendix F to this report. We expect to issue our Auditor's Annual Report before end of February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report (AAR) to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. As a result we identified one possible risk of significant weakness in relation to Dedicated Schools Grant (DSG) deficit position which was £21.3m as of 31 March 2021 and the Council's linked recovery plan. We reported this to you in our Audit Plan which was presented to the Audit Committee on 29 July 2021. We have performed further procedures in respect of this risk of significant weakness in Section Three of this report. Based on our work performed to date, considering the Council's arrangements in place, actions being taken to address the deficit, and the Council's engagement with relevant key stakeholders, we have concluded that there is no residual risk of significant weakness at the time of our financial statement audit opinion date. Further work on this matter and reporting will be captured in our AAR which is due to be finalised before the end of February 2022.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, and our review of the Council's Whole of Government Accounts (WGA) submission. We expect to conclude our work in these two areas and be in a position to issue our audit certificate by the end of February 2022.
Significant Matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.
Acknowledgements	We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during our audit which was again conducted in challenging circumstances and remotely, as in the prior year.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management, Audit Committee (as those charged with governance).

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

Audit approach

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

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

Conclusion

We have substantially completed our audit of your financial statements and subject to the outstanding queries being resolved, we anticipate issuing an unqualified (clean) audit opinion by 30 November 2021. These outstanding items include:

- completing the remaining few elements of our work on PPE, pension fund assets and liabilities, payables and receivables, payroll costs, financial instruments, Journals, grant income, operating expenditure
- receiving a response to our inquiries made in July 2021 around informing the risk assessment including the fraud risk assessment
- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager and Engagement Lead, specifically in respect of the significant audit risks of PPE revaluations, pension fund liability and journals testing
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan dated 20 July 2021.

We detail in the table our determination of materiality for the Council.

Materiality area	Amount (£000)	Qualitative factors considered
Materiality for the financial statements	8,750	We have determined materiality at 1.5% of gross operating expenditure for the year. We consider this as the most appropriate criteria given stakeholders interest in the Council delivering its budget. There are no changes to this threshold or benchmark to that set out in our Audit Plan dated 20 July 2021.
Performance materiality	6,125	Assessed to be 70% of financial statement materiality.
Trivial matters	437	This equates to 5% of materiality. This is our reporting threshold to the Audit Committee for any errors identified.
Materiality for senior officer remuneration disclosures	15	The senior officer remuneration disclosures in the Financial Statements have been identified as an area requiring specific materiality due to its sensitive nature. There are no changes to this threshold from our Audit Plan dated 20 July 2021.

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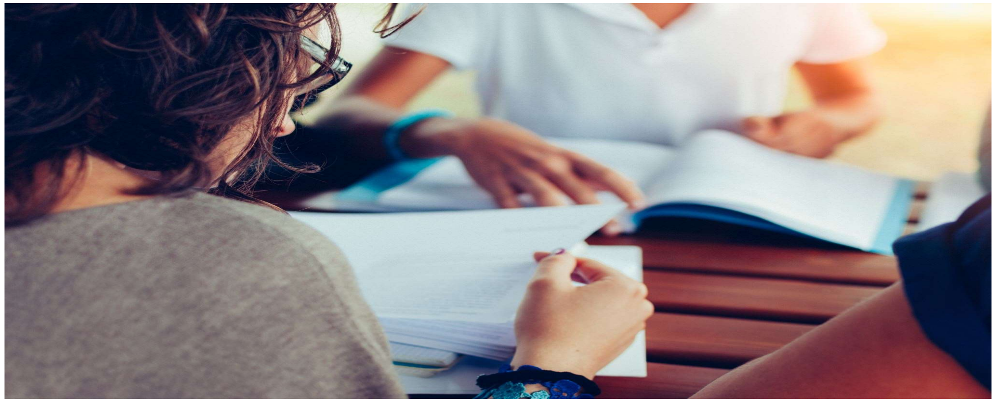
2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work, we have • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied and made by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions as relevant Our audit work to date has not identified any issues in respect of management override of controls. We will provide a verbal update to the Audit Committee on 30 November should any significant issues arise from completing our work in this area and issuing our audit opinion.



Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud in revenue recognition and expenditure Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. Expenditure Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds • there is no significant pressures on general fund reserves of the Council • Covid -19 funding has been sufficiently provided for additional expenditure and loss of income during 2020-21.	Notwithstanding that we have rebutted these risks we have undertaken a significant level of work on the Council's revenue streams, as they are material to the financial statements audit. As part of our audit work, we have: Accounting policies and systems • Evaluated the Council's accounting policies for recognition of income and expenditure for it's material income and expenditure streams and compliance with CIPFA Code • Updated our understanding of the Council's business processes associated with accounting for income and expenditure. Fees, Charges and other service income • Agreed, on a sample basis, income and year end receivables from other income to supporting evidence. Taxation and non specific grant income • Income for national non-domestic rates (NDR) and council tax is predictable and therefore we conducted substantive analytical procedures. We have also obtained sufficient assurances on NDR relief for 2020-21 • For other grants, sample tested items for supporting evidence and check the appropriateness of the accounting treatment in line with CIPFA Code. Please see further reporting at page 16. Expenditure • Agreed, on a sample basis, non-pay expenditure, interest payable and year-end payables through to supporting evidence • Undertaken detailed substantive analytical procedures on pay expenditure. We also carried out sufficient and appropriate audit procedures to ascertain that recognition of income and expenditure was in the correct accounting period using cut off testing. We identified one immaterial disclosure error. This has no impact on Council's Useable Reserves and management has amended the accounts to correct this. This is reported at Appendix C. From our audit work to date, there are no other issues identified that require reporting to the Audit Committee.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings, including investment properties The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (over £950 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. We therefore identified the closing valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to management's valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed and challenged the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engaged our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to check if they had been input correctly into the Council's asset register • evaluated the assumptions made by management and the management expert when valuing investment properties at fair value as at 31 March 2021 • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • evaluated, where the valuation date is not 31 March 2021 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate as at 31 March 2021. Our audit work to date has identified the following issue: Material valuation uncertainty reported by the Council's valuer: The Council's valuation specialists have included a material valuation uncertainty as a result of Covid-19 on land and buildings valuations, including investment properties. This was reported in the draft financial statements, under assumptions made about the future and other major sources of estimation uncertainty, and in notes 19 and 20 - Propriety Plant and Equipment and Investment Properties notes respectively. Considering the latest RICS guidance to valuers is that blanket material uncertainties as a result of Covid-19 are no longer required, we challenged the Council on this disclosure. After further considerations of the asset types and application of accounting principles around material estimation uncertainties, management has agreed to remove the disclosure from the financial statements in the revised version of the accounts. This has no impact to our audit opinion. We have reported this at Appendix C. Other issues: We identified one immaterial issue in relation to charging additional depreciation on a revalued building during 2020-21. We also identified minor disclosure issues that management has amended the revised financial statements. We have reported these at Appendix C. None of these issues have any impact to the proposed audit opinion to be issued.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£485m in the Council's balance sheet per draft accounts) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice for Local Government Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the net pension liability estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated pension fund net liability. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	As part of our audit work, we have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained assurances from the auditor of the South Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements • obtained assurances that the asset valuations are based on 31 March 2021. • as part of our additional audit challenge and understanding of the net pension fund liability valuation, we also had a meeting with the Pension Fund actuary and the Pension Fund Administrator. We have the following matter to report in relation to our work on this significant risk: **Decrease in pension fund liability by £20.3m:** The April 2021 actuary reports included an Investment Return of 19.32% which was not based on asset valuations as at 31 March 2021. As part of the pension fund audit, the South Yorkshire Pension Fund (SYPF) Auditor identified a material change in pension fund asset valuations from December 2020 to 31 March 2021 . As a result, the SYPF revalued the pension fund assets as at 31 March 2021 which highlighted a movement in the total investment return from previous 19.32% to 21.1%. The actuary, updated the net pension liability reports in July 2021 to address this change. The impact of this to the Council was a £20.3m reduction in the net pension liability from £485m to £464m. This was a post draft accounts adjustment by management as reported at the September Audit Committee. We have now audited this adjustment carried out by management and can confirm that it has been appropriately accounted for in the final audited accounts. Our audit work to date has not identified any other issues that need to be reported to the Audit Committee.

2. Financial Statements – new issues and risks

Issue	Auditor commentary and view
IFRS 16 implementation Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020-21 accounts to comply with the requirement of IAS 8 para 31. As a minimum, we expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	The Council has included a high level reference to IFRS16 in its accounts under Accounting Standards Issued but Not Yet Adopted. The minimum requirements of IAS8 have been met. Management and the audit team will liaise during the 2021-22 audit to ensure the requirements of the new standard are being followed and plans are in place for this issue to be adequately reported in the 2021-22 accounts and fully adopted in the 2022-23 accounts.
Recognition and Presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Note 7 and Note 8 to the accounts include a detailed analysis of grant income . This includes breakdowns of Taxation and Non Specific Grant Income, Analysis of grant income credited to CIES and capital grant received in advance. Both notes provide the accounting principles supporting grant income. Our audit testing to date of grant income during 2020-21 has not identified any non-compliance with the requirements for grant accounting as specified in the Code.
IT General Controls (ITGC) work As part of our audit procedures on the financial statements, we conducted our ITGC work. This was targeted on general IT controls based on our prior year knowledge and updating it for 2020-21 . This was performed by our IT specialists. The objective was to identify any significant deficiencies in IT general controls that could lead to any material errors in the financial statements.	IT specialists did not identify any deficiencies or recommendations that need reporting as a result of 2020-21 work. We can confirm that there are no significant deficiencies arising from our IT specialists' work.

2. Key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Auditor Comments	Assessment
Council Dwellings valuation: £694.4m	The Council is required to revalue its Council housing in accordance with Department of Levelling up Housing and Communities (DLUHC) Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged its valuer to complete the valuation of these properties. The valuation reported as at 31 March 2021 amounted to £694m, a net increase of £40m from 2019-20 (£654m).	• The Council's RICS qualified valuer has valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly to the 2020-21 valuation. • We have assessed the Council's valuer to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the accounts • We have compared the valuation movements with the Gerald Eve (property valuation specialists) national report and held discussions with our own valuation auditor's expert. These discussions are still on going and we intend make our conclusions before we issue the audit opinion. Our audit work to date has not identified any issues in respect of management key judgements and estimates made by management.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious (light purple) TBC

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Auditor Comments	Assessment
Other Land and Buildings valuation: £272.9m Investment Properties – £26.6m	Other land and buildings comprises c£223.6m (c72%) of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (c£49.3m or 18%) are not specialised in nature (such as car parks) and are required to be valued at existing use in value (EUV) at year end. The Council has engaged its in-house RICS qualified valuer to complete the valuation of assets on a five yearly cyclical basis as permitted by Code of Practice on Local Authority Accounting. The Council has a process in place to assess assets not revalued in year. Based on the revaluation movements observed for assets revalued as part of the rolling cycle, the valuers assess whether other assets within each group are likely to show a significant movement and if so, the valuers will revalue further assets within the group. There is another process to assess the movement between the valuation date (1 April) and the year end. For specialised assets, this assessment is based on the movement in appropriate indices. For non-specialised assets, which are valued using market based inputs, an exercise is undertaken to ensure key inputs remain appropriate. Revaluations at the year end are processed when deemed appropriate by the valuers to give management assurance that the closing current value is not materially different to its carrying value.	• We have assessed the Council's in-house valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas and have no issues to report • The valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) property valuation report and held discussions with our own valuation auditor's expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we intend make our conclusions before we issue the audit opinion. • Material valuation uncertainty reported by the Council's valuer: The Council's valuation specialists have included a material valuation uncertainty as a result of Covid-19 on land and buildings valuations, including investment properties. This was reported in the draft financial statements, under assumptions made about the future and other major sources of estimation uncertainty, and in notes 19 and 20 - Propriety Plant and Equipment and Investment Properties notes respectively. We have reported this at Appendix C and page 9. • We have made a recommendation to bring the valuation date closer to year end for other land and buildings (see Appendix A)	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(light purple)** TBC

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Auditor Comments	Assessment
Investment Properties – £26.6m	Investment Properties: All investment properties (note 20 to the financial statements) have been valued as at 31 March 2021 at fair value based on a market approach as applicable. This takes in to account existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strengths for existing tenants and data and market knowledge gained in managing the Council's investment property portfolio. The fair value hierarchy and valuation techniques used to determine fair value of investment properties are further disclosed in note 20 to the accounts.	• Our work on investment property valuations highlighted that assumptions and estimates are neither optimistic nor cautious. • See further auditor comments at page 13	We consider management's process is appropriate and key assumptions are neither optimistic or cautious **(light purple)** TBC

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2. key judgements and estimates(continued)

<table>
<tr><th>Significant Judgement or estimate</th><th>Summary of management approach</th><th>Auditor comments</th><th>Assessment</th></tr>
<tr><td>Net pension liability
£485.2m (draft accounts)
£464.8m (revised accounts)</td><td>Per the draft accounts, the Council's net pension liability at 31 March 2021 was £485.2m (PY £450m) comprising the South Yorkshire Local Government Pension Scheme.

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

Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £15m net actuarial loss during 2020-21 (final audited accounts)</td><td>• We have assessed the Council's actuary, Mercers, to be competent, capable and objective
• We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019-20 roll forward calculation carried out by the actuary and have no issues to raise.
• We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – please see the table below for our comparison of actuarial assumptions. The PwC report has also indicated that they are comfortable with Mercer's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2021 for all employers.

<table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC comments</th></tr><tr><td>Discount rate</td><td>Beginning 2.4% End 2.1%</td><td>Assumption appears reasonable</td></tr><tr><td>Pension increase rate</td><td>Beginning 2.1% End 2.7%</td><td>Assumption appears reasonable and methodology appropriate.</td></tr><tr><td>Salary growth</td><td>Beginning 3.35% End 3.95%</td><td>In line with 2020 valuation.</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>Future Pensioners: 23.9
Current- pensioners: 22.4</td><td>Overall mortality assumptions appear reasonable.</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>Future Pensioners: 27.1
Current- pensioners: 27.2</td><td>Overall mortality assumptions appear reasonable.</td></tr></table>
• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
• We confirmed that valuation assets are based on 31 March 2021 valuations
• We have confirmed there were no significant changes in 2020-21 to the valuation method
• As part of our additional audit challenge and understanding of the net pension fund liability valuation, we have met with the Pension Fund actuary and there are no issues arising as a result of this meeting
• Please refer to page 10 of this report for further information on the post draft accounts adjustment as a result of change in the Investment Return Rate. This resulted the net pension fund liability reducing by £20.3m, from £485m to £465m. This has no impact to our audit opinion and the management assessment of key judgements and estimates</td><td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious

(light purple)</td></tr>
</table>

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2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income: **£509m (PY £456m) - from adding notes 7 and 8** The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. Due to the Covid-19 pandemic there has been a significant increase in the level of grant funding with associated complexity and requirement of management's judgement on the accounting.	Management has taken into account three main considerations in accounting for grants: 1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. 2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income 3. whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance. Grant income is disclosed at notes 7 and 8 to the financial statements.	• We have substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent • For the samples selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES or not. • We have assessed the adequacy of disclosure of grants received and judgement used by management as part of our detail testing. Our work to date has not identified any matters to report in this area.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious (light purple)

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2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision charged to General Fund £6.6m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance The year end MRP charge to general fund reserves was £6.5m. In 2014-15 , the Council undertook a review of its MRP policy in line with the Capital Financing Regulations. Under the current statutory guidance, there are four options available to the Council: 1. Regulatory Method 2. Capital Financing Requirement Method 3. Asset Life Method 4. Depreciation Method As part of the review by the Council, consideration was given to all four options. Option 3 was selected linking MRP to the average useful life of an asset which better reflects the economic benefit the Council gets from using the asset to deliver services over its useful life. This was linked to ensuring council taxpayers are being charged each year in line with asset usage and prevents current taxpayers meeting the cost of future usage or future tax-payers being burdened with charges relating to assets that are no longer in use. The other 3 methods in the statutory guidance were not dependent upon the Useful Economic Life of the asset to be financed and therefore the Council considered method 3 to be more prudent. Within Option 3, MRP is permitted to be calculated in one of two ways – equal instalments or on an annuity basis. The Council has chosen to calculate MRP on an annuity basis. Whilst this is in line with permitted guidance, this has the effect of reducing MRP in the early years and increasing it in the later years of the asset. This re-profiling resulted 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 was clawed back by taking an MRP 'holiday' in full or in part against future years' charges that would otherwise have been made.	• We have reviewed the Council's approach to MRP as described on the left and overleaf on pages 18. • The Council's calculation of MRP has been determined in line with the statutory guidance and management assess the MRP charge to remain prudent • There have been no changes in the Council's policy for calculation of MRP since the current policy was approved by full Council in 2014-15. • Our work highlighted that the MRP policy has been reported to the Cabinet every year as part of budget setting process, covering capital expenditure plans and prudential indictors. • The MRP charge is an area of increasing focus for local authority external auditors following recent highly publicised financial challenges at certain local authorities where MRP charges were found to be inappropriate. For our 2020-21 audits, we have compared the MRP charge to the general fund as a percentage of the Capital Financing Requirement of the General Fund. At Rotherham, the charge was £6.6m and CFR General Fund amount was £543m - at the year end, which gives 1.2% . This is relatively low compared to some of our other local authorities. However, when you take into account the annuity method of MRP charge, where the MRP charge is low at early years and increasing in the later years according to the profiling, this is not considered to be unreasonable.	We consider management's current process is appropriate and key assumptions are neither optimistic or cautious (light purple)

2. key judgements and estimates (continued)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision continued	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. As a result, the Council's use of the MRP holiday identified in 2014-15 ended in 2019-20. No MRP holiday was used in 2020-21 with the process concluded, all available MRP holiday has now been utilised. MRP on an Annuity Basis - Statutory guidance, method 3(b) As indicated at page 17, The Council accounts for MRP and repayment of borrowing on an annuity basis. This means all outstanding debt is 'repaid' within the useful economic life of the asset with the profile of repayments increasing over time i.e. repayments start low and increase over the Useful Economic Life of the asset which is now averaging at 50 years for significant asset base of the Council, which is considered prudent From a budgeting perspective the Council needs to ensure that sufficient budgetary planning should be in place to absorb MRP charges to the General Fund which is increasing in the future years due to the Annuity method adopted. The Council may look to change its approach to MRP calculations either on all assets or some asset classifications moving forward to create a more level profile for MRP than the Annuity method. However, the present approach used by the Council is reported in this section. Overall, the Council currently maintains an MRP model that compares future charges, the budgetary provision and the associated earmarked reserves to ensure that the MRP charges are affordable over the 50 year period. Using this model, the Council is able to appropriately set aside both budgetary provision via the MTFS and the accumulated reserves to maintain this prudent approach.	Any future changes to the MRP policy and reprofiling should give due regard to the statutory guidance, be prudent and affordable for future medium and long term financial planning of the Council. Our work indicated that, overall the Council's current MRP policy is prudent with appropriate application of the statutory guidance, associated judgements and estimates on useful economic life of financed assets.	We consider management's current process is appropriate and key assumptions are neither optimistic or cautious (light purple)

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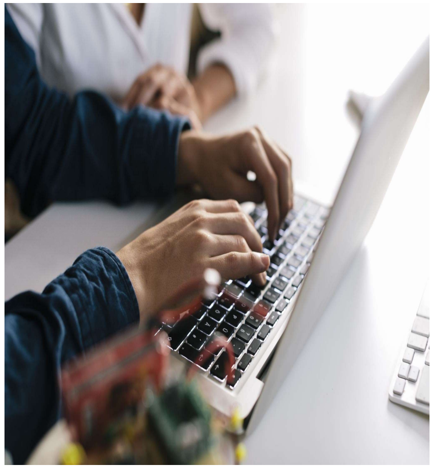
2. Other communication requirements

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



Issue	Commentary
Matters in relation to fraud	We have discussed the risk of fraud with the Chief Financial Officer (s151) and Head of Corporate Finance. We are currently awaiting a response from management on our informing risk assessment inquiries made in July 2021 which captures matters in relation to fraud. These responses should also be shared with the Chair of the Audit Committee. This ensures the Audit Committee Chair's understanding of fraud matters are consistent with management's responses provided to us. This forms part of our conclusions on fraud matters under ISA(UK). We understand this will be presented by management to the Audit Committee on 30 November. We have not been made aware of any material incidents in the year and no other issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. However, our work on note 17 to the financial statements indicated the Council has disclosed parties that are not necessarily captured by the relevant accounting standard as related parties. Therefore there was an over disclosure around this accounting requirement. This has been reported at Appendix C and we have made a recommendation on this for 2021-22. This has no impact to our audit opinion.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council – tabled separately for the Audit Committee meeting.
Confirmation requests from third parties	We requested from management permission to send a confirmation request to the Council's banker, and entities who were involved with the Council's investments and borrowings. This permission was granted and the requests were sent and responded to with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements to date. Our work did identify a small number of presentational disclosure amendments which have been processed by management and these are set out at Appendix C.
Audit evidence and explanations / significant difficulties	We have experienced good, continued co-operation from the Council for all information and explanations requested to date. In order to finalise our audit, we expect to receive continued timely engagement and responses from management. There are no significant difficulties to report in terms of receipt of audit evidence at this time.

2. Other communication requirements

Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient and appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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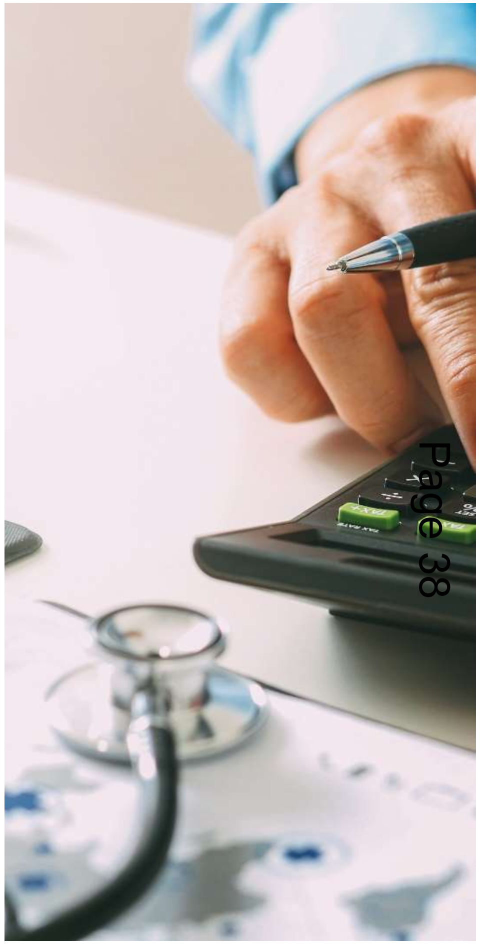
2. Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified other than minor presentational matters, which have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit. • if we have applied any of our statutory powers or duties • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness(es). We have nothing to report on these matters. Our Value for Money work is underway and will be completed by February 2022.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020-21 audit of the Council in the audit report, as detailed at Appendix E, until we have completed our work on the WGA consolidation exercise mentioned above and completed our Value for Money responsibilities with the issue of the Auditor’s Annual Report. This is in common with the vast majority of other local authorities given the later audit deadline for the VFM work and the current lack of instructions for the WGA work.



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3. Value for Money arrangements

Revised approach to Value for Money work for 2020-21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020-21. The Code introduced a revised approach to the audit of Value for Money (VFM).

There are three main changes arising from the NAO's new approach:

1. A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
2. More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria
3. Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows (in order of severity):

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. Risks of possible significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of possible significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We reported one risk of significant weakness to you in our Audit Plan dated 20 July 2021 which is highlighted below.

We have conducted further work since our Audit Plan was issued in July. Our conclusions as of November 2021 is reported below. We will make further reference to this area on completion of our VFM work in our Auditor's Annual Report – due by February 2022.

Risks of possible significant weakness - July 2021 Audit Plan

These would be risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

At planning stage we reported the following risk of possible significant weakness:

Dedicated Schools Grant (DSG) deficit position and recovery plan per Audit Plan:

Over the past two years we have reviewed and monitored the Council's DSG performance and the increasing deficit position. The outturn position on the DSG reserve as at 31 March 2020 was a deficit of £19.9m. This was over £3m above the agreed plan for 2019-20, which was a planned £16.5m deficit. Initial discussions with management in 2020-21 indicated a plan to reduce the in-year deficit by £1.9m as at 31 March 2021.

We are aware the Council continues to hold regular discussions with the Education and Skills Funding Agency (ESFA), regarding the challenges of the High Needs Block. In addition, we note the discussions of the DSG position at Cabinet and Audit Committee, helping to ensure Members are kept informed of the latest developments in this area.

The new regulations from the DfE mandate that a DSG deficit may only be funded and recovered through DfE financial support and recovery arrangements. The Government's intention is that DSG deficits should not be covered from general funds but that over time they should be recovered from DSG income. We will review the plans the Council has to reduce the annual expenditure in this area and, ultimately, to recover the cumulative overspend.

We will consider the Authority's financial outturn position for 2020-21 and its planned position for 2021-22 and beyond. We will keep the possibility of a significant weakness arising and/or an existing risk increasing to a significant weakness as part of our ongoing 2020-21 VFM review.

Risks of possible significant weakness – work done from July to November 2021

The VFM risk could arise from:

- lack of arrangements in place at the Council to manage and reduce this deficit
- lack of stakeholder involvement to understand and address this deficit in the medium to longer term.
- lack of understanding of the challenges ahead and reason for the deficit
- lack of reporting to the members.

Lack of such proper arrangements could increase the severity of this issue every year and in turn could create a significant financial burden to the Council. Such VFM risks would give rise to significant VFM weakness.

We have conducted our work in this area since our Audit Plan was issued in July. The Council's DSG reserve continues to be in material deficit, where a planned reduction of £1.9m actually ended in a 1.4m increase in the deficit to £21.3m – a swing of £3.3m. As in the prior year, we have benchmarked the Council's arrangements against guidance issued by the NAO in September 2020. The guidance covers good practice arrangements that should be in place when such deficits arise at local authorities.

Conclusion on risk of significant weakness: Material DSG deficit – November 2021

Conclusion: Our work is set out on the following two pages (see pages 24 and 25). Our conclusion is, based on our review of the evidence of the Council's responses to date, there is no residual risk of a significant weakness in arrangements in place to address this material DSG deficit.

However, we will make further reference to this area on completion of our VFM work in our Auditor's Annual Report to the Audit Committee – due by February 2022.

Risk of significant weakness	Audit work performed and summary findings
Dedicated School Grant (DSG) deficit position and recovery plan [See page 23 of this report for the description of the risk as reported in our July 2021 Audit Plan]	We have assessed the Council's material DSG deficit against the four criteria set out by the NAO guidance. This forms a key part of our assessment and conclusion (as set out at page 23) on the Council's DSG deficit at this stage of the VFM work. (Q1) Has the body demonstrated engagement with DfE in respect of its DSG deficit and what are the actions arising from this discussion? Yes. A number of meetings have been held between the Council and the DfE within the Safety Valve Intervention Programme (DSG Recovery Plan). This has happened during 2020-21 and continues into 2021-22. The next step is for the Council to submit a further proposal to the DfE on 22 November 2021 – this has been submitted. The DfE is due to feedback to the Council on 30 November prior to a further final submission by the Council on 7 December. During these meetings the Council updates its position, performances to date and action plan undertaken to mitigate and manage the deficit. The Council has produced a DSG Financial Management Plan to identify cost savings and reduce the cost pressures on the High Needs Block within the Dedicated Schools Grant. The four main cost pressures (which are also national pressures) are: 1. High cost external residential placements and independent sector placements 2. General growth in the number of Education Health Care Plans (EHCP) with a pressure identified for supporting young people post 16 years of age 3. Growth in alternative provision placements linked to Pupil Referral Units as an outcome of permanent exclusions 4. The growth in the number of pupils who require specialist provision when their assessed needs cannot be met by mainstream schools and academies. These key challenges and cost pressures are discussed together with progress made. In addition, there is evidence that the Council regularly liaises with the Rotherham School Forum, highlighting the risks and actions to be taken by all stakeholders including the School Forum. Overall our work indicates that there is reasonable evidence of Council engaging with DfE and other key stakeholders to manage the deficit. (Q2): Does the Council have a deficit recovery plan based on reasonable assumptions? Partially. The Council had a 3 year recovery plan which was set in summer 2019, covering 2019-20 to 2021-22. The Council did not achieve the deficit recovery plan targets set for 2019-20 and 2020-21. As reported in our prior year's Audit Findings Report, the 2019-20 target was not achieved by c£3m and 2020-21 target was missed by c0.9m (based on a revised target set during 2020) or £3.3m based on the original 2020-21 target. The latest management template proposal has been shared with DfE in November 2021 as part of Safety Valve discussions currently ongoing between the Council and the DfE. The DSG cost pressures are changing upon increasing EHCP demands – in common with a number of local authorities across the country. The covid-19 pandemic has also not helped in terms of using more reasonable assumptions as the environment has been volatile. The Council's November submission to the DfE notes a planned £0.75m deficit on DSG for 2021-22 before moving back into an in-year surplus of £0.9m for 2022-23. The c£3m school block to High Needs Block transfers in recent years is planned to continue up to 2023-24. Overall, given the national challenges in this areas, the Council's arrangements on this issue are only deemed to be partially met.

Audit work performed and summary findings – continued

Dedicated School Grant (DSG) deficit position and recovery plan

See page 23 of this report for the description of the risk as reported in our July 2021 Audit Plan

(Q3) Where deficits continue to grow, does the authority understand why? Is there evidence of a correlation between increasing demand and rising cost?

Yes. The over spends are as a result of a number of factors and are consistent with increases in DSG deficit positions across a number of local authorities. One aspect is an overall increase in Education Health and Care Plans. Other contributors include an increase in the number of young people aged 16 to 25 with an EHCP who are now the responsibility of the Council to fund, an increase in the number of children accessing higher cost provision and an increase in the number of pupils in Alternative Provisions (Pupil Referral Units). The deficit reflects system wide issues in how the funding is determined and demographic challenges. Whilst the allocation moved to a formulaic basis in 2018-19 and now includes proxy indicators of SEND within the population, a large element of the grant remains fixed, based on historic spend, where demands on EHCP have significantly increased since then. The DfE have recently acknowledged the need to review the national funding formula for allocations of high needs funding to local authorities by launching a consultation in February 2021. It proposes changes to the historical spend element for 2022-23 as well as looking at other funding factors in future years.

From our continuing discussions with senior management over the last two years, attendance of Audit Committee meetings and review of cabinet reports indicates that the Council understands the reasons for the deficit increase. At Rotherham, there is correlation between the deficit and the increasing demand on the High Needs Block budget. Since 2019-20, the Council has successfully submitted disapplication requests to the Secretary of State to transfer 1.5% of the DSG Schools Block allocation (c£3m) to the High Needs Block. This has again taken place as part of the 2021-22 Schools funding formula consultation and was agreed in February 2021.

Overall our work indicates that the Council understands the reasons for these deficits and there is a clear correlation, for example, an increase in the number of young people aged 16 to 25 with an EHCP (which is now the Council's responsibility to fund) and rising costs in the High Needs Block budget.

(Q4). Do members fully understand the position, risks and actions being taken?

Yes. Management has reported and updated the Cabinet and Audit Committee members throughout 2020-21 regarding the DSG deficit performance. There is monthly reporting to the Cabinet on budget monitoring and these financial performance reports include an item on the DSG deficit. In addition, the annual 2020-21 outturn report to the Cabinet, presented in July 2021, summarises DSG performance including the High Needs Block budget pressures.

Additionally, regular reporting is made to the members of the Audit Committee, which we have witnessed during the year. This reporting provides actions taken by the Council and the latest position on the DSG deficit during the year.

Overall, from our experience, there is an established reporting structure within the Council to the Cabinet and the Audit Committee highlighting the DSG deficit. Therefore, members are regularly informed about the DSG performance, risks and actions being undertaken, including the Council's liaison with the stakeholders such as the Rotherham School Forum and DfE.

4. Independence and ethics

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

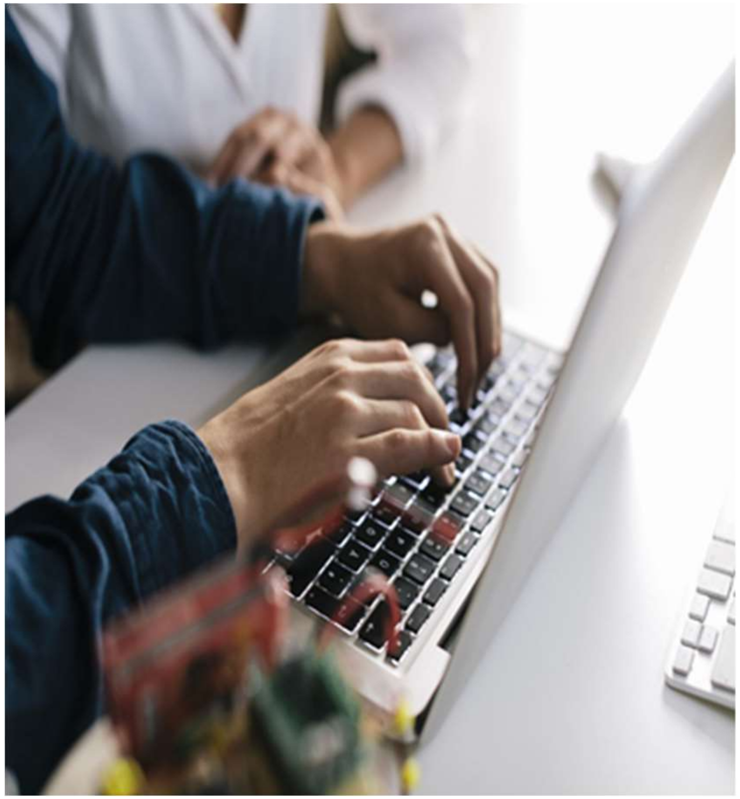
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

Details of fees charged are detailed at Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)



4. Independence and ethics (continued)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and associated safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefit Claim	*22,800	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is *£22,800 in comparison to the total fee for the audit of £183,938 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Responding to Elector correspondence	4,000	Self review (because GT provides audit services)	We received four items of correspondence from local electors in the early part of 2021. Two of the items of correspondence required a level of detailed work by the Engagement Lead, liaising with senior management at the Council, in order to respond to the questions raised. The engagement lead had no involvement in the preparation of information provided for review, and do not expect material misstatements in the financial statements to arise from the performance of these elector queries. Although items reviewed may be included within the financial statements audited, the review work required in respect of this is separate from the work required to audit the financial statements under ISA(UK). Additionally, this is not a recurring fee and is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £183,938 and in particular relative to Grant Thornton UK LLP's turnover overall.
Non-audit related:			
None	-	-	-

NOTE on Housing Benefit fee:

* The £22,800 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been reported to the Audit Committee. None of the services provided are subject to contingent fees.

Appendices

A. Action Plan

We have made the following recommendations as a result of issues identified during the course of our audit including our Value for Money work to date. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of our 2021-22 audit. The matters reported here are limited to those areas we have identified during the course of our audit and VFM work to date, and are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Minimum Revenue Provision We have reviewed the Council's approach to MRP as described on pages 17 and 18. The Council's calculation of MRP has been determined in line with the statutory guidance and management assess the MRP charge to remain prudent. There have been no changes in the Council's policy for calculation of MRP since the current policy was approved by full Council in 2015-16 The MRP charge is an area of increasing focus for local authority external auditors following recent high publicised financial challenges at certain local authorities where MRP charges were found to be inappropriate. For our 2020-21 audits, we have compared the MRP charge to the general fund as a percentage of the Capital Financing Requirement for the General Fund. At Rotherham, the charge is £6.5m and CFR General Fund amount of £543m at the year end, which gives a charge of 1.2%. This is relatively low compared to some of our other local authorities. However, when you take into account the annuity method of MRP charge, where the MRP charge is low in early years and increasing in the later years according to the profiling, this is not considered unreasonable. Our discussions with management indicate that the Council may look to change its approach to MRP calculations either on all assets or some asset classifications moving forward to create a more level profile for MRP than the current annuity method.	Any future changes to the Council's MRP policy and reprofiling should give due regard to the statutory guidance, be prudent and affordable for future medium and long term financial planning of the Council. Management response: *Noted and agreed. The Council's current policy for MRP is determined in accordance with statutory guidance and is considered to be reasonable and appropriate. However, the Council keeps its MRP policy under review and any future changes to the policy which may be proposed will continue to have due regard to the statutory guidance and would maintain prudence and affordability within the council's medium and long term financial planning.*

A. Action Plan

Assessment	Issue and risk	Recommendations
Medium	Other Land and Buildings Valuation date: Our work on land and building valuations indicates that the reported valuation date remains at 1 April (12 months from the year end date). This results in a lot of audit challenge from us, and a lot of work for the Council's finance team and the valuers, to justify that the valuation of assets valued on 1 April remains materially accurate as at 31 March. A number of our other local authority audit clients have moved all their valuation dates to 31 March, or much closer to the balance sheet date. We understand the valuation date for land and buildings could be moved closer to 31 March, which should enable a more efficient valuation process and audit approach going forward.	Considering the extensive procedures that the Council has in place to assess the movement in year of assets valued on 1 April, the Council should consider updating the valuations of assets valued on a Depreciated Replacement Cost basis with the year-end BCIS rebuild costs. This would provide the audit team with a greater level of assurance over the valuation of assets at the reporting date. The Council should consider moving its valuation date for land and buildings closer to the balance sheet date of 31 March. Management response *Noted and agreed. The Council intends to review its valuation process with a view to adjusting the valuation date from the 1 April to a later date within the financial year. Whilst the Council does recognise the benefit of this and the increased efficiency in processing it may bring, in order for the Council to meet the accounts closure timeline, it must have valuation reports completed before the end of February each year, to allow adequate review, challenge and processing. It is therefore expected that the Council will adjust its valuation date to the 31 December each year.*
Low	Over disclosure of Related Party Transactions – Note 17 to the statement of Accounts As identified in our 2019-20 audit, our work in 2020-21 on related party transactions (RPTs) also highlighted that there are some over disclosures in RPTs in Note 17. Some of the disclosures made in Note 17 did not strictly satisfy IAS 24 - Related Party Disclosures criteria. In all these circumstances, the Council had over-disclosed when some of these disclosures were not required to be reported under IAS 24.	As part of continuing the accounts decluttering process and maximisation of accounts closedown efficiencies, the Council should consider revisiting such over disclosures on RPTs in the 2021-22 financial statements. Management response *Noted. The Council is comfortable with the level of information disclosed within the Statement of Accounts and does not intend to adjust this note.*

B. Follow up of prior year recommendations

We identified two recommendations in the audit of the Council's 2019-20 financial statements, which was reported in our 2019-20 Audit Findings (ISA260) Report.

We followed these up in our 2020-21 Audit Plan which was presented to you on 29 July 2021. Therefore it is not repeated in this report.

We are pleased to report that management has implemented both recommendations, which are summarised and referenced to the Audit Plan on this page.

Assessment	Previously communicated subject matter and recommendation	Update on actions taken to address the issue
✓	DSG deficit reduction plan 2020-21 and beyond Due to the material DSG deficit position, we recommended , the following on DSG deficit reduction plans: - continue to be closely monitored - prompt action is taken on any variations from plan, particularly in respect of any changes to the financial performance of the HNB - regular engagement with DfE is maintained along with the ESFA and the schools forum - Regular reporting to the Cabinet, Audit Committee as appropriate, ensuring Members are kept informed of key developments on reducing the material DSG deficit	Our work indicated; this is now actioned for last year and continued in 2020-21 and beyond. See our Audit Plan reported to the Audit Committee on 29 July 2021, page 13, for further information.
✓	Financial impact on Covid-19, budget monitoring 2020-21 and beyond We recommended the Council continues to update its budget setting and budget projections as the challenges and impact from Covid develop. Officers should continue to report in a regular and transparent manner to Members in terms of any corrective actions required in delivering the budget, the impact of Covid on costs and income, achieving the required savings and in terms of liaising with Department for Levelling Up, Housing and Communities and the government.	Our work indicated; this is now actioned for last year and continued in 2020-21 and beyond. See our Audit Plan reported to the Audit Committee on 29 July 2021, page 14, for further information.

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C. Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the Council's level of useable reserves for the year ending 31 March 2021.

Detail	Comprehensive Income and Expenditure Statement £million	Statement of Financial Position £million	Impact on useable reserves
(1) Pension fund liability (processed by management): Updating pension fund valuation to 31 March 2021 to reflect the updated pension fund asset investment return as at 31 March 2021 from 19.32% to 21.1%. This resulted in a net decrease in the pension fund liability of £20.3m. See page 10 of this report for more information. As a result, the net pension liability as at 31 March 2021 reduced from £485m to £465m.	Cr Actuarial (gains) / losses on pension assets liabilities 20.3 Dr The movement in Reserves Statement 20.3	Dr Retirement Benefit Obligations (Long Term Liabilities) 20.3 Cr Pension Reserve (Unusable Reserves) 20.3	None
Overall impact	-	-	No Impact

C. Audit Adjustments

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

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit (as at 22 November) which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
1	Disclosure	Amendments were made to the Annual Governance Statement in line with Code Guidance requirements. Updates also made to areas of the AGS which were not completed at draft stage.	Annual Governance Statement	Yes
2	Disclosure	Minor amendments were made to the draft Narrative Report up to the signing off in end of November.	Narrative Report	Yes
3	Disclosure	Audit fees payable to Grant Thornton, including the main Council audit, Housing Benefit were updated to reflect the accurate fees for all non audit related services to be in line with those disclosed in Section Four and Appendix D of this report.	External Audit Costs Note 15	Yes
4	Disclosure	Removal of disclosure around Material Valuation Uncertainty relating to land and building valuations (including investment properties) and included under assumptions made about future and other major sources of estimation uncertainty section. See page 9 of this report for further information.	Note D, Assumptions made about future and other major sources of estimation uncertainty section, Notes 19 and 20	Yes
5	Disclosure	Updated pensions note to capture the £20.3m adjustment reported at page 32, including fair value of the scheme assets.	Note 19	Yes
6	Disclosure	We identified one immaterial disclosure amendment as part of our detailed testing. This was in respect of mis-classification of interest payment costs of £2.52m initially included in 'other payments' within note 1b. This has no impact on Council's Useable Reserves and management has amended the accounts to correct this.	Note 1b	Yes
7	Disclosure	Capital Commitments: There was an overstatement of commitments as figures disclosed were gross contracts values. The figures need to be adjusted to report the net values with expenditure incurred to date not included in future commitments. The draft disclosure was £121.4m; the overstatement of commitments was £32.8m (as this related to expenditure in 2020-21), therefore the figure to be disclosed in the revised accounts is £88.6m.	Note 19(e)	Yes
8	Disclosure	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	Various pages	Yes

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

No.	Adjustment Type	Description and value	Account Balance	Updated in the revised accounts?
9	Disclosure	Our work on related party transactions (RPTs) highlighted that there are some over disclosures in RPTs in Note 17. Some of the disclosures made in Note 17 did not strictly satisfy IAS 24, Related Party Disclosures criteria. In all circumstances, the Council had over-disclosed, when some of these disclosures were not required to be reported under IAS 24. We did not identify any under disclosures in relation to RPTs. Our work indicated, where the transactions are captured by IAS 24, they have been fully disclosed. We have discussed these matters with the Council and requested where IAS 24 was not satisfied those disclosure be removed. We have also made a recommendation at Appendix A to consider for the 2021-22 accounts.	Note 17	No. However, this does not impact our audit opinion.
10	Disclosure	We have noted the DSG deficit reserve of £21.3m has been included with other reserves and netted off against other earmarked reserves to arrive at £19.95m in the draft accounts (note 37). As a Firm, we remain of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years, these should form part of the un-earmarked general fund due to its deficit.	Note 37	No. However, this does not impact our audit opinion.
11	Disclosure	Our work on critical judgments applying accounting policies indicated that some of the judgements are not clearly indicating a judgement and/or are not material: • Business rates appeal – the judgement could be enhanced and it is not material for 2020-21 • Better Care Fund – the reporting of the judgement could be enhanced. Also, the clarity of this note regarding income recognition could be enhanced. The note could be clearer that the £12m of income relating to Rotherham CCG (within the total income of £31.5m) has not been recognised in the Council's accounts. The Council's revenue income from pooled budgets is £16.3m and the remaining £3m is for capital purposes as per note 12. We have discussed these matters with management and requested the Council enhances details of the judgement and the link to materiality. These disclosures have not impacted our overall audit approach.	Note 12	No. However, this does not impact our audit opinion.
12	Disclosure	Our work on assumptions made about future and other major sources of estimations uncertainty section indicated that IAS1 (presentation of financial statements) principals have not being fully applied to either describe the future material uncertainty and link to the material nature of the uncertainty. This included: • PPE useful lives We have discussed these maters with the Council and requested the disclosure is enhanced to increase the compliance with IAS1. These disclosures have not impacted our overall audit approach.	Note D, page 34	No. However, this does not impact our audit opinion.

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C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides detail of adjustments identified during the 2020-21 audit which have not been made within the final set of financial statements due to their immaterial nature. The Audit Committee is required to consider management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Reason for not adjusting
BDR waste facility PFI was valued at 28 Feb 2021. However 12 months depreciation was charged in year to 31 March 2021 where as it should be only one months depreciation. Therefore, the additional depreciation charged in 2020-21 was £600k. Increase PPE by £600k in the balance sheet and decrease depreciation charge in the CIES by £600k. This is reversed out to Capital Adjustment Account via MIRS. Therefore no impact on Council's Useable Reserves.	See detail column	See detail column		Management does not consider this amount to be material to the Council's accounts.
Overall impact	See detail column	See detail column	None	

D. Fees

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

Audit fees	Proposed fee per Audit Plan July 2021	Final fee
Council Audit	£183,938	£183,938
Total audit fees (excluding VAT)	**£183,938**	**£183,938**

Non-audit 'audit related' fees for other services:	Proposed fee	Final fee
Certification of Housing Benefit Claim	£22,800*	see note below
Responding to Elector correspondence	4,000	4,000
Total non-audit fees (excluding VAT)	**£26,800**	**£26,800***

Note on Housing Benefit fee:

* The £22,800 is the base fee for the 2020-21 Housing Benefit Subsidy certification. In addition, for each 40+ HB testing undertaken:

£2,255 – where the initial work is completed by the Council

£5,040 – where the work is fully undertaken by Grant Thornton

The fees reconcile to the revised version of the financial statements following an amendment to the draft accounts in Note 15 - External Audit Fees.

E. Audit opinion (draft)

Our proposed draft audit opinion is an unqualified 'clean' opinion and is included below.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Rotherham Metropolitan Borough Council (the 'Authority') for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the

Accounting Policies, notes to the Core Financial Statements, Housing Revenue Account Income and Expenditure Statement, Notes to the Housing Revenue Account, the Collection Fund and Notes to the Collection Fund Statement. The Accounting Policies include, the statement of accounting concepts and policies, Accounting standards issued but not yet adopted, Critical judgements in applying accounting policies and Assumptions made about the future and other major sources of estimation uncertainty. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020-21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter – Metropolitan Debt Administration statement unaudited

The Authority has included a Metropolitan Debt Administration statement and notes to that statement in its Statement of Accounts. This statement is not required by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020-21 or the Local Audit and Accountability Act 2014. Accordingly, the figures in the Metropolitan Debt Administration statement and the notes to the statement are unaudited.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Strategic Director of Finance and Customer Services' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Strategic Director of Finance and Customer Services' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities.

We assessed the reasonableness of the basis of preparation used by the Authority and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Strategic Director of Finance and Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Strategic Director of Finance and Customer Services with respect to going concern are described in the 'Responsibilities of the Authority, Strategic Director of Finance and Customer Services and Those Charged with Governance for the financial statements' section of this report.

Other information

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

E. Audit opinion (draft)

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained in the Statement of Responsibilities set out on section 3 of the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Strategic Director of Finance and Customer Services. The Strategic Director of Finance and Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Strategic Director of Finance and Customer Services, determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

E. Audit opinion(draft)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - closing journals posted during the preparation of the financial statements
  - material and unusual journals which fall outside of the auditor's expectations which are considered as high-risk journals
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Strategic Director of Finance and Customer Services has in place to prevent and detect fraud;
  - journal entry testing, with a focus high risk journal, such as, posted by senior management, journals with unusual attributes, journals without any descriptions, journals posted by staff not in the approved list of journals posting, journals that do not balance and journals posted in periods 12 & 13, which are material and not reoccurring or common postings;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations**.**
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the Authority's engagement team included consideration of the engagement team's
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority, including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

E. Audit opinion (draft)

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for Rotherham Metropolitan Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

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

Signature:

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

Leeds

Xx November 2021 TBC

F. Audit letter in respect of delayed VFM work

Grant Thornton UK LLP
Whitehall Riverside
Leeds
LS1 4BN
T +44 (0)113 245 5514

Councillor Cllr Baker-Rogers
Chair of Audit Committee
Rotherham Metropolitan Borough Council
Rotherham Town Hall
Moorgate Street, Rotherham
S60 2TH

22 September 2021

Dear Cllr Baker - Rogers

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

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

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We will be working on our VFM arrangements review of the Council over the coming months and expect to report our findings to management and the Audit and Governance Committee before the end of February 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Gareth

Gareth Mills
Key Audit Partner and Engagement Lead for Rotherham Metropolitan Borough Council

Grant Thornton

grantthornton.co.uk

METROPOLITAN BOROUGH OF ROTHERHAM

STATEMENT OF ACCOUNTS 2020/21

Contents **Page Number**

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's responsibilities

The Council is required:

The Authority is required to:

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

Certificate

I confirm that the Council has met these responsibilities and that this Statement of Accounts was approved at the Audit Committee meeting held on 30 November 2021.

Signed on behalf of Rotherham MBC

Audit Committee Chair
30 November 2021

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 November 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 1) – which details the respective responsibilities of the Council and its Chief Financial Officer for the accounts;

- **An explanation of the financial Statements** (Page 2 – which details the components of the Financial Statements;

- **A Statement of Accounting Concepts and Policies** (Page 11) – 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 5) – 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 6) – 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 9) – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **The Housing Revenue Account (HRA) Income and Expenditure Account** (Page 107) – This Account summarises the income and expenditure in respect of the provision of local Council housing accommodation. Councils' are required by statute to account separately for all transactions relating to the cost of providing such accommodation.

- **Collection Fund Account** (Page 115) – By statute, Billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Council during the accounting period and the distribution of these funds.

The Council's financial position is reported through the:

- **Balance Sheet** (Page 8) - 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 35) 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	
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	49
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	Housing Revenue Account (HRA)	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 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**	
Schools Balances transferred out on conversion to academy	(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 £000	Housing Revenue Account (HRA) Balance including HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Council Reserves £000	Notes
Balance as at 1 April 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**	
Schools Balances transferred out on conversion to academy	(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.

<u>Impairment of Assets</u>

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.

<u>Disposals</u>

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.

<u>Depreciation</u>

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 have may have a quoted market price and/or do not have fixed or determinable payments, although where, for instance a loan is provided to a third party (SPPI), and is for a policy reason, then it would be at Amortised cost too. Where it is not Amortised cost, this classification has two further sub sets for valuation:

  - **Fair Value through Comprehensive Income (FVCI),** policy driven investments (not solely for profit), activity, which would normally simply be equity stakes in joint companies etc.
  - **Fair Value through Profit and Loss (FVPL),** assets held purely for commercial investment (primarily for profit, firstly to raise monies/profit, that will be used to support the execution of normal service functions.

(a) Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

When the Council makes loans at less than market rates (soft loans) a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

(b) Fair Value Through Profit or Loss (FVPL) and Fair Value through Comprehensive Income (FVCI)

These are assets that have a quoted market price and/or do not have fixed or determinable payments. Of this classification those assets that are policy driven investments, not used to solely generate profit, but to actively support the execution of normal service functions are to be valued at Fair Value through Comprehensive Income (FVCI). They are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. Where the asset has fixed or determinable payments, then this would be Amortised Cost (as above) with annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. In practice FVCI is likely to contain only service equity investments,

Assets are maintained in the Balance Sheet at fair value. Fair value is measured by reference to prevailing interest or market rates using an appropriate valuation technique.

Changes in fair value posted to Other Comprehensive Income and Expenditure. Movements in impairment loss allowances debited/ credited to Surplus or Deficit on the Provision of Services (with a compensating credit/debit not against the carrying amount of the asset but to Other Comprehensive Income and Expenditure to offset movements against gains/losses on fair value). Cumulative gains/losses on fair value are posted to the Surplus or Deficit on the Provision of Services on derecognition.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses)

(c) Fair Value Through Other Comprehensive Income (FVOCI)

These are assets held purely for commercial investment (primarily for profit). All gains and losses posted to Surplus or Deficit on the Provision of Services as they arise.

<u>Expected Credit Loss Model</u>

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.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

Notes:

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

Note 1b Income and Expenditure Analysed by Nature

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

Expenditure/Income	2019/20 £000	2020/21 £000
Expenditure		
Employee benefits expenses	204,927	198,404
Other services expenses	355,715	374,162
Depreciation, amortisation, impairment	35,009	37,408
Interest payments	31,947	31,455
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 Income from contracts with service recipients £000	2019/20 Other income £000	2019/20 Total income £000		2020/21 Income from contracts with service recipients £000	2020/21 Other income £000	2020/21 Total income £000
(15,602)	(5,749)	(21,351)	Adult Care and Housing	(13,623)	(10,250)	(23,873)
(82,998)	(944)	(83,942)	Local Authority Housing (HRA)	(83,041)	(712)	(83,753)
(2,426)	(1,353)	(3,779)	Children and Young People's Services excluding schools	(2,621)	(1,995)	(4,616)
(2,568)	(2,581)	(5,149)	Schools	(1,332)	(3,081)	(4,413)
(30,650)	(1,106)	(31,756)	Regeneration and Environment Services	(23,006)	(1,945)	(24,951)
(2)	(20)	(22)	Public Health	(25)	(13)	(38)
(2,374)	(25)	(2,399)	Assistant Chief Executive Office	(2,083)	(73)	(2,156)
(733)	(1,434)	(2,167)	Finance and Customer Services	(416)	(569)	(985)
0	(15,549)	(15,549)	Central Services	0	(15,423)	(15,423)
0	(1,600)	(1,600)	Other income below Cost of Service	0	(1,563)	(1,563)
(137,353)	(30,361)	(167,714)	**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					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
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
Adjustments primarily involving the Capital Receipts Reserve:						
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
Adjustment primarily involving the Major Repairs Reserve:						0
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
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(115)	(5)	0	0	0	120

	Movements in Usable Reserves 2019/20 continued					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
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
Adjustments primarily involving the Collection Fund Adjustment Account:						
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)
Adjustment primarily involving the Accumulated Absences Account:						
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					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movements in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:						
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
Adjustments primarily involving the Capital Receipts Reserve:						
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)
Adjustment primarily involving the Major Repairs Reserve:						
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
Adjustment primarily involving the Financial Instruments Adjustment Account:						
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					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 18)	40,672	2,778				(43,450)
Employer's pension contributions and direct payments to pensioners payable in the year	(19,524)	(1,237)				20,761
Adjustments primarily involving the Collection Fund Adjustment Account:						
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)
Adjustment primarily involving the Accumulated Absences Account:						
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
Memb 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. Childrens' and Young Peoples Service have implemented a plan to start to recover the deficit, however this is dependent in part on future levels of government funding and approval of disapplication requests.

(xiv) Covid 19 Grant Reserve

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

Note 4 Other Operating Expenditure

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

Traded services are included in the Comprehensive Income and Expenditure Statement within the Service that they are based. The Council's traded services include:

Construction, Street Cleansing and Landscaping

Streetpride maintains over 680 miles of highways in a clean and safe condition for pedestrians, motorists, other road users and local communities.

Vehicle Maintenance

Management and policy of the Council's vehicle fleet and ensuring legislative standards are maintained.

Property Services – Fee Billing

Quantity surveyors, project managers, architects, valuers involved in the valuation and construction of new and existing Council buildings.

Engineering – Fee Billing

Streetpride provides a design, inspection, assessment service and carries out engineering works to buildings, bridges, structures and highways.

Cleaning of Buildings

Facilities Services provides a cleaning service for schools and other premises owned by Rotherham MBC. This service is also utilised by the NHS in certain buildings.

Markets

The Council operates regular markets in Wath and Rotherham town centre.

Building Regulations Control

Building Control service begins at preplanning application stage and continues throughout the entire planning and construction process. Ultimately the Council aims to provide a service that will achieve a fast and trouble-free Building Regulation approval and a rapid response inspection process that will assist a project to fully comply with the Building Regulations when complete. The Council has adopted a charging policy for Building Regulation charges in line with the Building (Local Council Charges) Regulations 2010.

School Support Services

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

Note 7 Taxation and Non Specific Grant Income

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

Note 8 Analysis of grant income credited to the CIES and capital grant received in advance

The Council receives certain government grants which are not attributable to specific services. The amount of General Revenue Grants Credited to Taxation and Non Specific Grant Income was as follows:

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

Capital Grants Credited to Taxation and Non Specific Grant Income:

2019/20 £000		2020/21 £000
10,335	Department for Transport	8,882
152	Environment Agency	456
735	Education Funding Agency: LA Maintained Maintenance Grant	1,538
443	Education Funding Agency: Basic Need Pupil Places	-1,399
17	Education Funding Agency: LA Maintained Devolved Formula	96
146	Education Funding Agency: Targeted Basic Need	0
14	Department of Health	-16
3,229	S106 Contributions	4,692
882	Ministry of Housing, Communities & Local Government	3,648
323	SOAHP Grant Housing England	0
169	Other Local Authorities and Partners	286
96	Sheffield City Region	7,198
1,013	Department of the Environment	8,268
0	Departmment 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 Accomodation Programme	160
0	Emergency Active Travel Fund	136

The Council has received a number of capital grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the funding body if they are not applied for their intended purpose. The balance of capital grant received in advance at the year-end is shown in the table below, this includes a debit balance in relation to the repayment of Homes England grant, the grant had to be repaid as the property it was used to fund was subjected to a Right to Buy:

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

Section 106 Developer Contributions

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

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

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

Note 9 Acquired and discontinued operations

The Council did not acquire any new operations in 2020/21.
All of the Council's income and expenditure relates to continuing operations.

Note 10 Agency Services

NHS Funded Nursing Care

The Council administers on behalf of Rotherham Clinical Commissioning Group (CCG) the financial process/procedures relating to the payment of NHS funded nursing fees to nursing care providers, under Health Act flexibilities (section 256 of the NHS Act 2006). The agreement covers the fees for NHS funded nursing care, cost of incontinence products, administration costs and nursing cost of assessments. Any overspend against the approved budget will be recharged by the Council to Rotherham CCG, any underspend will be reimbursed by the Council to Rotherham CCG.

The under spend in the current and previous year were as follows:

2019/20 £000		2020/21 £000
(2,018)	Gross income	(2,071)
2,018	Gross expenditure	2,071
0	(Under) / over spend	0

Note 11 Transport Act

Authorities are allowed to operate a road charging or workplace charging scheme under the Transport Act 2000. There is no such scheme in place in Rotherham.

Note 12 Pooled Budgets

The Council, through Adult Social Services, has a pooled budget arrangement with Rotherham Clinical and Commissioning Group (RCCG) (formerly, NHS Rotherham) in respect of the Better Care Fund to enable joint working under section 75 of the National Health Service Act 2006.

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

The Better Care Fund is split into two Pools. RMBC host Pool 1 with income of £31.511m, which includes the former Intermediate Care and Equipment pooled budgets together with Occupational Therapy services, falls prevention, jointly commissioned integrated services and management of the Disabled Facilities grant funding. The RCCG host Pool 2 with income of £11.179m which supports Adult Mental Health Liaison, social care including residential care and keeping people in their own homes, care management and supporting discharge from hospital and support for carers.

The finance involved in the arrangements where the Council acts as host is detailed as follows:

2019/20 £000	**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	65,00.00 to 69,999.99	21	3
4	8	70,000.00 to 74,999.99	3	2
3	2	75,000.00 to 79,999.99	2	2
2	1	80,000.00 to 84,999.99	3	1
11	1	85,000.00 to 89,999.99	3	0
1	0	90,000.00 to 94,999.99	8	1
1	0	95,000.00 to 99,999.99	1	0
1	0	100,000.00 to 104,999.99	0	0
0	0	105,000.00 to 109,999.99	0	0
0	0	110,000.00 to 114,999.99	0	0
0	0	115,000.00 to 119,999.99	0	0
0	0	120,000.00 to 124,999.99	0	0

The number of employees whose remuneration was £50,000 or more includes staff who have been given approval to leave the Council under the terms of its Voluntary Severance arrangements (that is Voluntary Early Retirement, Voluntary Redundancy, Compulsory Redundancy, Phased Retirement and Redeployment). In some cases that has resulted in these staff falling into higher banding brackets than would otherwise be the case. In 2020/21, the number of such employees was 0 (0 officer and 0 teachers).

The number of officers and teachers whose remuneration fell between £50,000 - £124,999, has increased year on year by 12 overall, in the main, due to a pay award taking a pay scale into the over £50,000 bracket. There has also been some conversion of Schools to Academies which has reduced the Teachers total.

The above table excludes senior employees whose remuneration for 2019/20 and 2020/21 are shown in the Senior Officer notes below.

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

Senior Officers 2019/20

Job Title/Employee	Salary 2019/20 £	Additional Payments 2019/20 £	Compensation & Ex-gratia 2019/20 £	Total remuneration excluding employer pension contributions 2019/20 £	Pension employer contribution 2019/20 £
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)	13,560.35	5,133.30	0.00	18,693.65	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	812,811.49	21,995.14	0.00	834,806.63	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	
Non Schools	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	16	10	75	53	91	63	489	287
£20,001 - £40,000	1	3	10	2	11	5	299	149
£40,001 - £60,000	1	3	0		1	3	43	129
£60,001 - £80,000	0	0	3		3	0	202	0
£80,001 - £100,000	0	1	1		1	1	90	85
£100,001 - £150,000	0	0	0		0		0	0
£150,001 - £200,000	0	0	0		0		0	0
Total	18	17	89	55	107	72	1123	650

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

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

(xiv) Termination Benefits

As part of the rationalisation of Council services during 2020/21 88 employees (2019/20, 145) from across the Council, including schools, have been given approval to leave the Council with an exit package (including, Compulsory Redundancies, Voluntary Early Retirement, and Voluntary Redundancy etc.).

The liabilities incurred as a result of the early termination of employees both in schools and non-schools in 2020/21 totalled £0.760m (2019/20 £1.332m) - composed of severance payments of £0.499m (2019/20 £0.793m) and £0.261m in pensions strain costs (2019/20 £0.538m).

Note 15 External Audit Fees

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

2019/20 £000		2020/21 £000
148	Fees payable for external audit services carried out by the appointed auditor	184
28	Fees payable for the certification of grant claims and returns - to external audit services	35
0	Non-audit services	0
176	Total	219

Note 16 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget, as defined in the School Finance and Early Years (England) Regulations 2017. The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2020/21 and the comparative year are as follows:

2019/20				2020/21		
Central Expenditure £000	ISB £000	Total £000		Central Expenditure £000	ISB £000	Total £000
		239,945	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

Council's Shareholding:

a) For voting purposes – the Company's shares are divided into 'A' shares and 'B' Shares. The 1,998 'A' shares comprise 20% of the total voting shares. One third of these 'A' shares are held by the Council (666 shares costing £6.66). Barnsley and Doncaster Metropolitan Borough Councils have similar share holdings, so that collectively the Councils hold 20% of the total voting shares. These are non-equity shares.

b) For dividend purposes – the Council holds 3.5% (63,421 shares) of the company's £1 class 'C' shares – no voting rights are attached to these shares.

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

At the time of publication of this Statement, accounts for the company for the year ending 31 December 2019 were available and the details are as follows:

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

(ii) Groundwork Creswell, Ashfield and Mansfield Trust

Groundwork Creswell, Ashfield and Mansfield Trust is a charity and a company limited by guarantee. The members of the company, whose liability is limited to £1, are Amber Valley Borough Council, Ashfield District Council, Bolsover District Council, Derbyshire County Council, Mansfield District Council, Newark and Sherwood District Council, North East Derbyshire District Council, Nottinghamshire County Council, West Lindsay District Council, the Federation of Groundwork Trusts, and Rotherham Metropolitan Borough Council.

The company's principal activities are the promotion of conservation, protection and improvement of the physical and natural environment, to provide facilities in the interests of social welfare and to advance public education.

At the time of publication of this Statement, accounts for the company for the year ending 31 March 2020 were available and the details are as follow:

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

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

During the financial year ended 31 March 2021, Creswell Groundwork Trust provided no services to the Council (2019/20 nil) and incurred no charges from the Council (2019/20 nil).

A copy of the accounts of the company may be obtained from Creswell Groundwork Trust, Worksop Turbine Innovation Centre Shireoaks Triangle Business Park, Worksop S81 8AP.

(iii) Magna Trust

Magna Trust is a company limited by guarantee. The members of the company are Rotherham MBC, The Stadium Group and Rotherham Chamber of Commerce. Its principal objects are to advance education of science and technology, provide facilities for recreational and other leisure time occupation for the public at large in the interests of social welfare, and, to preserve buildings of historical importance to British industry.

At the time of publication of this Statement, accounts for the company for the year ending 29 March 2020 were available and the details are as follows:

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

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

A loan for £300,000 was issued to the Magna Trust in 2006/07 and of this £190,000 was still outstanding as at 31 March 2021. The Council issued to Magna a short term loan of £250,000 during 2014/15. This was outstanding as at the 31 March 2021. The Council are currently in discussions with Magna regarding a repayment plan for the outstanding balances.

A copy of the accounts can be obtained from Mr J Smith, Magna, Sheffield Road, Templeborough, Rotherham, S60 1DX.

Other

The following table discloses material transactions between the Council and other related parties.

2019/20 £	Related Parties	Nature of Transactions	2020/21 £
	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	78,333
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 2029/21 make allowance for the reduction in liabilities falling on the Council as a result of schools acquiring academy status during the year which are shown as gains / losses on settlements.

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

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

Total ongoing contributions of £19.600m are expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 based on an ongoing service contribution rate of 17.2%.

The contribution rates take account of changes to the Local Government Pensions Scheme which came into effect from April 2014. The main changes were the introduction of a career average scheme rather than a final salary scheme and a “50:50 Scheme Option” whereby members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution for a period of up to 3 years. In addition the actuarial assessment included provision for the resolution of issues arising from the McCloud/Sargent case.

The contribution rates also reflect the most recent triennial actuarial valuation in March 2019 which the South Yorkshire Pensions Authority, on behalf of its member Authorities, commissioned from the actuary, Mercer Human Resource Consulting Ltd. This showed an improvement in the fund’s position with the Council’s share of the Fund deficit on the scheme reducing from £133 million at the previous actuarial valuation in 2016 to virtually fully funded. The next triennial valuation will reflect the fund position as at 31 March 2022.

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

Court of Appeal Ruling – McCloud. The Court of Appeal has ruled in the 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 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000		Total Funded & Unfunded Local Government Pension Scheme 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000
		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)
(47,999)	(524)	Total Post-employment Benefits charged to the Surplus or Deficit on the Provisions of Service	(43,450)	(448)
		Other Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement		
		Remeasurement of the net defined benefit liability comprising:		
16,651	1,567	- Experience gain / (loss) on liabilities	33,566	457
(65,080)	0	- Return on plan assets (excluding the amount included in the net interest expense)	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)
38,851	2,421	Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	(20,489)	(1,525)
		Movement in Reserves Statement		
22,186	(788)	- Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment benefits in accordance with the code	22,689	(847)
		Actual amount charged against General Fund:		
		Balance for pensions in year:		
(25,813)	0	- Employer’s contributions payable to Scheme	(20,761)	0
0	(1,312)	- Rechargeable Pensions	0	(1,295)

The unfunded liabilities represent Compensatory Added Years’ benefits which are not a liability of the LGPS and are therefore recharged to the employer. They have been included in the liabilities figure for the purpose of IAS 19 calculations, as unfunded discretionary benefits arrangements.

Net interest expense above includes £0.568m administrative expenses in relation to investments during 2020/21 (2019/20 £0.564m).

In addition to the recognised gains and losses included in the CIES in arriving at the surplus / deficit on services, actuarial loss of £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 31 Mar 20 £000	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 21 £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)
Amount in the Balance sheet:		
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 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000		Total Funded & Unfunded Local Government Pension Scheme 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000
1,194,074	0	Fair Value of Plan Assets at beginning of period	1,129,998	0
28,366	0	Interest on plan assets	27,396	0
		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 2019/20 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2019/20 £000		Total Funded & Unfunded Local Government Pension Scheme 2020/21 £000	Unfunded Discretionary Benefits Arrangements (included in Total) 2020/21 £000
(1,653,694)	(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:

	Quoted (Y/N)	Total Funded & Unfunded Local Government Pension Scheme 31 Mar 20 £000	Total Funded & Unfunded Local Government Pension Scheme 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 2019/20	Discretionary Benefits 2019/20		Local Government Pension Scheme 2020/21	Discretionary Benefits 2020/21
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
22.4 years	22.4 years	Men	22.5 years	22.5 years
25.2 years	25.2 years	Women	25.3 years	25.3 years
		Longevity at 65 for future pensioners:		
23.9 years	23.9 years	Men (in 20 years time)	23.9 years	23.9 years
27.1 years	27.1 years	Women (in 20 years time)	27.2 years	27.2 years
2.1%	2.1%	Rate of CPI inflation	2.4%	2.4%
3.35%	-	Rate of increase in salaries	3.65%	-
2.2%	2.3%	Rate of increase in pensions	2.5%	2.5%
2.4%	2.4%	Rate for discounting scheme liabilities	2.3%	2.3%

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

Sensitivity Analysis

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

- If there were to be one year increase in the life expectancy for both men and women, the defined benefit obligation would increase by £55m if all other assumptions were held constant.
- If the rate of inflation were to be 0.1% higher, the defined benefit obligation would increase by £32m if all other assumptions were held constant.
- If the expected salary growth were to be 0.1% higher, the defined benefit obligation would increase by £3m if all other assumptions were held constant.
- If the discount rate used to discount future pension liabilities were to be 0.1% higher, the defined benefit obligation would decrease by £31m if all other assumptions were held constant.

In reality interrelationships exist between some of these assumptions, especially between discount rate and expected salary increases that both depend to a certain extent on expected inflation rates. The analysis above does not take account of any interdependence between the assumptions.

Note 19 Property, Plant and Equipment

2019/20	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
Cost or Valuation								
At 1 Apr 19	638,672	291,473	67,768	215,219	8,543	46,555	15,994	1,284,223
Additions	21,244	8,656	6,343	11,966	16	24,124	7,683	80,032
Accumulated Depreciation and Impairment written out to gross cost/valuation	(13,355)	(8,870)	(29)	0	0	0	(9)	(22,264)
Revaluation increases/decreases to Revaluation Reserve	16,369	12,371	0	0	0	0	(834)	27,905
Revaluation increases/decreases to Surplus or Deficit on the Provision of Services	(4,008)	481	(44)	0	0	0	(406)	(3,978)
Derecognition - Disposals	(5,192)	(8,627)	(1,378)	0	0	0	(8,468)	(23,665)
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassified to/from Held for Sale	(10)	(280)	0	0	0	0	(2,834)	(3,124)
Reclassified to/from Investment Properties	0	0	0	0	0	0	357	357
Other Movements in cost valuation as restated	4,564	5,160	377	6,081	(1)	(17,759)	91	(1,486)
At 31 Mar 20	658,281	300,365	73,038	233,266	8,558	52,919	11,574	1,338,000
Depreciation and Impairment								
At 1 Apr 19	(2)	(25,027)	(42,189)	(52,220)	(7,472)	0	(1,480)	(128,390)
Accumulated Depreciation and Impairment written out to gross cost/valuation	13,355	8,870	29	0	0	0	9	22,264
Depreciation Charge	(16,770)	(7,542)	(5,085)	(4,694)	(3)	0	(4)	(34,097)
Impairment losses/reversals to Revaluation Reserve	0	(1,066)	0	0	0	0	(0)	(1,066)
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	0	(586)	0	(50)	(16)	(0)	(66)	(719)
Derecognition - Disposals	64	367	727	0	0	0	65	1,223
Derecognition - Other	0	0	0	0	0	0	0	0
Reclassification to / from Held for Sale	0	0	0	0	0	0	0	0
Reclassified to/from Investment Properties	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment - as restated	(10)	3	4	(1)	1	0	4	1
At 31 Mar 20	(3,360)	(24,981)	(46,515)	(56,965)	(7,490)	(0)	(1,474)	(140,786)
Net Book Value								
At 31 Mar 20	654,921	275,384	26,523	176,301	1,068	52,919	10,101	1,197,214
At 31 Mar 19	638,670	266,446	25,579	162,999	1,071	46,555	14,513	1,155,830

2020/21	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	PP&E Under Construction £000	Surplus Assets £000	Total PP&E £000
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.

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 £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	11,932	36,807	61,743	251,641	7,480	0	0	369,603
Valued at fair value as at:								
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
Neighbourhood and Adult Services:	
Refurbishment of Dwellings	36,880
New Build	19,357
Regeneration & Environment	
Parkway Widening	30,255
Holmes Tail Goit	2,119
Total	88,611

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 Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2021 £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 Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2020 £000
Land and Buildings	0	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.

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 Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2021 £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 Level 1 £000	Other significant observable inputs Level 2 £000	Significant unobservable inputs Level 3 £000	Fair value as at 31 March 2020 £000
Land and Buildings	0	32,578	0	32,578
Total	0	32,578	0	32,578

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
Assets newly classified as held for sale:				
- 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
Assets declassified as held for sale:				
- 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
Cost or Valuation				
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		31 Mar 21	
	£000	%	%	£000
	(a)	(b)	(c)	(a*c)
Deposits with banks and financial institutions – excluding Heritable Bank				
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
Debtors				
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 2020/21it 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
		Long and Short-term		
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
	Investments in Associates and Joint Ventures:	
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 arears 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 £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.
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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 £
	Assets	
	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
	Financed by:	
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 it's 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
	Expenditure		
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	
	Income		
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)	
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(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
Adjustments primarily involving the Capital Adjustment Account:	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)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(14,867)	0	(14,867)
Adjustments primarily involving the Major Repairs Reserve:			
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)
Adjustment primarily involving the Financial Instruments Adjustment Account:			
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)
Adjustments primarily involving the Pensions Reserve:			
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
Adjustments primarily involving the Capital Adjustment Account:			
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
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:			
Capital expenditure charged against the General Fund and HRA balances	(13,565)	0	(13,565)
Adjustments primarily involving the Major Repairs Reserve:			
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)
Adjustment primarily involving the Financial Instruments Adjustment Account:			
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
Adjustments primarily involving the Pensions Reserve:			
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	4,499
Revenue Contributions	13,387
Government Grants/Other Capital Income	7995
Major Repairs Reserve	9,369
Total	35,250

During the year total capital receipts of £12.826m were received by the HRA, of which £10.474m was available to support capital expenditure within the Council

Note 6 Depreciation

A depreciation charge has been included in respect of dwelling houses within the Housing Revenue Account. This charge is based upon the value of the dwelling stock at the 1 April 2020 excluding the value of land. Depreciation has been calculated using the 'straight line' method over 30 years.

An additional depreciation charge has been included in the total charged to the Housing Revenue Account in respect of garages. This charge is based upon the value at 1 April 2020 and has been calculated using the 'straight line' method over 15 years.

Note 7 Impairment

A net impairment charge of (£7.561m) has been included in the HRA Income and Expenditure Account (£3.965m in 2019/20). This charge is reflected in the HRA Income and Expenditure Account in arriving at the surplus on the provision of HRA Services. In accordance with proper accounting practice the Council reversed out the impairment charge in determining the movement on the HRA balance.

Note 8 Rent Arrears & Other Provisions for Bad and Doubtful Debts

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

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

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

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

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

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

Note 9 Interest Payable and Other Charges

This is the cost of external interest payable together with the cost of debt redemption premium.

Note 10 Contributions to and from the Pensions Reserve

Local authorities are required to account for their pension costs on an IAS 19 basis, but to reverse the impact of IAS 19 based accounting to the Pensions Reserve to ensure that it does not impact on housing rents.

THE COLLECTION FUND

By statute, Billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates (NNDR), and Council Tax received by the Council during the accounting period and the distribution of these funds.

REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2021

2019/20				2020/21			
Council Tax £000	Non Domestic Rates £000	Total £000		Council Tax £000	Non Domestic Rates £000	Total £000	Note
132,534		132,534	Council Tax Receivable	136,424		136,424	
	77,665	77,665	National Non-Domestic Rates (excluding write-offs)		45,587	45,587	2
	(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	1155	15:9	1,120
H	63	18:9	61
	73,191		70,995

Note 2 National Non-Domestic Rates (NNDR) – Business Rates

Business Rates are levied on non-domestic premises at a rate in the pound determined by central government which is applied nationally (the national multiplier). The national multiplier in 2020/21 was 50.4 pence in the pound and a small business rating multiplier of 49.1 pence in the pound (50.4 pence and 49.1 pence respectively in 2019/20).

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

Note 3 Discounts

The Council does not operate a discount scheme for the early payment of council tax.

Note 4 Collection Fund Balance

The balance on the Collection Fund at 31 March 2021 is a deficit of £30.692m (£6.092m surplus 2019/20) and consists of a £33.977m deficit (£1.311m surplus 2019/20) relating to business rates to be distributed to the billing Authority (Rotherham MBC), Central Government and South Yorkshire Fire and Civil Defence Authority, and a £3.285m surplus (£4.771m surplus 2019/20) in relation to council tax. The deficit relating to business rates was due to additional reliefs awarded in relation to Covid-19, the Council has been awarded government section 31 grant to offset 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 mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MAJOR REPAIRS RESERVE

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

MINIMUM REVENUE PROVISION (MRP)

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

NET BOOK VALUE

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

NET DEBT

The Council's borrowings less cash and liquid resources.

NET EXPENDITURE

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

NET REALISABLE VALUE

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

NON-DISTRIBUTED COSTS

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

NATIONAL NON-DOMESTIC RATES (NNDR)

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

OPERATING LEASE

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

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

PRECEPT

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

PRIOR YEAR ADJUSTMENT

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

PRIVATE FINANCE INITIATIVE (PFI)

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

PROPERTY, PLANT AND EQUIPMENT

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

PROVISION

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

PRUDENCE

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

PRUDENTIAL CODE

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

PWLB

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

RATEABLE VALUE

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

RELATED PARTIES

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

RELATED PARTY TRANSACTIONS

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

RE-MEASUREMENTS

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

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

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

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

RESERVES

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

RESIDUAL VALUE

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

RETIREMENT BENEFITS

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

REVALUATION RESERVE

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

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

REVENUE SUPPORT GRANT

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

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

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

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS (WIP)

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

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

Email: central.finance@rotherham.gov.uk

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

☎: 01709 254510 💻:central.finance@rotherham.gov.uk

Slovak **Slovensky**

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 **ردی سۆرانی**

ەر تۆ یان کەسێک کە تۆ دەیناسی پێویستی بەیارمەتی هەبێت بۆ ئەوەی لەم بەڵگەنامە یە تێبگات یان بیخوێنێتەوە، یە پەیوەندیمان پێوە بکە لەسەر ئەو ژمارەیەی سەرەوەدا یان بەو ئیمەیڵە.

Arabic **بي**

كنت انت أواي شخص تعرفه بحاجة إلى مساعدة لفهم أوقراءة 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 ھے تو ے مہربانی مندرجہ بالا نمبر پرھم سے رابطہ کریں یا ھمیں 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 لطفا با وسیله شماره بالا یا ایمیل تماس حاصل فرمایید.

Rotherham Metropolitan Borough Council

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 ACEX team, the aim is to utilise existing groups where possible (e.g. economic recovery cell, humanitarian cell), adapting these as required.

Vision and Priorities

The Council Plan expressed our vision as:

"Rotherham is our home, where we come together as a community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper, and where no one is left behind."

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

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

The key aims of the Year Ahead Plan are to:

- Continue to work with our residents and stakeholders, supporting them and adapting with them to meet current needs in light of the pandemic

- Continue to manage the ongoing effects of the pandemic, including the local outbreak control plan
- Continue to drive our ambitious plans for the borough wherever possible
- Continue to develop and embed new ways of working

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

<u>5 Themes</u>

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

<u>2 Cross-cutting strands</u>

- 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.

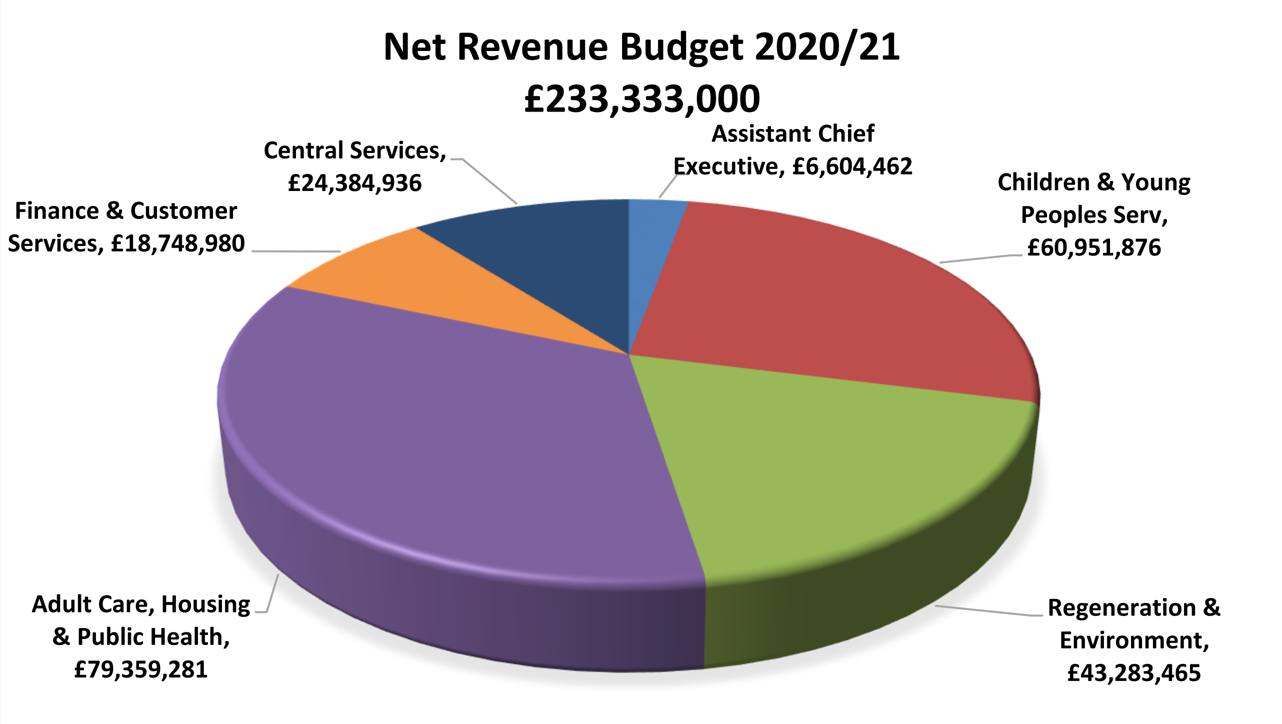
- *Collection Fund Statement*
  This statement summarises the transactions of Rotherham as a Billing Authority in relation to National Non-Domestic Rates and Council Tax and also illustrates the way in which income has been distributed to major precepting authorities (i.e. South Yorkshire Fire and Rescue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

Revenue & Capital Expenditure Outturns

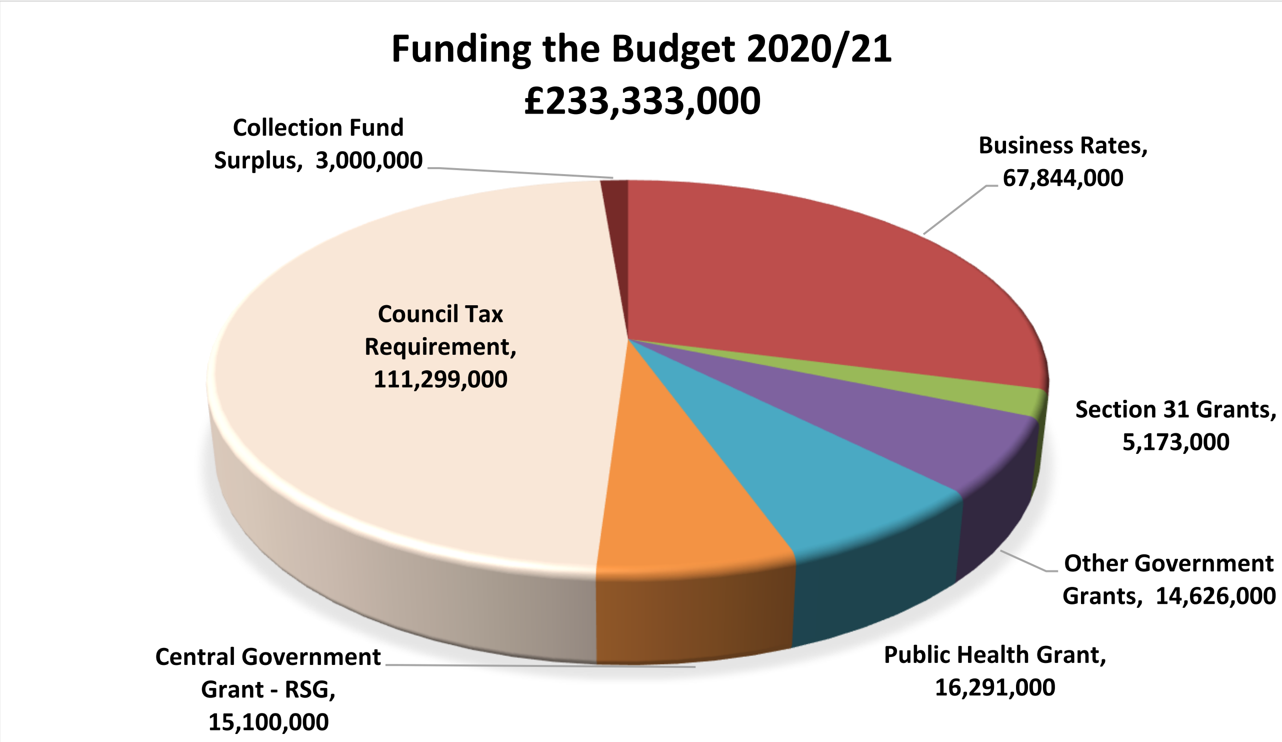
A summary of the Council’s revenue and capital outturns for 2020/21 is included in the following paragraphs. Further details have been reported to Cabinet on the 19 July 2021. The agenda for this meeting can be accessed through the Council & Democracy page of the Council’s website. (Financial Outturn 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 Councils 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 Councils 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 Councils Budget Strategy Reserve, with the remaining £1.7m held within the Councils 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 Councils 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

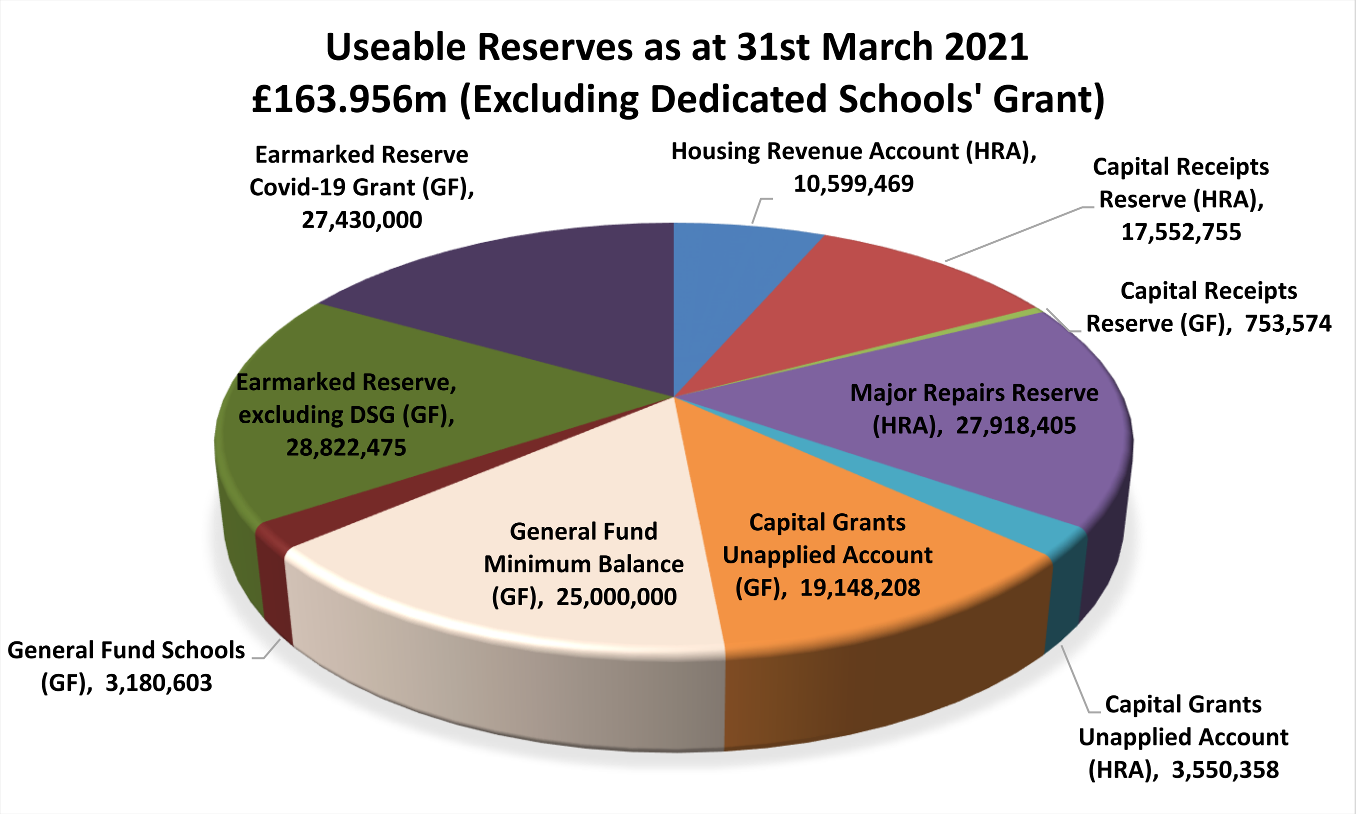
The Council manages its funds between two categories of reserves: usable reserves and unusable reserves.

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.



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
Non Housing:	
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
Housing Investment Programme:	
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
	Short Term Borrowing	
239.000	Temporary Borrowing	302.500
	External Investments	
(0.000)	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 Councils financial outlook is now far more positive. The Council's sound financial planning has enabled the creation of a reserves strategy that provides a reasonable level of general fund reserves, allowing reserves to be created to support the Council's budgetary plans, whilst streamlining the type and volume of reserves. The Council's treasury management strategies have been utilised used effectively to support the Council's budget pressures, whilst putting the Council in a stronger position to manage its longer term capital financing.

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

The benefits of this new and improved financial reporting environment have been demonstrated clearly through the Councils 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 Governments 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 Councils 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 November 2021

Rotherham Metropolitan Borough Council

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

30 November 2021

Dear Sirs

Rotherham Metropolitan Borough Council
Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Rotherham Metropolitan Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

Rotherham Metropolitan Borough Council

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end OR list reasons]. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. Any other matters that the auditor may consider appropriate.

Rotherham Metropolitan Borough Council

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 30 November 2021

Yours faithfully

Name………………………………………   Name…………………………………………

Position…………………………………….   Position……………………………………….

Date………………………………………..   Date…………………………………………..

Signed on behalf of the Council

Informing the audit risk assessment for Rotherham Metropolitan Borough Council 2020/21

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Rotherham Metropolitan Borough Council's external auditors and Rotherham Metropolitan Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Rotherham Metropolitan Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?	The key events or issues that will have a significant impact on the financial statements are: -Use of reserves strategy approved by Council in March 2021 -Valuation of (Property Plant and Equipment) PPE and improvement from prior year as recommended in ISA260 -Academy Transfers -Capital Financing and increased CFR Though clearly COVID 19 will have some impact on the Councils financial position in the future as at the financial year end there was no evidence that this would be material. This view is borne out by the Government's subsequent additional grant funding to cover Covid costs in 2020/21 and 2021/22 and their proposed arrangements for allowing any collection fund deficits arising in 2020/21 to be recoverable over a three-year period.
2. Have you considered the appropriateness of the accounting policies adopted by Rotherham Metropolitan Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?	In February 2021 and then again in May 2021 Audit Committee received a report outlining the Council's plans for the delivery of the Statement of Accounts, updates to accounting policies and an overview of any changes to the notes to the Statement of Accounts. As part of this process the Council's Financial Accounting team consider any adjustments required to accounting policies for 2021/22 onwards.

GrantThornton

General Enquiries of Management

Question	Management response
3. Is there any use of financial instruments, including derivatives?	The Council uses Money Market Funds for its short term investments, using AAA rated funds only, placing security and liquidity as its primary concern, over yield. All financial instruments are shown in the note in the Statement Of Accounts (SOA). There are no derivatives.
4. Are you aware of any significant transaction outside the normal course of business?	The Council has been administering a significant volume of Covid Grants such as Business Support Grants. These have required the Councils to manages for example, over £80m of business support grants, through the Councils financial systems. However, these transactions have only be included within the Councils accounts where the Council has acted as 'Principal'.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Rotherham Metropolitan Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	All work covered in house, as confirmed by Head of Legal.

General Enquiries of Management

Question	Management response
9. Have any of Rotherham Metropolitan Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	Nothing material
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council uses advisors in respect of Taxation and Treasury Management. Taxation day to day enquiries and support are provided by PSTax and PWC. Treasury Advisors – Link Asset Services are the Council's treasury advisors providing both day to day support and services such as: market updates, counterparty control, Financial Instrument and Treasury Management advice

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Rotherham Metropolitan Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Rotherham Metropolitan Borough Council's management.

Fraud risk assessment

Question	Management response
1. Have Rotherham Metropolitan Borough Council assessed the risk of material misstatement in the financial statements due to fraud? How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process? How do the Council's risk management processes link to financial reporting?	The Council does not believe there is a risk of material misstatement in the financial statements, due to fraud. The council has an Anti-Fraud and Corruption Policy which provides staff with details on how to manage fraud In addition: • Risk Champions have discussed fraud risks with each DLT. Fraud risks are entered onto risk registers where applicable, then regularly monitored. • All employees are required to complete mandatory GDPR e-learning modules on an annual basis. • Directorate and Finance risk registers are considered and reviewed throughout the financial year to highlight any issues that may impact on the Council's financial standing or financial monitoring. • The Finance and Customer Services Directorate risk register has a risk for the 'accurate and timely production of a draft Statement of Accounts and WGA'. • Senior Leadership Team also review the Corporate Risk Register as well as performance reports and financial reports. This enables the section 151 to ensure that financial risks are adequately reflected in risk registers and also ensure that significant directorate risks are appropriately managed. Annual audit report completed on an annual basis that sets out potential fraud risk.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Low level expense claims

Fraud risk assessment

Question	Management response
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Rotherham Metropolitan Borough Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	None that would affect the Statement of Accounts. Ongoing cases are investigated by Internal Audit. The volume and value of fraud is believed to be low. Head of Internal Audit confirmed he is not aware of any significant actual, suspected, or alleged fraud affecting the financial statements. Internal Audit is responsible for reporting risk of fraud to those charged with governance. The section 151 meets with Internal Audit weekly which enables early awareness and consideration of whether any urgent reporting is required. The Chief Executive also holds quarterly Statutory Officer meetings in order to understand any significant issues and risks and where any developing trends can be identified.
4. Have you identified any specific fraud risks? Do you have any concerns there are areas that are at risk of fraud? Are there particular locations within Rotherham Metropolitan Borough Council where fraud is more likely to occur?	The risk of fraud remains as being linked to low level expense claims. There are no concerns around any significant fraud risks nor is there a particular section of the Council where fraud is more likely.
5. What processes does Rotherham Metropolitan Borough Council have in place to identify and respond to risks of fraud?	Internal audit plan and progress reports and annual reports all cover both proactive and reactive work covering fraud The Council has a Whilstleblowing Policy. A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee. All whistleblowings are investigated by the relevant department and the robustness of the investigations is overseen by the Council's Whistleblowing officers. The Whistleblowing Officers are the S151 officer officer Officer, the Monitoring Officer and the Head of Internal Audit and all Whistleblowings are reviewed by them.

Fraud risk assessment

Question	Management response
6. How do you assess the overall control environment for Rotherham Metropolitan Borough Council, including: • the existence of internal controls, including segregation of duties; and • the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	Internal controls are considered very tight overall. Key activities (listed below) to create clear segregation of duties, ensure everything is reviewed for approval at an appropriate level and reviewed for appropriateness. • P2P Process • Creditors • Sundry Debtors Process • Revs and Bens - Council Tax / NNDR • Treasury Management / Banking Arrangements Internal Audits completed in respect of the following: • Debtors – Reasonable Assurance • Creditors – Reasonable Assurance • Budgetary Control – Reasonable Assurance • Business support Grants – Reasonable Assurance • Council Tax – Substantial Assurance The section 151 meets with the Head of Internal Audit on a weekly basis in order that the section 151 is made aware of any issues identified or reported at the earliest opportunity.
7. Are there any areas where there is potential for misreporting?	The Council's finance structure and production of the accounts is such that all reports are reviewed by the relevant Head of Finance prior to decision making. Where information is fed into the Councils accounts it is submitted by the Head of Finance for the Directorate and reviewed by the Corporate Finance function. Ultimately the final accounts are also reviewed by the Assistant Director of Finance and Customer Services. These levels of control/review mitigate the risk of misreporting. As such the risk of misreporting is low.

Fraud risk assessment

Question	Management response
8. How does Rotherham Metropolitan Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported?	Weekly communications are distributed to all staff through the 'Monday Briefing' and 'Chief Executives Briefing'. Both provide details of any policy changes are a means of promoting business practice and ethical behaviour. Staff events always start with a reminder of expectations and service plans also contain the vision for the directorate which includes expected standards. All employees areas are required to complete appropriate mandatory e-learning modules e.g. GDPR. All employees are made aware of the Whistleblowing Poilicy and their responsibilities from it. No significant issues have been reported, that would impact the Councils accounts.
9. From a fraud and corruption perspective, what are considered to be high-risk posts? How are the risks relating to these posts identified, assessed and managed?	All set out in the Fraud risk Register
10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? How do you mitigate the risks associated with fraud related to related party relationships and transactions?	There are no related party relationships that present a risk of fraud. There is segregation of duties across all of the Councils finance and contractual functions to ensure that multiple officers, from multiple functions are required to review and approve decision making.

Fraud risk assessment

Question	Management response
11. What arrangements are in place to report fraud issues and risks to the Audit Committee? How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	• Audit Committee are asked to review and approve the Council's Anti-Fraud and Corruption Policy and Strategy. • Audit Committee is presented within 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. There is a self-assessment and resulting Action Plan provided to AC on the performance against the strategy.
12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	A register is maintained of all whistleblowing allegations received and these are reported in summary to Standards and Ethics Committee.
13. Have any reports been made under the Bribery Act?	No

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Rotherham Metropolitan Borough Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
1. How does management gain assurance that all relevant laws and regulations have been complied with? What arrangements does Rotherham Metropolitan Borough Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	Service managers ensure service is compliant with relevant laws and regulations. Annually, assurances provided to this for the Annual Governance Statement (AGS) which is then thoroughly checked and challenged as required The Financial Accounting team liaise with legal to ascertain the Council's list of ongoing litigation and claims. This is then assessed and distributed to the Finance Managers for review to determine appropriate disclosures of any provisions, contingent assets and contingent liabilities. There have been no changes to the Council's regulatory environment that would have a significant impact on the Council's financial statements.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	Through the AGS, Internal Audit progress and annual reports. Reports on compliance with Contract and Financial procedure rules and other reports from management.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?	No.
4. Is there any actual or potential litigation or claims that would affect the financial statements?	No.

Impact of laws and regulations

Question	Management response
5. What arrangements does Rotherham Metropolitan Borough Council have in place to identify, evaluate and account for litigation or claims?	These are referred to Legal Service team and Insurance teams as required
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No.

Related Parties

Issue

Matters in relation to Related Parties

Rotherham Metropolitan Borough Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Rotherham Metropolitan Borough Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
1. Have there been any changes in the related parties including those disclosed in Rotherham Metropolitan Borough Council's 2019/20 financial statements? If so please summarise: • the nature of the relationship between these related parties and Rotherham Metropolitan Borough Council • whether Rotherham Metropolitan Borough Council has entered into or plans to enter into any transactions with these related parties • the type and purpose of these transactions	There have been no changes in the related party relationships disclosed by the Council at an entity level, though the Councils RP disclosures at an officer or member level do change each year. This information is presented clearly within the Council's accounts, within the specific related party note. Process the same as in previous years looking at all members and Heads of Service and above Officers declaration forms. Please refer to related parties working paper for members and Officers for more details
2. What controls does Rotherham Metropolitan Borough Council have in place to identify, account for and disclose related party transactions and relationships?	Declarations of Interest completed by all officers annually or when a change in circumstance arises. Reviewed and approved by line management. Members complete the form termly or when a change in circumstance arises
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Requisitions are reviewed and approved by line management any issues will be highlighted.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	The Council's procurement system has an exemption process, this allows for extensions of contracts or a specific supplier use in an exceptional circumstance. This requires procurement, legal, Head of Finance and S151 officer approval to use. Where a payment is being made outside of the procurement system it must be approved by two Finance Managers or above (from finance).

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

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

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

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

Specifically the auditor may obtain an understanding of whether those charged with governance:

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

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	The key transactions are PPE valuations, Pension Fund liabilities and accruals. The Council has robust processes in place to ensure these areas of the Councils disclosures in the accounts are accurately reflected. An example of a material condition would be the financial impact of Coivd-19 pandemic.
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	The Council places greater emphasis, review and challenge on these key areas to ensure that they are robust. Where issues are identified a more detailed review of processes and controls will be undertaken, likely through the Councils internal audit function.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The Council's Corporate Finance Function and specific finance managers involved in the delivery of the accounts identify the methods and processes to be used. Working in the confines of the Code of Practice.
4. How do management review the outcomes of previous accounting estimates?	The SOA accounts is reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues. Asset lists, pension assumptions and provisions are reviewed annually.
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	No

Accounting Estimates - General Enquiries of Management

Question	Management response
6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	The Council's Corporate Finance Function and specific finance managers involved in the delivery of the accounts identify the methods and processes to be used. Working in the confines of the Code of Practice. Qualified officers used for asset valuations. District valuer used for dwelling valuations. Link used to supply fair value for financial instruments.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Valuers are issued with instruction letter and contract with requirements is in. RMBC participate in the annual bulk exercise to obtain the IAS19 disclosures. Quality Assurance is carried out. Equally if any concerns are raised the S151 officer can request the internal audit review the processes in place.
8. How do management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As above
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	The SOA accounts is reviewed by management with challenge provided on key areas of the accounts. The SOA is also presented for review and scrutiny by the Audit Committee ahead of publication. The SOA is also reviewed by the wider finance function (chartered accountants) for accuracy and to identify any issues. Training offered to new audit committee members and refresher training offered to existing members.

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	Yes, via the presentation of the SOA and supporting reports, highlighting any changes in regulations or environment that may give rise to a challenge to the Councils accounting estimates process.
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Through robust reporting to the AC on the production of the statement of accounts and training on the production of the statement of accounts.

Appendix A Accounting Estimates

Note: this appendix must be included unless Those Charged with Governance consider the PSA significant judgements and estimates management response for each material estimate

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of Land & Buildings	DRC, EUV, Fair Value, Historic Cost. Valued as at 1st April, with material adjustments for in year movement applied as required.	BCIS rates, local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No
Valuation of Council Dwellings	current value, determined using the basis of existing use value for social housing (EUVSH). Valued as at 1st April, with material adjustments for in year movement applied as required.	Value based on achievable sale prices then reduced	Valuations reviewed by RICs qualified officers	41% EUV – use of this % is supported by local evidence	No
Valuation of Investment Property	Fair Value. Valued as at 1st April, with material adjustments for in year movement applied as required	local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No

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Appendix A Accounting Estimates

Note: this appendix must be included unless Those Charged with Governance consider the PSA significant judgements and estimates management response for each material estimate

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of Surplus Assets	Fair Value. Valued as at 1st April, with material adjustments for in year movement applied as required	local information such as sale prices, rental income	Valuations reviewed by RICs qualified officers	Stated on individual valuation certificates	No
Depreciation (useful economic lives)	Straight line method, based on opening value as at 1st April.	Treatment of asset classifications and UEL applied as per policy	Only in obtaining the most recent asset valuations used.	Asset is still in use, useful economic life.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of Net Pension Liability	Liabilities have been assessed on an actuarial basis using the projected unit credit method,.	An estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc	The liabilities have been estimated by Mercer Limited, an independent firm of actuaries, estimates for the Council fund.	Rates of inflation, longevity, increase in salaries, increases in pension and rate for discounting liability	No
Expenditure accruals	Automatic system accruals, manual – guidance provided	Budget holder monitoring, significant variances, review of new year transactions	Qualified Finance Officers	Potential uncertainty around value Most appropriate estimate used	No
Provisions estimate (specifically business rates & insurance fund)	Appeals provision model based on previous appeals success %. Insurance – based on previous claims data	Experience of key staff and Insurance Team.	N/A	Methods used and associated % used is changed each year.	No
PFI liabilities	PFI Model	Based on model used	N/A	PFI model is most appropriate estimate	No

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Agenda Item 9

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 30 November 2021

Report Title
External Audit Re-procurement

Is this a Key Decision and has it been included on the Forward Plan?
No

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director of Finance and Customer Services

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

Ward(s) Affected
Borough-Wide

Report Summary

The Council's current external auditor is Grant Thornton, under a contract managed by Public Sector Audit Appointments Limited (PSAA). This contract expires at the end of the 2022/23 financial year. The purpose of the following report is to allow Audit Committee to consider the options around the future procurement of the external audit functions, prior to making a recommendation to Council about the Councils approach. The Council will need to consider the options available and put in place new arrangements in time to make the re-appointment. If the Council is to remain within the PSAA national procurement scheme the deadline for opting into this process is Friday 11th March 2022.

If the Council is to independently procure its own external auditors this must be done by December 2022.

Recommendations

1. Notes the recommendation to opt-in to the PSAA re-procurement of the external audit function and refer this paper onto Council for approval.

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

Council Approval Required
Yes

Exempt from the Press and Public
No

1. Background

1.1 The external auditors of the Council's 2023/24 accounts have to be appointed by the end of December 2022. The secretary of state has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. A formal invitation has been received by the Council to opt into these arrangements which will cover the five consecutive financial years beginning 1st April 2023. It should be noted that Grant Thornton would remain the Council's external auditor for the 2022/23 accounts.

1.2 In order to join the national scheme the Council has to formally accept the invitation by Friday 11th March 2022. The decision to accept the invitation must be made by the members of the authority meeting as a whole e.g. Council or equivalent.

2. Key Issues

2.1 There are a number of options available to the Council when appointing new auditors.

- It can continue to take part in the national procurement undertaken by PSAA
- Procure individually
- Seek to carry out a joint procurement along with (probably) neighbouring local authorities and / or SCR.

2.2 In conjunction with around 98% of all local authorities, the Council opted-in to the national procurement arrangement run by Public Sector Audit Appointments (PSAA) in 2017, covering the audits of the Council's 2018/19 to 2022/23 accounts.

Procurement through PSAA

2.3 The procurement through the PSAA has the following advantages.

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;

- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 the PSAA returned a total £3.5million to relevant bodies and more recently a further distribution of £5.6m was announced in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

2.4 A potential disadvantage of procuring through the PSAA is that Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

Procure Individually.

2.5 Legislation requires that to procure individually the Council must set up an Auditor Panel. The panel must consist of wholly or a majority of independent members as defined by the Act, and must be chaired by an independent member. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input in assessing bids and choosing to which firm to award the contract for the Council’s external audit. The new independent auditor panel would be responsible for selecting the auditor.

Advantages/benefits

- Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have some local input to the decision.

Disadvantages/risks

- Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on-going expenses and allowances.

- The Council will not be able to take advantage of the benefits of scale and reduced fees that could be available through joint or national procurement contracts.

- The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members. Hence our members do not control the process or appointment.

- The external audit market has become very challenging, with firms unable to recruit staff. Often audited bodies nationally in the public and private sector have found that they have at most one bidder for their audit. Consequently single-procurement risks having very little or no choice of audit provider.

Joint Procurement.

2.6 The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly or a majority of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act, and the Council would need to liaise with other public authorities locally to assess the appetite for such an arrangement. Soundings with other local authorities so far have indicated that they are not keen to opt for a joint procurement, as they doubt the benefits would be worth the additional time and procurement costs needed.

Advantages/benefits

- The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

- There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/risks

- The decision-making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used, or possibly only one elected member representing each council, depending on the constitution agreed with the other bodies involved.

- There will be the usual delays and time needed to negotiate and agree joint provision with other LA bodies, with the danger if agreement is not met, that the Council is then too late to opt-in to the PSAA arrangements.

- The choice of auditor could be complicated if individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work, such as consultancy or advisory work for a council. Where these issues occur, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council, then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.
- The problems in obtaining a range of auditing firms prepared to bid, as discussed under Option Two, are unaltered by this arrangement.

- Lack of enthusiasm for this approach from other LAs contacted.

Recommended option

2.7 For the last procurement exercise, after considering the above factors, the Council decided that opting in to the PSAA national procurement exercise was the best approach. 98% of other local authorities (and Fire, Police etc bodies) decided likewise, so PSAA was the overwhelming choice of the sector. There have been some frustrations arising from this decision, as the scope of external audits has been increasing and with it the cost of the audit to the Council. However, given the current fragility of the audit market, the considerable time and effort involved in tendering individually or in a small group, the additional demonstrable independence of the national process, and the benefits of acting as a collective sector in the audit market, it is the view of officers that the Council should again opt-in to the PSAA process.

3. Options considered and recommended proposal

3.1 The options considered have been addressed in section 2 of this report.

4. Consultation on proposal

4.1 The Council has liaised with other local authorities within South Yorkshire to assess their approach and any appetite for a joint procurement exercise. However, all parties feel that the potential benefits of the PSAA arrangement, the lack of resources and the cost of another approach being taken mean that a PSAA engagement is the option of choice across the region.

5. Timetable and Accountability for Implementing this Decision

5.1 The deadline for opting into the PSAA national scheme for appointing auditors is Friday 11th March 2022.

6. Financial and Procurement Advice and Implications

6.1 There are no financial implications arising from the recommendations set out in this report, other than the normal ongoing costs of paying for the subsequent external audits.

7. Legal Advice and Implications

7.1 None

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 Cabinet approval timelines to be followed in order to ensure that the timeline for opting in to the agreement is adhered to.

14. Accountable Officer(s)
Judith Badger (Strategic Director of Finance & Customer Services)

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

Agenda Item 10

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 30 November 2021

Report Title
Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2021/22

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

Ward(s) Affected
Borough-Wide

Report Summary

<u>Mid-Year Treasury Review</u>

The regulatory framework of treasury management requires that the Council produces a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report.

This report is the mid-year review for 2021/22. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

It is also a requirement that any proposed changes to the 2021/22 prudential indicators are approved by Council.

The monitoring as set out in the Appendix to the report is structured to highlight the key changes to the Council's capital activity (the PIs) and the actual and proposed treasury management activity (borrowing and investment).

The key messages for Members are:

a. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this.

b. Borrowing - The Council will maintain its strategy of being under-borrowed against the capital financing requirement. Whilst the Council will continue to utilise the short term borrowing strategy, to maximise savings within Treasury Management, the opportunity arose during the first half of 2021/22 to access some long term (50 year) PWLB borrowing due a number of significant drops in the PWLB rates. During July and August of 2021 £120m of Long term PWLB borrowing was taken (£100m General fund at 1.54%, £10m HRA at 1.81%, £10m HRA at 1.86%). This was to take advantage of the low PWLB borrowing rates available at the time and will be used to replace short term borrowing as it matures. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2022/23 report to Council in March 2022.

c. Governance - strategies and monitoring are undertaken by Audit Committee.

Recommendations

1. Audit Committee is asked to note the contents of the report.

List of Appendices Included

Appendix – Mid-Year Treasury Management and Prudential Indicators Monitoring Report – 2021/22.

Background Papers

Budget and Council Tax Setting Report 2021/22 to Council on 3rd March 2021, Including the Treasury Management Strategy 2021/22

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No

Exempt from the Press and Public

No.

1.	**Background**
1.1	**Mid-Year Treasury Review** – The CIPFA Treasury Management Code of Practice includes a requirement that Members receive a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.
1.2	This review as fully set out in the Appendix meets these requirements. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs were previously reported to Cabinet on 15th February 2021 and approved by Council on 3rd March 2021.
2.	**Key Issues**
2.1	Mid-Year Treasury Review – The review as set out in the Appendix provides Members with details of mid-year performance against the plan.
2.2	The key messages for Members are: A. Investments - the primary governing principle remains security over return and the criteria for selecting counterparties continues to reflect this. B. Borrowing - The Council will maintain its strategy of being under-borrowed against the capital financing requirement. Whilst the Council will continue to utilise the short term borrowing strategy, to maximise savings within Treasury Management, the opportunity arose during the first half of 2021/22 to access some long term (50 year) PWLB borrowing due a number of significant drops in the PWLB rates. During July and August of 2021 £120m of Long term PWLB borrowing was taken (£100m General fund at 1.54%, £10m HRA at 1.81%, £10m HRA at 1.86%). This was to take advantage of the low PWLB borrowing rates available at the time and will be used to replace short term borrowing as it matures. The borrowing position will remain under review and an update of the strategy will be presented to Members within the Budget and Council Tax 2022/23 report to Council in March 2022. C. Governance - strategies and monitoring are undertaken by Audit Committee.
3.	**Options considered and recommended proposal**
3.1	Mid-Year Treasury Review – The review as set out in the Appendix indicates performance is in line with the plan and no proposals to vary the approach for the remainder of the year are proposed.
4.	**Consultation on proposal**
4.1	The continuing approach to treasury management has been discussed with the Council's external Treasury Management Advisers, Link Asset Services, who have confirmed this is a prudent approach given current market conditions. Link

	Asset Services were supporting of the decision to utilise PWLB to access some long term borrowing given the significantly reduced borrowing rates, as it mitigates the interest rate risk within the temporary borrowing strategy.
5.	**Timetable and Accountability for Implementing this Decision**
5.1	The report is for Audit Committee information and noting.
6.	**Financial and Procurement Advice and Implications**
6.1	Treasury Management forms an integral part of the Council's overall financial arrangements.
6.2	The assumptions supporting the capital financing budget for 2021/22 and for future years covered by the Council's MTFS were reviewed in light of economic and financial conditions and the capital programme.
6.3	During 2020/21 PWLB borrowing rates fell significantly and presented the Council with the opportunity to take some long term loans at significantly low rates. This occurred in July and August of 2021 when £120m of borrowing was taken to benefit from a dip in long term borrowing rates. It is now anticipated that the Council will continue to seek opportunities to convert its short term borrowing into long term when PWLB rates allow. However, this remains under review given the market conditions can fluctuate significantly, a further update will be provided as part of the Council's Treasury Management Strategy for 2022/23.
7.	**Legal Advice and Implications**
7.1	It is a requirement that changes to the Council's prudential indicators are approved by Council
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	The report does not impact the Children's and Adult Social care budgets.
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 implications arising from this report to Partners or other directorates.
13.	**Risks and Mitigation**
13.1	Regular monitoring of treasury activity ensures that risks and uncertainties are addressed at an early stage and hence kept to a minimum.
14.	**Accountable Officers**
	Graham Saxton, Assistant Director – Financial Services
	Rob Mahon, Head of Corporate Finance

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	**Date**
Chief Executive	Sharon Kemp	Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	Click here to enter a date.
Head of Legal Services (Monitoring Officer)	Bal Nahal	Click here to enter a date.

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

This report is published on the Council's website.

Appendix

Mid-Year Prudential Indicators and Treasury Management Monitoring

1. Introduction and Background

1.1 The CIPFA Treasury Management Code of Practice includes a requirement that the Council receives a mid-year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

1.2 This report meets that requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Management Strategy and PIs for 2021/22 were previously reported to Cabinet on 15th February 2021 and approved by Council on 3rd March 2021.

1.3 The Council's revised capital expenditure plans and the impact of these revised plans on its financing are set out below in Sections 2.2 and 2.3 respectively. The Council's capital spending plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.

1.4 The underlying purpose of the report supports the objective in the CIPFA Code of Practice on Treasury Management and the Communities & Local Government Investment Guidance. This states that Members receive and adequately scrutinise information on the treasury management service.

1.5 The underlying economic and financial environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with low risk counterparties. The downside of such a policy is that investment returns remain low. This situation has been further exacerbated by the economic impact of the Covid-19 pandemic, that has seen the Bank of England base rate fall to 0.1%.

1.6 The Council's use of long term PWLB borrowing will result in the level of short term borrowing gradually falling as short term borrowing matures. With long term borrowing rates forecast to rise over the next 3 years this strategy has taken advantage of historically low long term borrowing rates. This provides certainty of borrowing costs and mitigates the risk of borrowing having to be taken in the future at potentially higher rates. In the short term, the cost of borrowing will increase as the long term borrowing is at a higher rate than the short term borrowing it is replacing, though this impact is factored into the Council's financial monitoring position.

1.7 PWLB rates fluctuate, during 2021/22 to date the rates have see highs of 2.3% for a 50 year PWLB loan and lows of 1.5%. These are significantly low rates. The immediate impact of this has seen short-term borrow falling, to as little as 0.3% for 6 months, for example. This has allowed the Council to make greater short term borrowing savings than anticipated, whilst always being able to soak up the additional interest rate costs of taking long term borrowing, at this significantly low levels, sooner than planned. The Council keeps interest rates under constant review within its borrowing strategies and decisions on the mix of long-term and short-term borrowing.

1.8 The Strategic Director for Finance & Customer Services can report that the basis of the Treasury Management Strategy, the Investment Strategy and the PIs have not changed from that set out in the approved Treasury Management Strategy (Council - March 2021).

2. Key Prudential Indicators

2.1. This part of the report is structured to update:

- The Council's latest capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 Capital Expenditure (PI)

2.2.1 This table shows the current forecast estimates for capital expenditure. This position reflects slippage on the capital programme from 2020/21 which was rolled into 2021/22, as reported in the financial outturn report to Cabinet in July 2021, and new scheme approvals during the year.

Capital Expenditure by Service	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Children and Young People's Services	13.842	12.937
Assistant Chief Executive	0.210	0.391
Adult Care & Housing	7.411	6.849
Finance and Customer Services	5.648	7.125
Regeneration and Environment	71.270	94.777
Capitalisation Direction	2.000	2.000
Total Non-HRA	**100.381**	**124.079**
Adult Care & Housing – HRA	62.324	69.479
Total HRA	**62.324**	**69.479**
Total	**162.705**	**193.558**

2.3 Impact of Capital Expenditure Plans

2.3.1 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Total spend	162.705	193.558
Financed by:		
Capital receipts	16.253	12.728
Capital grants, capital contributions & other sources of capital funding	95.174	113.830
Borrowing Need	51.278	67.000
Total Financing	**162.705**	**193.558**
Unsupported Borrowing	51.278	67.000
Borrowing Need	**51.278**	**67.000**

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision (MRP). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.2 The increase in borrowing need for 2021/22 (£15.722m) reflects the re-profiling of capital expenditure & financing from 2020/21.

2.3.3 Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)

The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This expected debt position has previously been used as the basis for the Operational Boundary PI. This was set at the beginning of the financial year at £916.384m. There may be periods where the actual position rises above the Operational Boundary, but this is acceptable practice. It is the Authorised Limit which the Council must not breach. However even with the £120m of long term borrowing taken out in 2021/22, it is not expected that the Operational Boundary will be breached. The council will continue to use a combination of long and short term borrowing and remain under-borrowed against the CFR.

2.3.4 In addition to showing the underlying need to borrow, the Council's CFR includes other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract and there has been no change in the borrowing need resulting from these requirements.

2.3.5 The current CFR estimate for 2021/22 is £909.273m and this figure represents an increase of £59.605m when compared to the 2020/21 year-end position of £849.668m. This reflects the resetting of the capital programme following the 2020/21 year end and the factoring in of capital programme reprofiles as part of this, a further adjustment is made to reflect the repayments of borrowing within PFI schemes. These two adjustments are detailed below;

- The estimated borrowing need for the year £67.000m net of the Minimum Revenue Provision charge for the year (£4.408m)
- The repayments of borrowing contained within PFI and similar schemes (£2.987m).

Prudential Indicator – Capital Financing Requirement	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
CFR – Non Housing	482.703	482.900
CFR – Housing	310.604	305.870
Total CFR excluding PFI, finance leases and similar arrangements	**793.307**	**788.770**
Net movement in CFR excluding PFI, finance leases and similar arrangements	**67.129**	**62.592**
Cumulative adjustment for PFI, finance leases and similar arrangements	120.503	120.503
Net movement in CFR	**-2.987**	**-2.987**
Total CFR including PFI, finance leases and similar arrangements	913.810	909.273
Net movement in overall CFR	**64.142**	**59.605**
Prudential Indicator – Operational Boundary	**Original Estimate**	**Current Position**
Borrowing	795.881	789.889
Other long term liabilities*	120.503	120.503
Total Debt 31 March	**916.384**	**910.392**

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3. Limits to Borrowing Activity

3.1 The first key control over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2021/22 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which would only be undertaken if this proves prudent to do so.

RMBC	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
Gross Borrowing	765.881	759.889
Plus Other Long Term liabilities*	120.503	120.503
Total Gross Borrowing	**886.384**	**880.392**
CFR*	913.810	909.273
Total Gross Borrowing	886.384	880.392
Less Investments	50.000	50.000
Net Borrowing	**836.384**	**830.392**
CFR*	913.810	909.273

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3.2 The Strategic Director for Finance & Customer Services reports that no difficulties are envisaged for the current or future years in complying with this PI.

3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2021/22 Original Indicator £m	2021/22 Revised Indicator £m
Borrowing	813.307	808.770
Other long term liabilities*	122.913	122.913
Total	**936.220**	**931.683**

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4. Treasury Strategy 2021/22

4.1 Debt Activity during 2021/22

4.1.1 The expected borrowing need is set out below:

RMBC	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
CFR	913.810	909.273
Less Other Long Term Liabilities*	120.503	120.503
Net Adjusted CFR (y/e position)	**793.307**	**788.770**
Borrowed at 30/09/21	740.242	755.423
Invested at 30/09/21	-50.000	-185.900
Under borrowing at 30/09/21	**103.065**	**219.247**
Borrowed at 30/09/21	740.242	755.423
Estimated additional borrowing to be taken October to March 2022	0.000	0.000
Total Borrowing	**740.242**	**755.423**
Under borrowing at 31/03/22	53.065	33.347
Level of short term borrowing as 31/3/22		193.500

* Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently significantly under-borrowed. The delay in borrowing long-term reduces the cost of carrying borrowed monies when yields on investments are low relative to the borrowing rates. Based on current borrowing rates and investment returns the differential is around 1.8% and if the Council was fully borrowed the additional cost per year would amount to over £4m (Under borrowing and short term borrowing multiplied by 1.8%). The delay in taking out new long-term borrowing does give rise to an element of interest rate risk as longer term borrowing rates may rise. The Council borrowed £120m from the PWLB during July and August of 2021 to mitigate some of this risk. Given that the bank base rate is likely to increase over the next year this position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2021 the Council has taken out the following amounts of borrowing shown in the table below. The level of short term borrowing is lower than in the previous year due to long term borrowing being taken out to replace some of the short term borrowing. The following loans were required for a combination of debt refinancing, pension fund payments profile and cashflow management.

Borrowing taken in the 6 months to 30 September 2021

Lender	Principal	Type	Term	Interest Rate %
PWLB - HRA Programme	£10,000,000	Long Term	50 year	1.66
PWLB - GF Programme	£100,000,000	Long Term	50 year	1.54
PWLB - HRA Programme	£10,000,000	Long Term	50 year	1.81
Local Authority	£5,000,000	Temp	24 Months	0.40
Local Authority	£5,000,000	Temp	36 Months	0.48
Local Authority	£5,000,000	Temp	36 Months	0.55
Local Authority	£15,000,000	Temp	23 Months	0.45
Local Authority	£5,000,000	Temp	24 Months	0.45
Local Authority	£5,000,000	Temp	12 Months	0.30
Local Authority	£5,000,000	Temp	23 Months	0.45
Local Authority	£5,000,000	Temp	12 Months	0.30
Local Authority	£8,000,000	Temp	11 Months	0.25
Local Authority	£8,000,000	Temp	11 Months	0.25
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£5,000,000	Temp	11 Months	0.20
Local Authority	£10,000,000	Temp	11 Months	0.25
Local Authority	£5,000,000	Temp	11 Months	0.20
Local Authority	£10,000,000	Temp	9 Months	0.10
Local Authority	£5,000,000	Temp	36 Months	0.48

4.1.4 During the six months to 30 September 2021, the Council has repaid principal on long term Equal Instalment of Principal (EIP) and annuity loans from the PWLB, and short-term loans from the Local Authority lending market. The principal repaid, and interest rates are detailed in the table below.

The PWLB EIP loan of £1.3m is being repaid in equal half yearly instalments of £65,000 over its 10 year term. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

Borrowing repaid in the 6 months to 30 September 2021

Lender	Principal	Type	Interest Rate %
PWLB (5 year loan)	£10,000,000	Fixed Rate (Maturity)	1.05
PWLB	£65,000	Fixed rate (EIP)	1.89
PWLB	£97,953	Fixed rate (Annuity)	Various
Local Authority	£15,000,000	Temp	1.00
Local Authority	£5,000,000	Temp	1.00
Local Authority	£10,000,000	Temp	0.75
Local Authority	£5,000,000	Temp	0.41
Local Authority	£10,000,000	Temp	0.40
Local Authority	£5,000,000	Temp	1.00
Local Authority	£5,000,000	Temp	1.00
Local Authority	£10,000,000	Temp	1.00
Local Authority	£5,000,000	Temp	0.50
Local Authority	£10,000,000	Temp	0.95
Local Authority	£5,000,000	Temp	0.95
Local Authority	£5,000,000	Temp	0.45
Local Authority	£5,000,000	Temp	0.45
Local Authority	£10,000,000	Temp	0.80
Local Authority	£5,000,000	Temp	0.55
Local Authority	£5,000,000	Temp	0.55
Local Authority	£10,000,000	Temp	0.50

5. Investment Strategy 2021/22

5.1 Key Objectives

The primary objective of the Council's Investment Strategy is safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns, officers continue to implement an operational investment strategy which maintains the tight controls already in place in the approved Investment Strategy.

5.1.1 The Council has previously been operating a strategy, whereby it has utilised the low rates available in the short term inter-local authority lending market to hold a position of being under borrowed, with the vision of not entering into any long term borrowing until required. To mitigate the risk of interest rates rising and to take advantage of low long term PWLB interest rates £120m of PWLB borrowing was taken in July and August of 2021. This has resulted in the Council having a larger cash balance than usual. This cash balance will reduce as temporary borrowing becomes due for repayment.

5.1.2 The Council has been managing any cash surpluses into one of the following investment options, Debt Management Office (DMO currently at 0.01%), or Bank Deposits (e.g. Handlesbanken currently at 0.01%). The Council has continued to use Money Market Funds (MMF's), which currently have comparable interest rates of between 0% and 0.01%. The process for using MMF's is very efficient and effective, with the added benefit that the funds the Council can access are all AAA rated. The Council is also looking to place funds with other banks/building societies and other local authorities in order to gain more interest and reduce the cost of carry of the funds that have been borrowed.

5.2 Current Investment Position

The Council held £185.900m of investments at 30 September 2021, and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	10.000	0	0
DMO	UK	138.000	0	0
MMF's	UK	37.900	0	0
Total		**185.900**	**0**	**0**

5.3 Risk Benchmarking

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are requirements to Member reporting and the following reports the current position against the benchmarks:

5.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the Investment Strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- Bank overdraft – on a day-to-day basis the Council works to an agreed overdraft limit of £100,000 with the Council's bankers. Whilst a short-term increase could be negotiated less expensive short-term borrowing is accessed through the financial markets to remain within the agreed overdraft.
- Liquid short-term deposits of at least £3m available within a week's notice.

The Strategic Director for Finance & Customer Services can report that liquidity arrangements were adequate during the year to date.

5.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the 7 day London Interbank Bid Rate (LIBID).

The Strategic Director for Finance & Customer Services can report that the return to date averages 0.01%, against a 7 day LIBID to the end of September 2020 of -0.08%. This is reflective of the Council's current approach utilising Money Market Funds to generate additional investment returns.

Based on the Council's current average cash investments of £135m, the additional return achieved compared to benchmark would be £61k.

6. Revisions to the Investment Strategy

6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy. However, as part of the Councils Treasury Management Strategy for 2022/23 the Council may look to increase the level of investments that can be held with banks and Money Market Funds in order to support the additional cash that may be held as the Council looks to gradually convert its short term borrowing into log term loans.

7. Treasury Management Prudential Indicators

7.1 Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2021/22 Original Indicator %	2021/22 Current Position %
Non-HRA	5.31	6.20
HRA	16.80	16.78

7.2 The current position reflects in-year changes to the capital programme and minor fluctuations in interest rates.

7.3 **Prudential indicator limits based on debt net of investments**

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.

- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2021/22 Original Indicator	Current Position
Limits on fixed interest rates based on net debt	100%	82.66%
Limits on variable interest rates based on net debt	50%	17.34%

7.4 **Maturity Structures Of Borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

The current position shown below reflects the next call dates on those Council's LOBO loans that are not callable in 2021/22 and thus are regarded as fixed rate. The actual maturity date for most of these LOBO loans is greater than 50 years. This approach gives a better indication of risk and whilst there is a possibility that a loan is called with an increase in interest payable the likelihood of any LOBO loans being called in the current climate is assessed as zero for the next three years.

RMBC	2021/22 Original Indicator		Current Position	
	Lower	Upper	%	£m
Under 12 months	0%	60%	19.98%	150.930
12 months to 2 years	0%	35%	17.67%	133.500
2 years to 5 years	0%	45%	3.31%	25.000
5 years to 10 years	0%	45%	0.66%	5.000
10 years to 20 years	0%	45%	4.98%	37.657
20 years to 30 years	0%	50%	1.36%	10.271
30 years to 40 years	0%	50%	13.38%	101.065
40 years to 50 years	0%	55%	25.42%	192.000
50 years and above	0%	60%	13.24%	100.000

7.5 **Total Principal Funds Invested**

These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged.

RMBC	2021/22 Original Indicator £m	Current Position £m
Maximum principal sums invested > 364 days	10	0
Cash deposits	10	0

7.6 **Treasury Management Advisers**

Following a three year contract with Link Asset Services Treasury Solutions (LAS) for the provision of treasury management and asset finance services, the Council has extended the contract for a further year to January 2022. A procurement process is currently underway to replace the contract from January 2022.

Agenda Item 11

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 30 November 2021

Report Title
Code of Corporate Governance 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 of Finance and Customer Services

Report Author(s)
David Webster, Head of Internal Audit
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Simon Dennis, Acting Head of Policy, Performance and Intelligence
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Ward(s) Affected
Borough-Wide

Report Summary

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

It is good practice to review and revise the Council Code on an annual basis. The Corporate Governance Group has completed this review. In addition, some changes have been made to the Code to reflect relevant the Council's continuing response to the COVID pandemic where relevant. The revised Code is presented here for consideration by the Audit Committee.

Recommendations

The Audit Committee is asked to:

- Consider the refreshed version of the Code of Corporate Governance and;

- After consideration, advise if any amendments or further development work deemed necessary

List of Appendices Included

Appendix 1 Code of Corporate Governance 2021

Background Papers

"Delivering Good Governance in Local Government", published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in April 2016

Consideration by any other Council Committee, Scrutiny or Advisory Panel

This paper is not intended to be circulated to other Council Committees or Panels.

Council Approval Required

No

Exempt from the Press and Public

No

Code of Corporate Governance 2021

1. Background

1.1 In April 2016, CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) published revised guidance on delivering good governance in Local government. The Council's Code of Corporate Governance was rewritten to set out how it complied with this new guidance. The new guidance set out seven key principles of good governance and the Council's new Code reflected these principles. The Code was presented to the Audit Committee in February 2017 with annual updates each November since then.

1.2 Although there have been no subsequent changes to the guidance, an annual review of the Code has been completed to ensure it remains up to date and relevant to the Council. Amendments have been made to include relevant elements of the Council's response to the COVID pandemic as it has developed, as well as other minor amendments where necessary.

2. Key Issues

2.1 Good governance leads to good management, performance, public engagement, stewardship of public money and, through all this, good outcomes for citizens and service users.

2.2 Rotherham Metropolitan Borough Council is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities. Integrity, openness and accountability are fundamental principles by which the Council operates, and these are specifically reflected in two of the Council's values – "Honest" (Being open and truthful in everything we do) and "Accountable" (We own our decisions, we do what we say, and we acknowledge and learn from our mistakes).

2.3 The guidance sets out the seven key principles which underpin the governance of each local government organisation. The Rotherham Code follows these principles and demonstrates how they are applied and evidenced in practice. The seven key principles are:

- Behaving with Integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring Openness and comprehensive stakeholder engagement
- Determining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Councils capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practice in transparency, reporting and audit to deliver effective accountability

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

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

3. Options considered and recommended proposal

3.1 "Delivering Good Governance in Local Government", published by CIPFA and SOLACE (the Society of Local Authority Chief Executives) is widely acknowledged as the authoritative guide in this area.

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

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

4. Consultation on proposal

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

5. Timetable and Accountability for Implementing this Decision

5.1 The refreshed Code is to be presented to the Audit Committee for consideration at its meetings on 30th November 2021.

6. Financial and Procurement Advice and Implications

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

7. Legal Advice and Implications

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

8. Human Resources Advice and Implications

8.1 There are no immediate implications associated with the proposals.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no immediate implications associated with the proposals.

10. Equalities and Human Rights Advice and Implications

10.1 There are no immediate implications associated with the proposals.

11. Implications for CO2 Emissions and Climate Change

11.1 There are no immediate implications associated with the proposals.

12. Implications for Partners

12.1 There are no immediate implications associated with the proposals.

13. Risks and Mitigation

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

14. Accountable Officer(s)

David Webster, Head of Internal Audit
Simon Dennis, Acting Head of Policy, Performance and Intelligence

Approvals obtained from:

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This report is published on the Council's website.

Rotherham Metropolitan Borough Council

Code of Corporate Governance

20~~20/~~21/22

November 202~~0~~1

CODE OF CORPORATE GOVERNANCE

Introduction

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

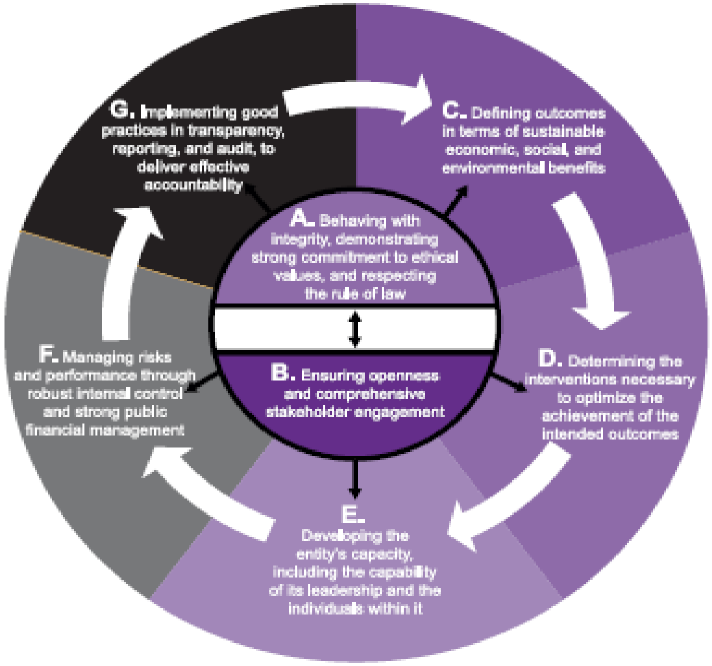
Good governance enables Rotherham Council to pursue its vision effectively, as well as reinforcing that vision with the mechanisms for control and management of risk.

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

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

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

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



The International Framework notes that:

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

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

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

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

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

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

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

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

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

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

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

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

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

For the 202~~0~~1/2~~1~~2 financial year, the Code has once again been amended, where necessary, to reflect the changes to governance made as a result of the Council's response to the changing situation resulting from the COVID pandemic. ~~These changes will be reviewed once the pandemic response has stepped back.~~

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

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

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

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Behaving with integrity	• Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles). • Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. • Demonstrating, communicating and embedding the standard operating principles	• Member's Code of Conduct • Employees' Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Dignity at Work Policy • Equal Opportunity in Employment Policy • Equality and Diversity Policy • Whistle-blowing and Serious Misconduct Policy • Corporate Safeguarding Policy • The Council Plan • -The Year Ahead Delivery Plan • LADO (Local Authority Designated Officer) to investigate allegations made against people working with children • Standards and Ethics Committee • Social Value included in procurement

	or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.	
Demonstrating strong commitment to ethical values	• Seeking to establish, monitor and maintain the organisation's ethical standards and performance • Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. • Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values. • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.	• The Year Ahead Delivery Plan • Human Resources Policies • Induction Procedures • Registers of Interests • Registers of Gifts and Hospitality • Member's Code of Conduct • Employees' Code of Conduct • Member / Officer Relations Protocol • Standards and Ethics Committee
Respecting the rule of law	• Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. • Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. • Striving to optimise the use of the full powers available for the benefit of citizens, communities and stakeholders.	• Legal (Monitoring) Officer Role • Internal Audit • External Auditors • Corporate Complaints Procedure • Standards and Ethics Committee (supporting Members' observation of their Code of Conduct) • Employees' Personal Development Reviews • Publicising the process of how to complain about Members' conduct • Publicising the process of how to make a complaint to the Local Government Ombudsman • Overview and Scrutiny functions • Anti-Fraud and Corruption Policy and Strategy

	• Dealing with breaches of legal and regulatory provisions effectively. • Ensuring corruption and misuse of power are dealt with effectively.	• Whistleblowing and Serious Misconduct Policy • Anti-Money Laundering Policy

Principle B - Ensuring openness and comprehensive stakeholder engagement.

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Openness	• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.	• The Council Plan • ~~-~~The Year Ahead Delivery Plan • The Rotherham Plan ~~2025~~ • Forward Plan listing key decisions to be made • Council Website • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Freedom of Information publication scheme • Overview and Scrutiny functions • Data Transparency Code • Public meetings held virtually and publicly accessible through the internet

Engaging comprehensively with institutional stakeholders	• Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensuring that partnerships are based on: trust; a shared commitment to change; and a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit. •	• Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Council Website • Rotherham Local Safeguarding Children Board • Rotherham Safeguarding Adults Board • Community Safety and Anti-Social Behaviour Unit • Neighbourhood working group • Rotherham Together Partnership
Engaging with individual citizens and service users effectively	• Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. • Ensuring that communication methods are effective and members and officers are clear about their roles with regard to community engagement. • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. • Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.	• The Year Ahead published on RMBC website • Key decisions are published at least 28 days prior to consideration at Cabinet • External Auditor provides an annual assessment of the Council's performance through the Value for Money conclusion • Council Website • Council minutes and agendas available on website • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Satisfaction Surveys • Freedom of Information publication scheme

	• Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • Taking account of the interests of future generations of tax payers and service users.	

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

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Defining Outcomes	• Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions. • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. • Delivering defined outcomes on a sustainable basis within the resources that will be available. • Identifying and managing risks to the achievement of outcomes. • Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available.	• The Council Plan • The Year Ahead Delivery Plan • Rotherham Plan ~~2025~~ • Forward Plan listing key decisions to be taken • Corporate report template requires information explaining the legal and financial implications of decisions • Community Safety and Anti-Social Behaviour Unit • Rotherham Housing Strategy 2019-2022 • Rotherham Health and Wellbeing Strategy (A healthier Rotherham by 2025) • Safer Rotherham Partnership Plan 2018-2021 • Rotherham Economic Growth Plan 2015-2025 • Early Help Strategy for children, young people and families • Medium Term Financial Strategy • Risk Management Policy & Guide • Regular revision and consideration of Strategic Risk Register by Strategic Leadership Team and consideration by Audit Committee including Directorate Risk "deep dives"

		• Monthly consideration of Directorate Risk Registers by Directorate Leadership Teams • Corporate report template contains ‘risk implications’ section • Audit Committee reviews risks and the Risk Management process
Sustainable economic, social and environmental benefits	• Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. • Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints. • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. • Ensuring fair access to services.	• The Coun~~i~~cil Plan • The Year Ahead Delivery Plan • Forward Plan listing key decisions to be taken • Receipt of reports from inspectorates and regulators throughout the year • Formal consultation arrangements • Rotherham Economic Growth Plan 2015-2025 • Safer Rotherham Partnership Plan 2018-2021 • Rotherham Local Plan Core Strategy 2013-28 • Municipal Waste Management Strategy • Rotherham Health and Wellbeing Strategy 2015-2018 • Social Value included in procurement

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

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Determining interventions	• Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. • Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.	• Business decisions are accompanied by a business case and options appraisal • Overview and Scrutiny functions • Corporate report template requires information explaining the legal and financial implications of decisions • Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required • Council Website • Formal consultation arrangements
Planning interventions	• Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. • Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.	• The Council Plan • The Year Ahead Delivery Plan • Directorate Service Plans • Quarterly Performance Monitoring Reports aligned to Year Ahead Plan priorities • Contract Monitoring Reports • Medium Term Financial Strategy

	• Considering and monitoring risks facing each partner when working collaboratively including shared risks. • Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. • Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. • Ensuring capacity exists to generate the information required to review service quality regularly. • Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan. • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.	• Capital Programme • Revenue budget process • Value for Money judgement by External Auditor • Jointly developed risk register with RTP with covers the key elements of the Rotherham Plan.
Optimising achievement of intended outcomes	• Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. • Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.	• Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Policy • Procurement Standing Orders • Action Plans developed in response to external audit and inspections • 6 monthly public reporting on completion of inspection and external audit recommendations • Value for Money judgement by external auditor • Social Value in procurement

	• Ensuring the achievement of 'social value' through service planning and commissioning.	

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

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Developing the entity's capacity	• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. • Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. • Recognising the benefits of partnerships and collaborative working where added value can be achieved. • Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	• The Council Plan • The Year Ahead Delivery ~~Plan covering the period to July 2021 published in September 2020~~ • Organisational restructure in key service areas • Officer participation in regional groups appropriate to their particular service • Involvement in Sheffield City Region • Benchmarking increasingly used to develop budgets • Peer Health Checks carried out February 2018 and February 2019 • LGA review of Big Hearts, Big Changes programme • Workforce Strategy ~~– Our Workforce Plan 2020~~

Developing the capability of the entity's leadership and other individuals	• Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. • Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by - Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and	• The Council Constitution • Scheme of Delegation • Members' Code of Conduct • Member training and seminars • Members' and officers' induction programmes • Personal Development Reviews • Job descriptions and person specifications produced for all posts • Recruitment and appointment policies and procedures • Members' Development Panel • Comprehensive training programme for officers • Workforce Development Plan • Workforce Plan- (including employee health & wellbeing) • Staff surveys • A-Z list of HR Policies and Guidance on intranet • Employee Guide to wellbeing

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	organisational requirements is available and encouraged. - Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis. - Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. • Ensuring that there are structures in place to encourage public participation. • Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. • Holding staff to account through regular performance reviews which take account of training or development needs. • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.	

Principle F - Managing risks and performance through robust internal control and strong public financial management.

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Managing risk	• Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. • Ensuring that responsibilities for managing individual risks are clearly allocated.	• Risk Management Policy & Guide in place and reviewed annually • Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance • Directorate and Service level risk registers in place • ~~Threat and Risk assessment covering the Council's response to COVID and EU Exit in place and reviewed by the relevant workstreams and Tactical group~~ • Corporate report template contains 'risk implications' section • Audit Committee reviews one risk register at each meeting and considers the Strategic Risk Register every six months. • Audit Committee receives an annual Risk Management Report

Managing performance	• Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. • Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. • Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).	• Quarterly Performance Monitoring Reports aligned to Year Ahead Plan priorities • Contract Monitoring Reports • Corporate report template requires information explaining the legal and financial implications of decisions • Corporate report template contains 'risk implications' section • Overview and Scrutiny functions • Monthly spend/budget reports sent to all budget holders • Officers' make online monthly budget submissions as part of budget monitoring arrangements • Service Plans for all services (temporarily suspended due to COVID but are being fully reinstated from April 2022)~~will be reinstated once pandemic response is complete)~~
Robust internal control	• Aligning the risk management strategy and policies on internal control with achieving the objectives. • Evaluating and monitoring risk management and internal control on a regular basis. • Ensuring effective counter fraud and anti-corruption arrangements are in place. • Ensuring additional assurance on the overall adequacy and effectiveness of the framework	• Risk Management Policy & Guide in place and reviewed annually • Strategic Risk Register in place and reviewed regularly by Strategic Leadership team and linked to service performance • Directorate and Service level risk registers in place • ~~Threat and Risk assessment covering the Council's response to COVID and EU Exit in place and reviewed by the relevant workstreams~~

	of governance, risk management and control is provided by the internal auditor. • Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment, and that its recommendations are listened to and acted upon	• Anti-Fraud and Corruption Policy & Strategy • Internal Audit annual opinion on governance, risk management and internal control. • Audit Committee reviews risks at each meeting, including each Directorate's Risk Register at least annual~~s~~ly, ~~-~~and the Strateg~~y~~ic Risk Register ~~Management process t~~twice a year • Corporate Information Governance Group • Consideration of specified Fraud risks by Corporate Risk Champions
Managing data	• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. • Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.	• Corporate Communications Policy • Dedicated Information Governance Unit • Freedom of Information publication scheme • Digital Council Strategy • Ongoing monitoring of Data Protection Act / Freedom of Information compliance • Data Transparency Code • Data Sharing Agreements • GDPR training for staff
Strong public financial management	• Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance. • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.	• The Council Plan • The Year Ahead Delivery Plan • Medium Term Financial Strategy • Revenue budget process • Procurement Policy • Procurement Standing Orders • Value for Money judgement from the External Auditor • External Auditors' Annual Audit letter • Financial Regulations • Capital Strategy • Treasury Management Strategy

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

Summary:

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

Sub principles	Actions Demonstrating Good Governance	How this is evidenced
Implementing good practice in transparency	• Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.	• Council website • Meeting papers and minutes published on website • Recordings of public meetings published on website • Budgets and spending published on website • Senior Officer remuneration published on website
Implementing good practices in reporting	• Reporting at least annually on performance, value for money and the stewardship of resources to stakeholders in a timely and understandable way. • Ensuring members and senior management own the results reported.	• Publication of Statement of Accounts on website • Annual Governance Statement produced and published on website • Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles

	• Ensuring robust arrangement for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement. • Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate. • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.	• Documents are scrutinised and approved by Senior Leadership Team, Cabinet and Audit Committee prior to publication • Performance information and reports are published on the website • VFM judgement by external auditors
Assurance and effective accountability	• Ensuring that recommendations for corrective action made by external audit are acted upon. • Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and recommendations are acted upon. • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. • Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	• The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within. • 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 • Audit Committee meets five times a year and receives reports from both Internal and External Audit • The authority is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the council's responses are made available via the website. Actions are reported to the Audit Committee.

		• Annual Governance Statement produced and published on website • The RTP Rotherham Plan and the supporting agreement. The partnership reports publicly periodically on its progress on the Plan and there is an annual delivery plan and updates on its website.

Agenda Item 12

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

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.go.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. On 30th September the committee reviewed the final AGS, which was similarly published with the Council's financial statements. At that time the external auditors, Grant Thornton, had not concluded their review of the AGS. That review is now complete and a few points have been raised, resulting in minor amendments to the AGS. This paper provides an update on the changes made. 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

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"
Audit Committee Report 29th July 2021, "Annual Governance Statement".

Audit Report 30th September 2021, “Annual Governance Statement”.

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 was published by 30th September 2021.

1.2 The AGS is subject to review by the external auditors who have to consider whether it does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which they are aware from their audit. They are not required to consider whether the AGS addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

1.3 At the time of publication the external auditors, Grant Thornton, had not reviewed the AGS. They have now done so and made suggestions for amendments. Some of the amendments are necessary because although the AGS relates to 2020/21, it has to be up to date at the time of publication. The changes do not relate to significant issues or affect the overall review of governance within the Council.

2. Amendments to the 2020/21 AGS

2.1 As a result of the review the following sections of the AGS have been amended:-

- Para 2.8, the role of the Audit Committee in overseeing financial reporting and the annual governance process
- 3.2, Principle E, inserted a sentence on where the roles of the Leader, Cabinet, Members and Statutory Officers are published
- 3.9, confirmed that none of the audit reports highlighted issues that needed to be reported in the AGS.
- 4.2, updated to show the current position.
- 4.7, updated after the Government Spending Review

2.2 The Committee are invited to note the updates to the Annual Governance Statement attached to this report at Appendix A.

2.3 The AGS will be published by 30th November, taking account of any further comments made by the Audit Committee.

3. Options considered and recommended proposal

3.1 This paper considers the final AGS for 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.

4.3 The final AGS has been reviewed by the external auditors, Grant Thornton.

5. Timetable and Accountability for Implementing this Decision

5.1 The Audit Committee is asked to receive this report at its November 2021 meeting.

5.2 The Corporate Governance Group will ensure that the final AGS is published by 30th November 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 required 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 an 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 20~~19/~~20/21

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:

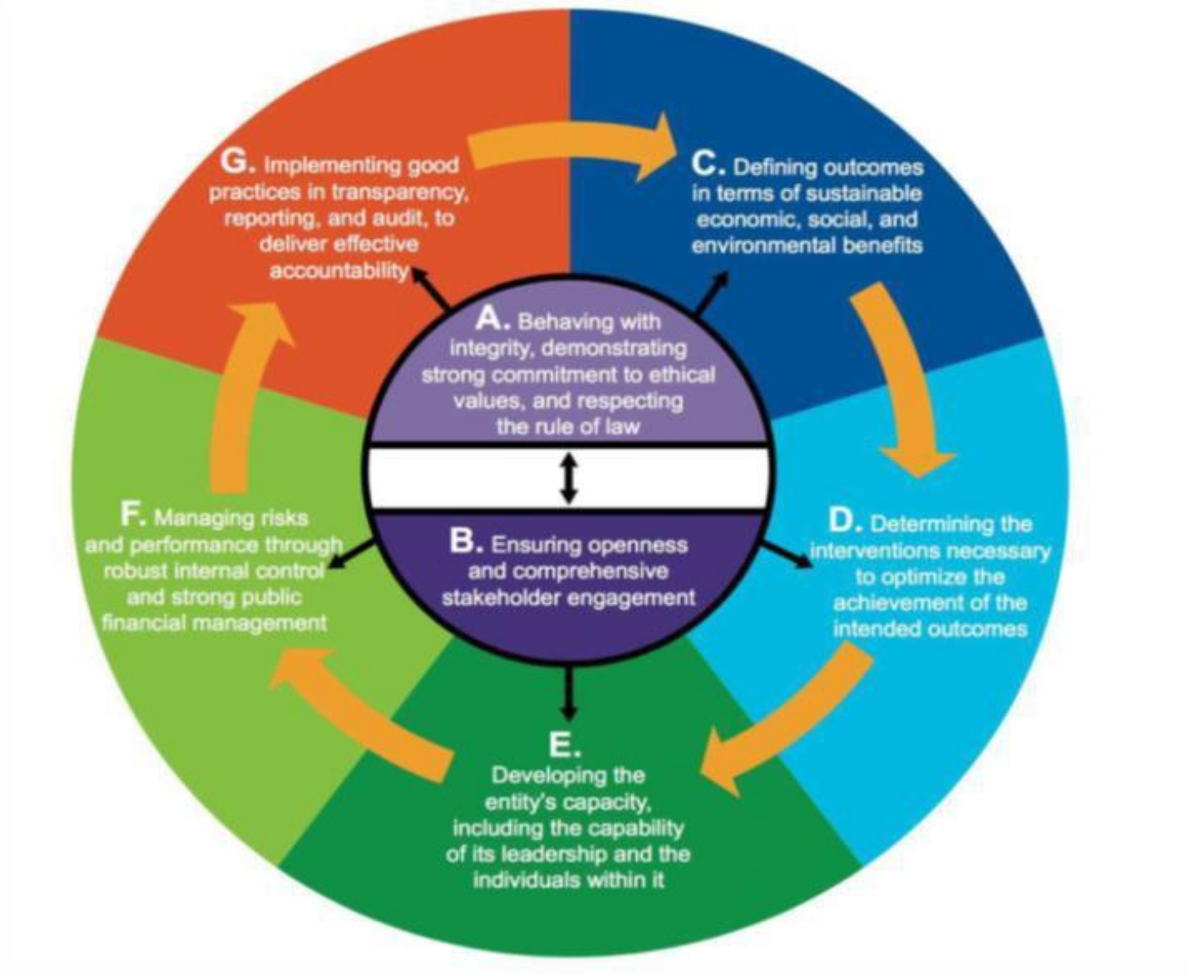
- identify and prioritise the risks to the achievement of Council policies, aims and objectives
- evaluate the likelihood of those risks being realised and assess the impact should they be realised, and
- manage the risks efficiently, effectively, and economically.

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. Oversees financial reporting and financial statements and the annual governance process.
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	The Council has a constitution and a supporting set of rules and procedures that govern its activities in accordance with legislative requirements. All key decisions require review by Legal and Financial Services to ensure all relevant requirements and considerations are taken into account. 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.

	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. The Code of Conduct~~Practice, Officer/Member Protocol~~, constitution and Whistle-blowing Policy can be found at www.rotherham.gov.uk
Principle B – Ensuring openness and comprehensive stakeholder engagement.	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. 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. 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. 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. 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. 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 The Policy is underpinned by a consultation toolkit for services to

	use so that they comply with the Policy. The Rotherham Together Partnership is well established, and partner organisations have an opportunity to provide the Chair role in future years. The Partnership strategy, The Rotherham Plan 2025, was published in early 2017. As noted above, the Rotherham Plan is currently in the process of being updated with the aim that this will be published during 2022.
Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.	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. 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. 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. 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.
Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.	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. 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.

	All decisions need to be taken in the context of the Medium-Term Financial Strategy, the Capital Programme and the Revenue budget process.
Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.	The Council has been working with the Local Government Association to support the development of all councillors, and this will continue in future years. Personal development planning 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. The roles of the Leader, the Cabinet, all Members and the Statutory Officers are included in the Constitution. 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. 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.
Principle F - Managing risks and performance through robust internal control and strong public financial management.	The Council has a Risk Management Policy and Guide which is fully embedded. The Guide was~~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. Corporate report templates all contain 'risk implications' sections and Risk Management also links closely to Service Plans. The Audit Committee reviews risks and the Risk Management process at every meeting. Performance Reports are aligned to Council Plan priorities and are considered in public and are also linked to the Risk Policy. The Council has an Anti-Fraud and Corruption Policy and Strategy which 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.
Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.	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. 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. 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. The Council is subject to regular inspections from regulatory bodies, including Ofsted, Care Quality Commission etc. The outcomes of these inspections, together with the Council's responses are made available via the website. An appropriate financial control and reporting framework for the Council is in place, with all aspects of revenue and capital spending compared to budget plans being routinely reported throughout the year to the officer Strategic Leadership Team and Cabinet.

How is the effectiveness of our Governance Arrangements monitored?

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 but none of these highlighted significant governance or control weaknesses that needed to be reported in the AGS. The~~se~~ areas identified 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 Councils Financial Procurement Procedure Rules (FPPR's) provide the bedrock of the Councils 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~~ has not obtained a 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 this ~~lack of progress~~ continue, the Council's permissions to share confidential data with other organisations could~~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.~~ During the past 12 months significant progress has been achieved with the latest IT system penetration test, conducted by a third party, achieving the highest rating to date. The Council has sent the 2021 submission to the PSN office and is awaiting feedback. Covid-19 has resulted in a delay to all work being carried out by the PSN Office. They have informed the Council that we should receive feedback on the submission in early 2022.

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 whilst the Spending Review 2021 covers the next three financial years, there is no indication as yet from Government that the 2022/23 Finance Settlement will be for more than one year.~~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.

C. Read

Signed ……………………………………

Councillor Chris Read,
Leader, Rotherham MBC
Date: 30th September 2021

Sharon Kemp.

Signed ………………………………

Sharon Kemp,
Chief Executive, Rotherham MBC
Date: 30th September 2021

Agenda Item 13

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 30 November 2021

Report Title
Risk Management Policy and Guide Refresh 2021

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 or Tanya.Lound@rotherham.gov.uk

Ward(s) Affected
Borough-Wide

Report Summary

The Council introduced a completely revised Risk Policy and Guide in late 2015 which was approved by the Audit Committee on 24th November 2015. The Policy and Guide has been received and refreshed annually since then and was last considered by the Committee on 26th November 2019.

The changes to the Policy and Guide this year are minor and are mainly to improve clarity of information for users. The last extensive refresh of the Policy and Guide was undertaken in 2018.

In the course of the coming year, work will continue to ensure the Council's approach to risk management is well embedded across all projects and all staff, by providing training, clear guidance, supporting the Risk Champions and reporting according to agreed timelines.

Recommendations

1. The Audit Committee is asked to note and approve the attached reviewed Risk Management Policy and Guide

List of Appendices Included

Appendix 1 Revised Risk Management Policy and Guide 2021

Background Papers

Report to Audit Committee; 26th November 2019 (Risk Management Policy and Guide Refresh 2019)
Report to Audit Committee; 19 January 2021 (Corporate Strategic Risk Register)
Report to Audit Committee: 22 June 2021 (Risk Management Annual Summary for 2020-21)
Report to Audit Committee: 29 July 2021 (Corporate Strategic Risk Register)
Report to Audit Committee 29 July 2021 (Internal Audit Report 2020/21)

Consideration by any other Council Committee, Scrutiny or Advisory Panel

This paper is not intended to be circulated to other Council Committees or Panels.

Council Approval Required

No

Exempt from the Press and Public

No

Risk Management Policy and Guide Refresh 2021

1. Background

1.1 This report aims to inform the Committee of the results of a review and refresh of the Council's risk Management Policy and Guide.

1.2 The Council introduced a completely revised Risk Policy and Guide in late 2015 which was approved by the Audit Committee on 24th November 2015. The Policy and Guide has been refreshed annually since then and was last considered by the Committee on 27th November 2019.

1.3 The 2018 annual review introduced significant changes including the removal of references to the Corporate Improvement Plan and Commissioners as well as expanding on the role of the Audit Committee in risk management to align with the Committee's current Terms of Reference.

1.4 The annual review of 2020 did not take place due to resources focusing on the pandemic and the management of the threats and risks associated with Covid-19.

1.5 The Risk Management Annual Summary for 2020-21 was presented to Audit Committee in June 2021, in accordance with the risk management standard ISO31000. The report summarised the principal risk management activity carried out in the Council throughout the financial year.

1.6 The Strategic Risk Register and directorate risk registers are presented to Audit Committee annually as part of a rolling programme.

2. Key Issues

2.1 The risk management process was subject to an Internal Audit review in May 2021 against the requirements of the relevant International standard, ISO31000. The review concluded that substantial assurance could be derived from the controls that were in place. This is the highest assurance level possible.

2.2 The Internal Audit Report 2020/2021 made two recommendations, including a review of the corporate Risk Management Policy and Guide to ensure it aligns with current practice, in line with the Council's Code of Corporate Governance. The second recommendation has now been implemented.

2.3 There have been no significant changes to the Council's overall management and government arrangements since the Risk Management Policy and Guide was last updated in November 2019 and the specific risk management processes in which the Council operates have remained broadly unchanged.

2.4 Consequently, there have been no significant changes in either the Risk Management Policy, or in the Guide this year. Any amendments have been limited to clarification, the updating of dates and names, and the addition of two diagrams to visualise timeframes and roles and responsibilities.

2.5 The Council's Risk Management Objectives are to:

- Ensure the Council successfully manages risks and opportunities corporately, operationally and within projects and partnerships
- Ensure that risk management makes an effective contribution to Corporate Governance and a satisfactory Annual Governance Statement
- Ensure that all parties understand their roles and responsibilities in the implementation of effective risk management
- Provide simple, intuitive processes to assist in the identification and prioritisation of risk and the appropriate allocation of resources
- Incorporate the principles of effective risk management into all planning and management processes to achieve consistency of approach

2.6 Work is continuing to implement the principles contained in the Risk Management Guide and to further embed risk management processes across the Council's operations. The Strategic Risk Register is reviewed quarterly at the Strategic Leadership Team and the Directorate Risk Registers are reviewed monthly at Directorate Leadership Team meetings and risk owners monitor risks on an ongoing basis. The Strategic Risk Register is also considered annually by Audit Committee and Directorate Risk Registers are presented on an annual rolling programme.

2.7 The Risk Management Group, which includes the Risk Champions, continues to meet bi-monthly to co-ordinate and drive risk management development throughout the Council.

2.8 In addition to the work of the Risk Management Group, the main driver behind embedding risk management is training for staff at management levels in the Council. A programme of training was in place for new starters and manager M2 grades or above, however this was put on hold due to the refocussing of resources during the pandemic, with the last session held in December 2019.

2.9 To fulfil the training requirement, the online risk management training module is currently being refreshed and the training programme is set to start up again early in the new year.

2.10 In February 2022, an external risk consultant will be delivering a bespoke in-house training course and staff participating will have the opportunity to gain a qualification accredited by the Institute of Risk Management (IRM).

2.11 As part of the Members Induction Programme, all Councillors will also have an opportunity to attend performance and risk management training in February 2022.

2.12 The Risk Management Policy and Guide underpins the Council's approach to risk management and continues to underpin all risk management training and risk registers. The policy and guide are available to all staff through the intranet and all managers are referred to it when they complete their risk management training. Manager and staff briefings will also be produced to make people aware of the revised policy and guide.

2.13 The refreshed Risk Management Policy and Guide is attached in Appendix A.

3. Options considered and recommended proposal

3.1 This report only considers the refresh of the Risk Management Policy and Guide, so no specific options have been considered.

4. Consultation on proposal

4.1 Risk Champions have been consulted on the revised policy and guide and their comments/amendments have been incorporated.

5. Timetable and Accountability for Implementing this Decision

5.1 The Corporate Improvement and Risk Manager will be responsible for ensuring that the revised Risk Management Policy and Guide is made available on the staff intranet once approved and communicated to staff.

6. Financial and Procurement Advice and Implications

6.1 The are no direct financial implications on the Councils budget as a result of the recommendations of this report. The Risk Policy and Guide does not require additional cost at this time. There are no procurement issues. The risks contained in the Council's risk registers require ongoing management action. In some cases, additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks are reported to the Strategic Leadership Team and elected Members for consideration.

7. Legal Advice and Implications

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

8. Human Resources Advice and Implications

8.1 HR colleagues are actively engaged with supporting delivery of the proposed training scheduled for 2022.

9. Implications for Children and Young People and Vulnerable Adults

9.1 Risk Management arrangements are designed to identify Children and Young People's Services risks where appropriate.

10. Equalities and Human Rights Advice and Implications

10.1 Proposals for addressing individual risks captured by our arrangements incorporate equalities and human rights considerations where appropriate.

11. Implications for CO2 Emissions and Climate Change

11.1 The proposed refresh of the risk guide will support the Council's aim to achieve net zero aims, by improving the organisation's risk management process and thereby allowing climate risks to be identified and managed.

11.2 The recommendation in this report will have no direct significant impact on emissions. It will however improve risk management processes within the Council and may contribute to identifying climate change-related risks in indirectly contribute to the reduction of emissions.

12. Implications for Partners

12.1 There are no direct implications for partners. SLT have a responsibility, where appropriate, to promote a risk management culture with partners and stakeholders.

13. Risks and Mitigation

13.1 It is important to review the effectiveness of our approach to capturing, managing, and reporting risks on an ongoing basis. This report sets out how the approach to risk management will be developed over the course of the coming year.

14. Accountable Officer(s)
Tanya Lound, Acting Corporate Improvement and Risk Manager
Approvals obtained on behalf of:-

	Named Officer	**Date**
Assistant Chief Executive	Jo Brown	18/11/21
Service Manager Legal Services	Elizabeth Anderton	19/11/21
Head of Corporate Finance	Rob Mahon	17/11/21
Assistant Director of Human Resources	Lee Mann	16/11/21

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This report is published on the Council's website.

Rotherham Metropolitan Borough Council

Risk Management Policy and Guide

(Revised November 2021)

Contents Page

Rotherham Council: Risk Management Policy 2021

1. Introduction

1.1 Risk management is about managing threats and opportunities. By managing the Council's risks effectively we will be in a stronger position to deliver the Council's objectives.

1.2 This policy commits to the application of risk management within the Council's planning and business processes and its organisation culture. It should be read in conjunction with the Risk Management Guide, which shows in practice how effective risk management will be achieved.

1.3 This Risk Management Policy and Guide form a key part of the Council's Corporate Governance Assurance Framework. It is also closely linked to the Performance Management Framework and is important in supporting the delivery of effective performance and outcomes in the Council and for our citizens.

2. Approach to Managing Risks

2.1 Risk management is an integral part of good governance. Managing our risks effectively contributes to the delivery of the strategic and operational objectives of the authority. To do this:

- We will incorporate the principles of effective risk management into existing planning and management processes, including major projects and partnerships, to achieve a degree of formality and consistency.
- Risk management will be linked to and will inform decision making across the Council.
- We will provide appropriate training and guidance for Council Members and staff so they can carry out their roles relating to risk management
- We will promote a risk management culture throughout the organisation and with our partners.
- The Council's Audit Committee will hold the organisation and its Members and managers to account for their management of risks by:
    - Monitoring the effective development and operation of risk management in the Authority.
    - Monitoring progress in addressing risk related issues reported to the Committee.
    - Considering the Council's framework of assurance and ensuring that it adequately addresses the risks and priorities of the Council.

3. Risk Appetite

3.1 Risk appetite is the degree to which the Council is willing to accept risk in the pursuit of its objectives. For the Council to achieve its objectives, some amount of risk taking is inevitable. The awareness of risk and the appropriate management of it can lead to the realisation of opportunities and, in this respect, risk is not a negative concept.

3.2 Decisions will depend on the nature of the risk, the potential losses or gains, and the quality of information about the risk in question. The Council may choose to accept risks that cannot be mitigated or reduced, but it should always be able to justify its decisions based on the risk information available. The Risk Management Guide includes more detail on the Council’s definition of risk appetite which is key to determining which risks should be accepted and which should be mitigated or reduced.

4. Roles and Responsibilities

4.1 Clear roles of responsibility have been established for the successful implementation of the Council’s Risk Management Policy. These roles are outlined in the Risk Management Guide.

5. Monitoring, Reviewing & Reporting Risks

5.1 Strategic risks are monitored at corporate level and operational risks are monitored and reviewed at directorate level through the strategic and directorate risk registers. Risks may be promoted and demoted as part of the review processes, enabling the Council to effectively react to changes in priorities and/or risks.

6. Review

6.1. The Risk Management Policy and Guide will be reviewed each financial year to incorporate lessons learned, to accurately reflect the Council’s position and to continually improve its risk management arrangements.

7. Introduction

7.1 The Council recognises that risk management is a principal element of good corporate governance. Effective risk management supports and underpins achievement of the key objectives set out in the Council Plan, which in turn aims to improve the quality of life and services for all local people.

7.2 Members and employees are expected to play an active and positive role in embedding risk management in all activities and in the organisation's culture.

7.3 This Risk Management Guide provides a step-by-step approach to the Council's delivery of effective risk management. The guide should be read in conjunction with the Risk Management Policy.

7.4 The guide introduces the concept of risk and risk management, explains the general principles and clarifies the approach to and ownership of risk management within the Council.

7.5 This guide shows how risk management should be approached by each service area. It provides guidance on completing the individual stages of the risk management process to help services to identify, evaluate, manage, monitor and review risks.

8. Risk and Risk Management

8.1 A risk can be broadly defined as an event that, should it occur, will impact on the delivery of strategic or service objectives. Risks can be identified by posing three questions:

- What could go wrong?
- Would it prevent you from delivering your objectives?
- What would the impact be on your service?

An opportunity can be defined as an uncertainty that could have a favourable impact on objectives or benefits.

8.2 Risk management is the process by which we identify, evaluate and manage risks and opportunities. It is a positive process that can help the Council achieve positive outcomes from the decisions it makes. All members of staff should be involved in the risk management process.

8.3 Risk management should not simply be a process of identifying the negatives of why a decision, action or opportunity should not be taken as this can lead to a failure to pursue opportunities. Risk management, if used effectively, can help the Council to pursue innovative opportunities with higher levels of risk because exposure to risk is understood and managed down to acceptable levels.

8.4 Every organisation manages risk on a daily basis but not always in a way that is visible, repeatable and consistently applied throughout the organisation. A risk management process tries to ensure that the organisation undertakes cost- effective actions to manage and control risk to acceptable levels, through everyone following a well-defined and structured process. The aim of risk management is to enable better decision making, by having the best understanding of the potential problems before they happen and to enable pre-emptive action to be taken.

9. Objectives of Risk Management

9.1 The Council's risk management objectives are to:

- Promote a culture of risk management at all levels to inform all strategic and operational decision making and planning.
- Ensure that risks are aligned to corporate objectives and priorities.
- Ensure the Council successfully managed risks and opportunities corporately, operationally and within projects and partnerships.
- Ensure that risk management makes an effective contribution to corporate governance and a satisfactory Annual Governance Statement.
- Ensure that all parties understand their roles and responsibilities in the implementation of effective risk management.
- Provide simple, intuitive processes to assist in the identification and prioritisation of risk and the appropriate allocation of resources.
- Incorporate the principles of effective risk management into all planning and management processes to achieve consistency of approach.
- Provide appropriate training and guidance for all parties involved in risk management roles, to enable them to fulfil their responsibilities and ensure the benefits of good corporate governance are realised.
- Encourage the identification and sharing of potential or emerging risks so that risk prevention measures to be formulated as necessary.
- Regularly consult with Members and officers in order to maintain a continuous review of the effectiveness of risk management processes.

9.2 The Council recognises it is not always possible, nor desirable, to eliminate risk entirely, and so has comprehensive insurance cover that protects the Council from significant financial loss following any damages or losses.

10. Approach to Risk Management

10.1 The risk management approach is based on good practice and can be applied at all levels of the organisation. It describes the key steps for identifying and managing risks within the Council. The approach intends to promote risk management as a positive process. It can bring value and benefit to each service area within the Council, by helping to identify and deal with issues before they happen.

10.2 The Council utilises a five-step approach in the identification and treatment of risks:

- **Step 1 Identify Risks**: Managers, together with their teams, identify risks and record them on the appropriate risk register.
- **Step 2 Evaluate Risks**: Assess the likelihood and severity of identified risk and their effect on the achievement of objectives or delivery of service plans.
- **Step 3 Manage Risks**: put in place control measures and allocate risk manager.
- **Step 4 Monitor Risks**: ensure the controls measures are working effectively or amend accordingly, at an ongoing basis.
- **Step 5 Review and Report**: Review risks to agreed timescales and report to appropriate bodies.

10.3 Step 1: Identify Risk – the identification of risk and its consequences.

10.3.1 Managers, together with their teams, should identify risks and record them on the appropriate risk register.

10.3.2 Managers should:

- Ensure that there is a process in place for employees to actively report risks as and when they arise, or when the profile or size of any risk changes.
- Add risk on the agenda of all team meetings at any level in the organisation.
- Include and record risk in Performance Development Review discussions.
- Obtain a list of fraud risks from the Risk Champion. Fraud risks are specifically considered in each directorate through using a tailored fraud risk list.
- Identify risks (or opportunities) that are most likely to affect the performance and delivery of the Council's and/or services' priorities and their consequences.
- Use the corporate performance management process to identify emerging risks –This should also include reference to the service plan for the service. Risks should also be referenced in performance reports.

10.3.3 Other ways of identifying risk include:

- **Risk Workshops** – involve all stakeholders and ensure that the forum allows an open and honest discussion. All initial ideas should be recorded and then reviewed one by one.
- **One to one meetings** – with staff who are involved in service delivery.
- **Learning from experiences** – compare risks from similar operations – both internally and within peer groups at other authorities. Utilise any findings from recent reports by Internal Audit, regulatory bodies or health and safety teams; accident and incident reports; complaints; insurance claims etc. Reference could also be made to the service's business continuity arrangements.

10.3.4 High impact risks could include hidden or underestimated threats that can cause serious damage such as fraud, cybercrime, social media IT failures and problems caused by third parties.

10.3.5 There are a number of different types of risks that the Council may face which form the acronym "performance". These include:

- **P**olitical Implications.
- **E**conomic Impact.
- **R**egulatory Requirements.
- **F**inancial loss.
- **O**utcomes.
- **R**eputational damage.
- **M**anagement.
- **A**sset Loss or damage.
- **N**ew Partnerships/Contracts/Projects.
- **C**ustomer/Citizen Impact.

- Environmental Impact.

10.3.6 When recording risks on the relevant risk register, each risk should be clearly linked to a priority in the Council Plan (if a strategic risk) or a service plan objective (for directorate or service risks). Each risk should also be allocated its own unique reference number when it is entered in the relevant risk register (see **Appendix F** for numbering conventions to be used). At this stage the risk register (an example of a risk register is included at **Appendix A**) should include:

- The unique risk number.
- A description of the outcome we are trying to achieve (preferably linked to the Council Plan).
- A description of the risk itself.

10.4 Step 2: Evaluate Risk – the assessment of the risk, based on probability of occurrence and potential impact.

10.4.1 Evaluate each risk to understand their effect on the achievement of objectives or delivery of service plans and to identify those that are most important and merit most attention.

10.4.2 Assess the risk along two dimensions, and allocate a score:

- The **likelihood** (or probability) that the risk will occur
- The **impact** (or severity) that the risk will have if it occurs.

10.4.3 First, undertake an evaluation on the 'inherent risk': the risk before any control measures have been put in place. This is to ensure that all significant risks are highlighted and assurance provided that these risks are being managed. Then, evaluate the 'residual risk' – the risk after controls have been put into place. Controls also need to be identified, monitored and reviewed.

Risk scores are calculated using the following equation:
Likelihood score x Impact score

The Council has adopted a 5 x 5 risk matrix, as defined overleaf.

LIKELIHOOD						
	Almost Certain 5	5	10	15	20	25
	Very Likely 4	4	8	12	16	20
	Likely 3	3	6	9	12	15
	Possible 2	2	4	6	8	10
	Unlikely 1	1	2	3	4	5
		Insignificant 1	Minor 2	Significant 3	Major 4	Catastrophic 5
	IMPACT					

10.4.4 The Council's definitions of the risk scores are included at **Appendix B**. These definitions should be used as a guide to enable risks to be scored consistently across the Council.

10.4.5 The Council's risk register at **Appendix A** includes the following items which should be assessed at Step 2:

- The consequences of the risk should it happen.
- The control measures that are already in place.
- The "mitigated" risk score (i.e. the score after existing controls have been applied.

Note that, in the interests of simplicity, the risk register does not currently include a space for recording the "inherent risk".

10.5 Step 3: Management – the identification of control measures required and the allocation of appropriate action managers.

10.5.1 Once the risks have been identified and assessed, additional appropriate management action needs to be taken. The 'Four Ts' is the generic approach that can be used when planning how to manage a risk or opportunity:

- **Tolerate -** The risk is accepted making limited, if any, efforts to mitigate it or reduce its likelihood / impact. This may be because the cost of mitigation exceeds the consequences of the risk.
- **Transfer -** The risk rating is reduced by transferring the risk to a third party by changing contractual terms. Typically, this would mean the Council discontinuing the activity that gives rise to the risk, and sub-contracting / outsourcing that activity to another organisation. Alternatively, the Council can

limit the consequences by obtaining insurance cover above acceptable levels of risk.

- **Treat -** Actions will be taken to reduce the risk, possibly by putting in additional controls.
- **Terminate -** The activity that gives rise to the risk will cease, be avoided or altered, thus eliminating the risk.

10.5.2 The Council determines the appropriate approach to addressing identified risk with reference to its risk appetite. The Council's current expression of risk appetite is included at **Appendix C.** Risks that have a score equal to or lower than the appropriate risk appetite will be tolerated and monitored. Risks that exceed the risk appetite will be subject to further controls/action (either transferred, treated or tolerated).

- Each risk should be allocated an owner who has ultimate responsibility (accountability) for the risk. The owner should be included in the risk register by both name and job role. The role of the owner involves regularly monitoring the risk status and adjusting risk ratings accordingly, based on current information/intelligence and knowledge.
- Mitigating actions (control measures) need to be developed to effectively manage the risk, allocated to appropriate managers and monitored regularly for compliance / implementation by the risk owner. Additional actions should include a timescale for their completion/implementation and this should be included on the risk register.

10.5.3 It is also possible that risks in one service area can have an impact on other areas of the organisation. It is important to be aware that actions to manage a risk in one area may create or increase a risk in another area. Consideration and communication of any possible impacts on other areas is essential.

At this stage the risk register will have in addition:

- The additional management action planned to bring the risk within the Council's appetite.
- Target score once the additional action is included.
- Cost of the risk and the cost of the controls.
- The name and job role of the designated risk owner.

10.6 Step 4: Monitor Risk – ensure the controls measures are working effectively or amend accordingly.

10.6.1 Risk owners should monitor risks on an ongoing basis to ensure that the identified control measures are working effectively. In doing so, it may be useful to ask the following questions:

- **Have the chosen control measures been implemented as planned?**
    - Are the identified control measures in place?
    - Are these measures being used properly?

- **Are the chosen control measures working?**
  - Have the changes made to manage exposure to the assessed risks resulted in what was intended?
  - Has exposure to the assessed risks been eliminated or adequately reduced?
  - Have there been any 'near misses' and have any 'lessons learned' been applied?
  - Do any new controls need to be introduced?

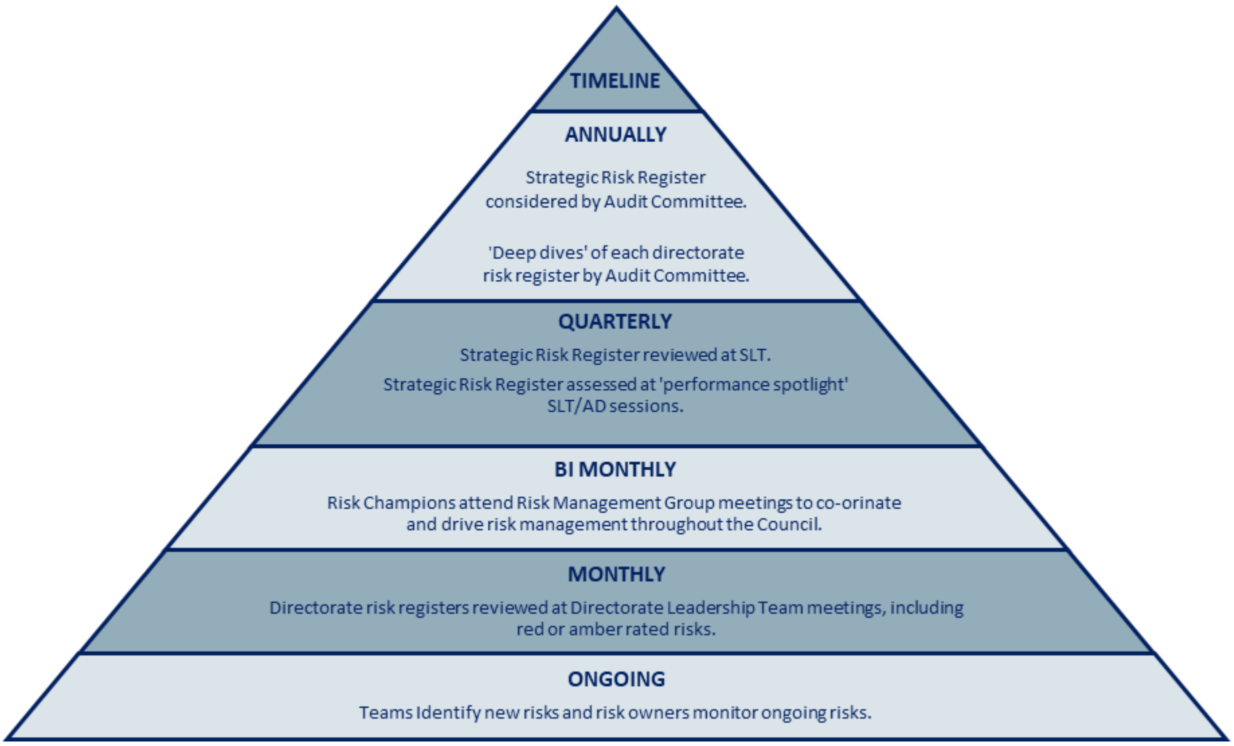
- **Are there any new problems?**
  - Have the implemented control measures introduced any new problems?
  - Do the existing controls need to be reviewed and updated?

10.6.2 It is necessary to monitor the progress in managing risks so that the achievement of objectives is maximised and losses are minimised. In addition, the effectiveness of risk management controls to reduce the likelihood/impact of adverse risks occurring needs to be assessed and alternative controls introduced if the identified controls are proving ineffective.

10.6.3 When monitoring registers/risks, risk scores should be checked to ensure they are still accurate e.g. are the red rated risks still red and the green rated risks still green? The focus should always be on all risks and not just on red or amber rated risks with the aim of identifying and preventing any risks from becoming a high (red) risk issue.

10.7 Step 5: Review & Report – regular review of risks by risk owners to ensure continued validity. Report risks to the appropriate level of management and/or forum.

10.7.1 Additionally to the ongoing monitoring of risks, there are timelines in place to review and report risks at the relevant levels (see timeline triangle below).



10.7.2 Changes, including those in corporate and service priorities, may affect risks and opportunities which, therefore, need to be reviewed regularly by asking the following questions:

- Are my risks still the same?
- Are there any new risks arising?
- Has the risk been controlled effectively by the action taken to reduce or eliminate it?
- Has the action (or lack of actions) affected the overall impact (score) of the risk?
- Are there any other controls required? If so, what are they?

10.7.3 The risk register form at **Appendix A** includes a column to record to the next planned review date. Any risk with a rating of ‘amber’ or ‘red’ should be reviewed at least monthly. Risk management should be included as an agenda item on every Directorate Leadership Team meeting so that the team is able to reflect on the risks that they have discussed and amend the risk register if appropriate.

10.7.4 The Strategic Risk Register is reviewed at least quarterly. Increasing or emerging risks may also be elevated to strategic level from directorate risk registers so that the Council can react effectively to changes in priorities. Risks that might normally be considered for “escalation” to the Strategic Risk Register include those that need to be managed by more than one directorate, as well as those that have a ‘red’ risk score. Risks that should not normally be escalated to the Strategic Risk Register include those risks assessed as ‘amber’ or ‘green’ or those with an impact score of three or less.

10.7.5 Risk Champions play a key role in supporting directorates to maintain and review both the Strategic Risk Register and directorate risk registers.

10.7.6 The review process includes annual “deep dives” of each directorate’s risk register by the Council’s Audit Committee. The Strategic Risk Register itself is periodically considered by the Audit Committee and is also assessed at the Council’s quarterly ‘performance spotlight’ SLT/AD sessions.

10.7.7 The review process will inform the contents of reports to the Strategic Leadership Team and the Audit Committee.

10.7.8 Risk management is a continuous cycle designed not only to identify, evaluate, manage, monitor and review risks, but also to support the strategic planning process. The strategic planning process and risk registers should be used as part of the budgetary decision-making process.

11. Documentation

11.1 Risks will be recorded on standard documentation and held on the central SharePoint site, which can provide access to all risk owners and managers and ensure one version of each risk is maintained and can be easily updated. It is up to each directorate to decide who should have access to their own risk register.

11.2 Risks will be presented in a consistent and uniform way. An example of a summary risk register is attached at **Appendix D**. It is open to each directorate to decide whether it uses **Appendix A** or **Appendix D** as the basis for its risk register. However, if a directorate uses **Appendix D** – the shorter form – it should ensure that every risk is supported by a completed risk form containing the detail included at **Appendix A** on the SharePoint site, such as a review date.

12. Leadership, Roles and Responsibilities

12.1 Risk management should not be perceived as the responsibility of a small number of people. Where risk management is fully integrated into the culture and day to day working, everyone has a role to play and this is what the Council aims to achieve.

12.2 The expectations of members and officers are as follows:

See diagram (next page)

AUDIT COMMITTEE

Approve the Council's Risk Management Policy and Guide.
Approve an annual statement on the effectiveness of the Council's risk controls as part of the Annual Governance Statement.
Monitor the effective development and operation of risk management in the authority.
Monitor progress in addressing risk related issues reported to the committee.
Consider the Council's framework of assurance and ensuring that it adequately addresses the risks and priorities of the Council.

CABINET

Overall responsibility for ensuring the Council has in place effective risk management arrangements.
Lead in promoting a risk management culture within the Council and, where appropriate, with partners and stakeholders.

CORPORATE RISK MANAGER

Provide facilitation and support to promote and embedded a proactive risk management culture throughout the Council, including clear guidance and processes and annual training programme.

Assist SLT and Assistant Directors in identifying, mitigating and controlling risks.

Maintain the Strategic Risk Register.

Ensure that risk management records and procedures are properly maintained, decisions are recorded and an audit trail exists.

Review external and internal audit recommendations relating to risk management to ensure these dealt with by Services.

SLT

Champion risk management arrangements and issue direction.

Lead and manage the identification of significant strategic risks and quarterly review of the Strategic Risk register.

Ensure that there is a robust framework in place to identify, monitor and manage the Council's strategic risks and opportunities.

Ensure that measures to mitigate these risks are identified, managed and completed within agreed time- scales, ensuring that they bring about a successful outcome.

Promote a risk management culture within the Council and, where appropriate, with partners and stakeholders.

Ensure risk is considered as an integral part of service planning; performance management; financial planning; and the strategic policy-making process.

Consider risk management implications in reports, business cases and major projects, including completion of risk assessments where required.

Ensure that appropriate advice and training is available for all Members and staff.

Ensure that resources needed to deliver effective risk management are in place.

ALL COUNCILLORS

Consider and challenge risk management implications as part of their roles and areas of responsibility.

DLTs AND ASSISTANT DIRECTORS

Lead and manage the identification of significant operational risks from all service areas through monthly review of Directorate Risk Registers.

Ensure that the measures to mitigate these risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome.

Escalate risks/issues to the relevant Strategic Directors, where appropriate.

Consider risk management implications in reports, business cases and major projects, including completion of risk assessments where required.

Lead in promoting a risk management culture within the directorate and embed within service areas.

Ensure compliance with corporate risk management standards and corporate risk management processes.

Ensure that all employees, volunteers, contractors and partners are made aware of their responsibilities for risk management and are aware of the lines of escalation of risk related issues needed to deliver effective risk management are in place.

RISK CHAMPIONS

Raise awareness and promote the development of risk management.
Support the development and monitoring of directorate risk register and any others within the directorate.
Provide updates in line with the reporting timetable.
Support the Corporate Risk Manager in the development of risk management across the Council.
Promote consistency across directorates.

ALL EMPLOYEES

Have an understanding of risk and role in managing risks in daily activities, including the identification and reporting of risks and opportunities.
Support and undertake risk management activities as required.
Attend relevant training courses focussing on risk and risk management.

13. Risk Assurance, Monitoring and Reporting

13.1 Rotherham's risk management function is routinely exposed to full scrutiny and validation:

- In the Annual Governance Statement that is signed off by the Leader and managing director and endorsed by the Audit Committee.
- Elected Members hold the Strategic Leadership Team (SLT) accountable for the effective management of principal risks.
- SLT, and the Audit Committee monitor the delivery of the Risk Management Policy by receiving regular reports and/or presentations. As part of this process SLT and Assistant Directors review their own risks and update them accordingly.
- Risk management arrangements across the Council are independently reviewed for effectiveness on an annual basis by Internal Audit in order to inform the signing off of the Annual Governance Statement.

13.2 Service and operational risks are monitored and reviewed at directorate level and may be elevated to corporate level if deemed necessary (see paragraph 10.7.4)

13.3 There is a formal reporting structure for advising SLT and elected Members of any risk management implications. The Council's report template requires the completion of a risks and uncertainties section in every report. Managers completing formal reports for Cabinet, Council (and its Committees) as well as SLT should ensure that risks included in this section are reflected on their risk register and that those risks are referenced in the report.

14. Communication

14.1 Effective communication is integral to the identification of new threats and opportunities or changes in existing risks.

14.2 It is important for strategic leaders and managers to engage with staff across the Council to ensure that:

- Everyone understands the Council's risk policy, risk appetite and risk process in a way that is appropriate to their role. If this is not achieved, effective and consistent embedding of risk management will not be realised and risk priorities may not be addressed.
- Everyone understands the benefits of effective risk management and the potential implications if it is not done or is done badly.
- Each level of management actively seeks and receives appropriate and regular assurance about the management of risk within their control. Effective communication provides assurance that risk is being managed within the expressed risk appetite, and that risks exceeding tolerance levels are being escalated.
- Any organisation providing outsourced services to the Council has adequate risk management skills and processes. Gaining assurance that a partner organisation has embedded risk management processes in place, and that responsibilities are clearly defined from the start, should help to avoid misunderstandings and any serious problems.

15. Performance Management

15.1 Risk management forms an integral part of the Council's Performance Management Framework. Awareness of potential risks that could impact the achievement of Council priorities and objectives, and planning for such possibilities, will contribute to the successful delivery of the objectives. The narrative element of the Council's Quarterly Performance Report includes a section covering ongoing risks and challenges. This section should link back to the completed Strategic Risk Register or to the Directorate Risk Register.

15.2 Risks associated with the delivery of the Council Plan are included in the Strategic Risk Register where relevant.

16. Corporate Governance

16.1 Managing risk is integral to the Council's Corporate Governance processes. It is a key feature in the production of the Annual Governance Statement that is signed by the Leader and Chief Executive.

16.2 There is high level risk management representation on the SLT and at Member level. The Assistant Chief Executive and the Cabinet Member for Corporate Services and Finance are the leads for risk management at their respective levels.

16.3 The Corporate Risk Manager and the Head of Internal Audit are responsible for drafting the Annual Governance Statement and evaluating risk management assurances and supporting evidence. In this role they report to the Governance Group who have oversight of the process for the statement's production.

16.4 Each directorate has at least one Risk Champion who promotes and supports the development and monitoring of risks within the directorate. The Risk Champions, Assistant Chief Executive and the Corporate Risk Manager form the Risk Management Group. This group is responsible for co-ordinating risk management across the Council.

17. Guidance and Training

17.1 The Council's Corporate Risk Manager is responsible for providing advice and training in respect of the Council's risk management arrangements.

17.2 All members of SLT and their management teams should receive training in risk identification, analysis and control of risk. Risk management training (including refresher training) is compulsory for all staff of M2 grade and above. Periodic "mop up" sessions will be held to pick up staff new to the M2 or M3 grade. Risk workshops can be used as a prime method of educating and training managers in identifying and managing risks to their objectives. This approach can assist in creating a 'risk aware' culture.

17.3 Bespoke risk management training from external providers (Gallagher Bassett; Zurich Municipal) can be provided free of charge via risk control days for targeted areas of risk~~.~~

17.4 A risk management E-Learning package is accessible to all staff and Members on the Intranet.

18. Further Information

18.1 For further information on the Risk Policy and Guide or any risk management arrangements please contact either the Corporate Risk Manager or your local Risk Champion. For contact details click here.

18.3 The risk management template and scoring guide are available on the intranet page, click here.

Appendix A: Risk Register template

EXAMPLE Finance & Corporate Services - Risk Assessment/Register

Risk Register Owner: Named SLT member **Date completed:24/10/2018**

Business Objective *What is it you would like to achieve/need to deliver*	Risk What is the problem/hazard? *What is it that will prevent you from meeting your objectives?*	Consequence /effect: *what would actually happen as a result? How much of a problem would it be? To whom and why?*	Existing actions/controls (What are you doing to manage this now?)	Risk Score with existing measures (See Scoring Table)			Further management actions/controls required. (What would you like to do in addition to your existing controls?)	Target Score with further management actions/ controls (See Scoring Table)			Cost (of Impact; of current controls; of further controls)	Risk Owner (Officer responsible for managing risk and controls)	Risk Review Date
				Impact	Probability	Risk Rating (I x P)		Impact	Probability	Risk Rating (I x P)			
To deliver free and fair elections in which all participants are satisfied that the result is accurate and which allows no opportunity for challenge.	Inability to comply with legislative and statutory election duties.	Election Failure - legal challenge in high court and associated costs of re-running the election and reputational damage.Business continuity issues such as loss of ICT function and /or office accommodation / count venue and / or polling stations	Strong links with internal ICT teams to ensure ICT systems are restored immediately. Training and awareness programme for staff. BCP in Place.	5	3	15	Alternative manual systems have been developed as a back up and can be implemented at short notice. Training and awareness programme for staff. BCP in Place.	3	3	9	There are no costs associated with the controls. Costs will be incurred when actioned.	Manager	Dec-18

	IMPACT	SCORE	BENCHMARK EFFECTS
CRITERIA	**CRITICAL/ CATASTROPHIC**	**5**	• Multiple deaths of employees or those in the Council's care • Inability to function effectively, Council-wide • Will lead to resignation of Chief Operating Officer and/or City Mayor • Corporate Manslaughter charges • Service delivery has to be taken over by Central Government • Front page news story in National Press • Financial loss over £10m
	MAJOR	**4**	• Suspicious death in Council's care • Major disruption to Council's critical services for more than 48hrs (e.g. major ICT failure) • Noticeable impact in achieving strategic objectives • Will lead to resignation of Strategic Director and/ or Executive Member • Adverse coverage in National Press/Front page news locally • Financial loss £5m - £10m
	MODERATE	**3**	• Serious Injury to employees or those in the Council's care • Disruption to one critical Council Service for more than 48hrs • Will lead to resignation of Assistant Director/ Project Director • Adverse coverage in local press • Financial loss £1m - £5m
	MINOR	**2**	• Minor Injury to employees or those in the Council's care • Manageable disruption to internal services • Disciplinary action against employee • Financial loss £100k to £1m
	INSIGNIFICANT/ NEGLIGIBLE	**1**	• Day-to-day operational problems • Financial loss less than £100k

Appendix B: Risk Scoring Guidance

LIKELIHOOD	SCORE	*EXPECTED FREQUENCY*
ALMOST CERTAIN	**5**	Reasonable to expect that the event **WILL** undoubtedly happen/recur, possibly frequently and in the current year (next 12 months)
PROBABLE/LIKELY	**4**	Event is **MORE THAN LIKELY** to occur. Will probably happen in the current year and be likely to recur in the longer term.
POSSIBLE	**3**	**SOME LIKELIHOOD** of event occurring. Not likely in the current year, but reasonably likely in the medium/long term.
UNLIKELY	**2**	Event **NOT EXPECTED.** Do not expect it to happen in the current year, but possible in the longer term.
VERY UNLIKELY/RARE	**1**	**EXCEPTIONAL** event. This will probably never happen/recur. A barely feasible event.

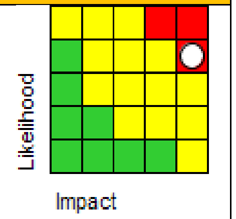
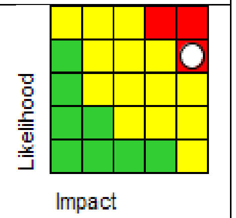
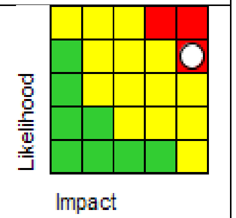
Appendix C: The Council's Risk Appetite

The Council has a general policy to "accept" and monitor risk that is currently scored as less than "8" on the scoring matrix. Action should be taken on any risk with a score of more than "8" in line with the table shown below:

LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION
Medium Risk	9-12	Plan for CHANGE
Low Risk	1-8	Continue to MANAGE

In effect, the Council has an appetite to accept "Low" risk – with any other type of risk being planned to be addressed with additional controls or management action.

Appendix D: Example Summary Risk Register template

EXAMPLE Summary Risk Register: Strategic Risks								
Business Objective	**Risk Detail**	**Consequence / Effect**	**Impact**	**Likelihood**	**Risk Rating**	**Risk Owner**	**Further Mitigating Actions**	**Current Risk Rating Heat Map**
Social care payments cap	Introduction of £72k lifetime social care payments cap from 01/04/16 will place additional workload burden on service and may increase costs.	Authority may have to meet a higher percentage of care costs; level of risk still unknown as additional funding from central government unknown at present.	**5**	**4**	**20**	Named Officer 1	Monitor situation with finance until further information is known.(Deadline 30/9/18)	
Dealing effectively with high profile media issues.	Council do not respond to media issues correctly or appropriately.	Failure to deal with media issues may damage the reputation of the authority and the Communications Team; possibility of slander claims and associated financial risk.	**5**	**4**	**20**	Named Officer 2	Continue to monitor cases and introduce revised ways of working as appropriate.(Ongoing)	
Act appropriately to maintain required levels of performance with respect to data protection and confidentiality issues	Sensitive and confidential information/data is not properly protected.	Failure to deal with media issues may damage the reputation of the authority and the Communications Team; possibility of slander claims and associated financial risk.	**5**	**4**	**20**	Named officer 3	Continue to monitor breaches and near misses and introduce revised ways of working accordingly. (Ongoing) Consider an authority-wide training programme. (Deadline 30/9/18)	

Appendix E Risk Numbering Protocol

This protocol sets out how the numbering requirements in the Risk Policy and Guide are to be applied in practice.

1) Risk numbers should never be "reused". If a risk is deleted from a risk register, the number should not be allocated a new risk

2) All risks should follow an alpha numeric numbering system which should be set out as follows:

- risks included on the Strategic Risk Register will be numbered sequentially in the following format – SLTxx – where xx is a sequential number
- risk included on Directorate Risk Registers should follow the following formats:

Directorate	**Numbering format**
CYPS	CYPSxx
FaCS	FCSxx
Regen	R&Exx
ACX	ACXxx
ACHPH	ACHxx/PHxx

3) Directorates may vary the alphabetical descriptor for risks that only appear on service risk registers if that eases operation of the risk register. However, the format should always be alpha numeric following the format above.

4) Directorate risk registers should also include an indication of whether a risk is also on the Strategic Risk Register. This can be achieved <u>either</u> by including on the directorate risk register the "SL"xx" number <u>or</u> by including strategic risks on a separate tab in the directorate risk register. Directorates can choose which approach is used as long as the relevant register clearly shows which risks are on the register.

Agenda Item 14

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Committee Name and Date of Committee Meeting
Audit Committee – 30 November 2021

Report Title
IG/GDPR Annual Report 2020/21

Is this a Key Decision and has it been included on the Forward Plan?
No, but it has been included on the Forward Plan

Strategic Director Approving Submission of the Report
Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)
Luke Sayers, Assistant Director- Customer, Information and Digital Services
luke.sayers@rotherham.gov.uk

Paul Vessey, Head of Information Management
paul.vessey@rotherham.gov.uk

Ward(s) Affected
Borough-Wide

Report Summary
This report is an annual report on the council's compliance with the General Data Protection Regulation and the Data Protection Act.

Recommendations
The Audit Committee is asked to:-

1. Note the production of the GDPR Annual Report 2020/21.

2. Note that it is legal requirement that the council continues its maintenance of its Information Governance policies and processes in compliance with legislation.

List of Appendices Included
Appendix 1 FOI & RoAR Statistics

Background Papers
Information Commissioner's Office
https://ico.org.uk/

A-Z of Information Management Documents
http://rmbcintranet/Directorates/FCS/CIDS/IM/Pages/A-Z_of_Documents.aspx

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

Council Approval Required
No

Exempt from the Press and Public
No

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1. Background

1.1 This report is an annual report on the council's compliance with General Data Protection Regulation and the Data Protection Act.

1.2 The General Data Protection Regulation (EU) 2016/679 (GDPR) sets out the key principles, rights and obligations for processing of personal data. The GDPR came into effect on 25 May 2018.

1.3 The Data Protection Act 1998 sits alongside the GDPR, and tailors how the GDPR applies in the UK - for example by providing exemptions. It also sets out the Information Commissioner's functions and powers. Despite exiting the EU, the DPA and GDPR, both remain law.

1.4 The Information Commissioners Office is the UK's independent body set up to uphold information rights and it is responsible for enforcement of the rights and responsibilities set out in the GDPR and DPA.

1.5 Monitoring of the council's compliance with GDPR and DPA is carried out by the Corporate Information Governance Group (CIGG) which has representatives from all Directorates and is chaired by the Council's Senior Information Risk Officer (SIRO).

1.6 Any risks relating to Information Governance, including GDPR and Data Protection are monitored on a regular basis by this group. Risks and actions are logged and reviewed at CIGG meetings and, if necessary, are escalated in line with the Council's risk management processes.

2. Key Issues

2.1 Maintain Compliance:

2.1.1 The key issue is to ensure that compliance with data protection legislation is maintained.

2.1.2 Compliance with Data Protection principles is a continuous project. CIGG fulfils a core function in monitoring and overseeing information risks by regularly monitoring the effectiveness of the council's Data Protection policies and each directorate's information governance and data protection processes.

2.2 Monitor Performance of Freedom of Information and Right of Access Requests:

2.2.1 Completion 'in time' of validated Right of Access requests has fallen due to a decrease in requests that are easier to resolve and turnaround. Large, complex requests have remained at similar levels. Fewer 'easier' and straightforward requests lowers performance.

2.2.2 Performance is well below the target of 100% completion within the statutory time limits. This remains due to the large number RoARs that are complex in nature involving large volumes of historical data, children's services and are often linked to CSE. To place this in context, some requests can take an officer several months to complete.

2.2.3 There has been a slight increase in Freedom of Information Requests that have been completed 'in time' and a reduction in the volume of requests received. Analysis of the data did not raise any significant concerns during the year's performance.

2.2.4 Appendix 1 provides performance for the last four financial years.

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

2.2.6 One key issue is that requests vary substantially in complexity and workload making analysing, allocating resources and forecasting problematic. In practical terms this means that until a request is received it can not be known whether it may take four weeks or four months to complete.

3. Options considered and recommended proposal

3.1 There are no new proposals or recommended options. However, it is a requirement that the council continues the maintenance of its Information Governance policies and processes in compliance with Data Protection requirements.

3.2 It should be noted that continued compliance to GDPR and the Data Protection Act 2018 can only be achieved by the continued support of all Council Staff and Councillors. Key roles such as Information Asset Owners and Data Protection Officer can use existing governance structures to ensure ongoing compliance.

4. Consultation on proposal

4.1 None

5. Timetable and Accountability for Implementing this Decision

5.1 None

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

6.1 There are no direct financial or procurement implications arising from this report.

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

7.1 There are no legal implications arising from this report, except to reiterate that the council has a duty to comply with Data Protection legislation.

8. Human Resources Advice and Implications

8.1 There are no direct implications for HR arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

9.1 There are no direct implications for children and young people or vulnerable adults arising from this report.

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 There are no direct implications for partners arising from this report.

12. Risks and Mitigation

12.1 Risks and mitigation will be managed by CIGG and the council's risk processes.

13. Accountable Officer(s)

Luke Sayers, Assistant Director- Customer, Information and Digital Services
luke.sayers@rotherham.gov.uk

Paul Vessey, Head of Information Management
paul.vessey@rotherham.gov.uk

Report Author:
Luke Sayers, Assistant Director- Customer, Information and Digital Services
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Paul Vessey, Head of Information Management
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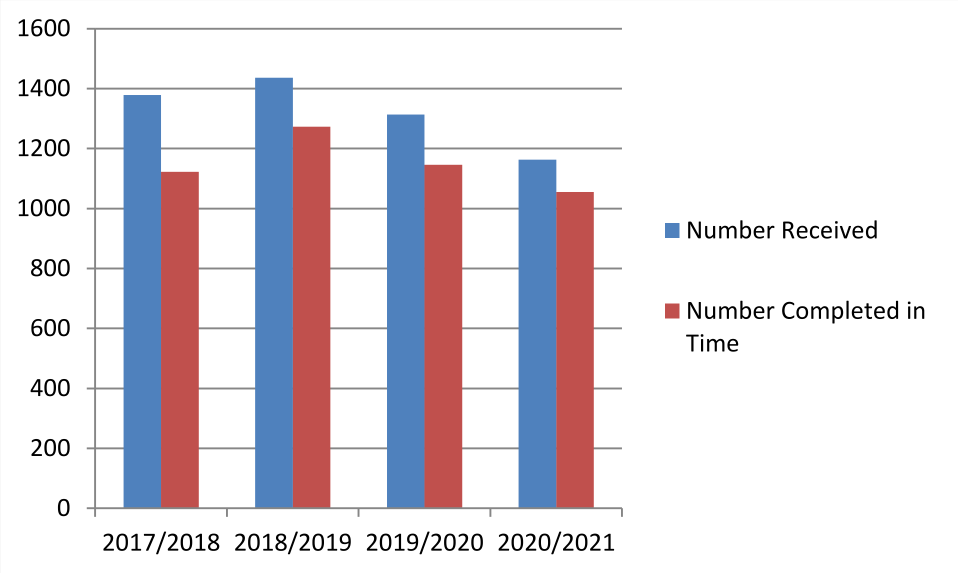
This report is published on the Council's website.

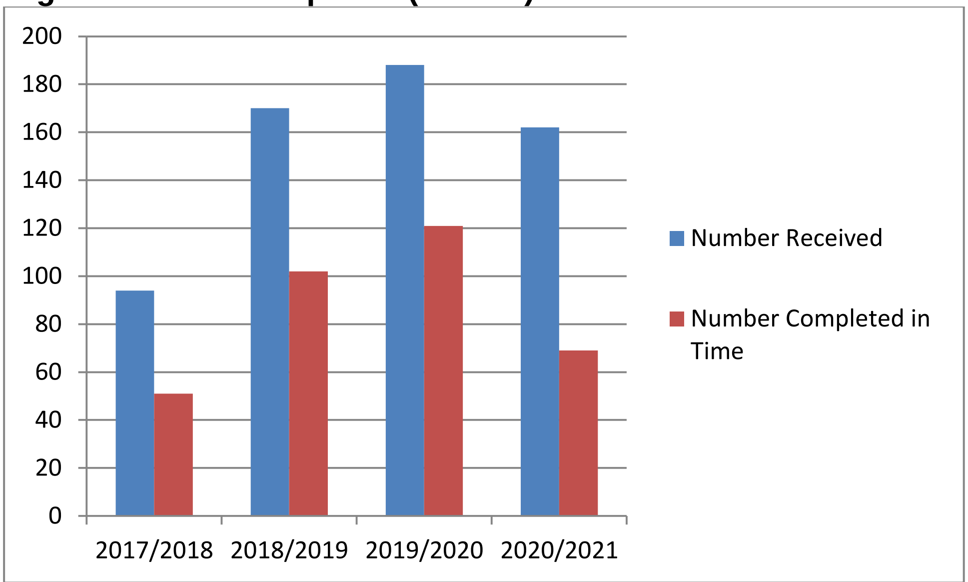
Appendix 1: FOI & RoAR Statistics

Freedom of Information (FOI) Requests



Year	Number Received	Number Completed in Time	% Completed in Time
2017/2018	1378	1122	81%
2018/2019	1436	1273	89%
2019/2020	1313	1146	87%
2020/2021	1163	1055	91%

Right of Access Requests (RoARs)



Year	Number Received	Number Completed in Time	% Completed in Time
2017/2018	94	51	54%
2018/2019	170	102	60%
2019/2020	188	121	64%
2020/2021	162	69	43%

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Council Report
Audit Committee Meeting – 30th November 2021.

Title
Internal Audit Progress Report for the period 1st September to 31st October 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 September to 31st October 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 September to 31st October 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
Appendix A – Internal Audit Plan 2021/22
Appendix B – Summary of work completed since the last meeting
Appendix C – Responsive Audit Work
Appendix D – Internal Audit performance Indicators
Appendix E – Overdue Audit Actions

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 September to 31st October 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 October on the completion of the annual plan for 2021/22, the reports finalised in September and October, 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 is continuing on this plan. Two additions have been made to the plan, both as a result of requests from management. They are the review of the Learning Disability service in ACHPH and the review of Payments and Allowances in CYPS. Discussions are ongoing with those two Directorates over the reviews in the plan. The current position with regards to the plan is given in **Appendix A**. In the year to date the department has delivered 568 days of productive work, showing it is slightly below target for the year as a whole.

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**. Six audits have been finalised since the last Audit Committee, with one of those having Partial Assurance – Hardware Asset Management.

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 have been three reports 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 and for chargeable time were almost achieved in March, affected by sickness within the team. 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. There are now only three outstanding actions, all due to be cleared by the end of the year.

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 September to 31st October 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 November 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

Appendix A

Internal Audit Plan 2021-22

ASSISTANT CHIEF EXECUTIVE					
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	4
HR Policies		Risk Based	Review of policies and procedures to provide assurances that they are fit for purpose.	10	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				**95**	

ADULT CARE HOUSING AND PUBLIC HEALTH					
Audit	**Risk Register and Rating**	**Audit Classification**	**Auditable Area**	**Number of days**	**Planned Quarter**
Liberty Protection Safeguards	Strategic Risk SLT22 ACS22	Risk Based	Review of compliance with new legislative changes and requirements. Detailed scope to be agreed in Q3 / Q4 after new procedures have been embedded.	10	4
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.	5	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	FINAL
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	WIP
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
Learning Disabilities		Risk Based	Review the changes to the service to provide assurance that they have	15	WIP

			achieved the stated objectives in the realignment of services across day centres.		
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 prior to commencement of audit.	20	FINAL
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	Risk Based	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	FINAL
Payments and Allowances		Risk Based	Review the processes and procedures for payments to providers of services to looked after children.	10	DRAFT
Total planned days - Children and Young People's Services				**125**	

FINANCE AND CUSTOMER SERVICES					
Finance					
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	FINAL
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
Customer Information & Digital Services					
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	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	FINAL
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	15	FINAL

			management.		
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	4
Customer Services & Efficiency Programme Board		Advisory	Audit contribution to projects designed to increase efficiency.	30	WIP
Legal Services					
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	WIP
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**	

REGENERATION AND ENVIRONMENT

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	WIP
Enforcement	Directorate Risk R&E2	Risk Based	Ensure the arrangements around community-based enforcement and environmental health meet statutory requirements.	10	WIP
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	WIP
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	DRAFT
S106 & Community Infrastructure Levy		Follow-up	Follow-up of review in 2020/21	5	FINAL
Total Planned Days – Regeneration and Environment				**90**	

OTHER	**Provision**	**Days Used**
Follow Up reviews	20	5
Grants	50	39
Provision for investigations	100	103
Pro-active fraud	30	12
Contingency	90	36
Covid – grant work	75	22
Other Work Total	**365**	**217**
Overall Plan Total	**1000**	

Appendix B

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
Adult Care, Housing and Public Health				
Repairs and Maintenance Contract	To provide assurance on the new repairs and maintenance contract.	29.10.21	Substantial Assurance	The review found the contract was being well-managed, with just one recommendation made.
Children and Young People’s Services				
Early Years Education	To review the policies and procedures to ensure that 2, 3 and 4-year old children have access to early years education.	2.9.21	Substantial Assurance	Policies and procedures were in place. No recommendations were made.
Fostering and Adoption Allowances Follow Up	To provide assurance that actions arising from the previous review have been implemented.	10.9.21	Reasonable Assurance	Most of the actions had been implemented, with others remainder in hand or no longer applicable. Four new recommendations were made.
Finance and Customer Services				
Hardware Asset Management	To provide assurance on the adequacy of the arrangements for hardware asset management,	30.9.21	Partial Assurance	Access to stockrooms was not sufficiently controlled, stock checks had not been carried out, monitors were not accounted for after being removed so that staff could work from home.
Sundry Debtors	To provide assurance on the degree of compliance with finance procedures by	4.10.21	Reasonable Assurance	Mandatory e learning is to be developed, with briefing notes issued to raise awareness of the requirements within Directorates.

Audit Area	Assurance Objective	Final Report to man't	Overall Audit Opinion	Summary of Significant Issues
	Directorates.			
Physical Security of Servers / Data	To assess the adequacy of the arrangements in place to withstand a physical or environmental attack against the servers.	20.10.21	Reasonable Assurance	Recommendations were made to restrict access to the server rooms and network cabinets.

Definitions

Rating	Definition
Substantial Assurance	Substantial assurance that the system of internal control is designed to achieve the service's objectives and this minimises risk. The controls tested are being consistently and effectively applied. Recommendations, if any, are of an advisory nature (1 star) to further strengthen control arrangements.
Reasonable Assurance	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. 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.
Partial Assurance	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. There are significant numbers of areas where controls are not consistently and effectively applied and / or are not sufficiently developed. Recommendations may include high priority (3 star) and medium priority (2 star) matters.
No Assurance	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes service objectives to an unacceptable level of risk. 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.

Appendix D

Internal Audit Performance Indicators

Performance Indicator	Target	Mar 2021	Apr to May 2021	Jun to Aug 2021	Sep to Oct 2021
Draft reports issued within 15 working days of field work being completed.	90%	86%	100%	83%	83%
Chargeable Time / Available Time.	80%	75%	80%	84%	78%
Audits completed within planned time	90%	86%	100%	92%	100%
Client Satisfaction Survey.	100%	100%	100%	100%	100%

Appendix E

Overdue Audit Actions

Consolidated Agreed Action Due Date 31.10.21

	< 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	1	0	0	0	2	3
Children & Young Peoples Services	0	0	0	0	0	0
Finance & Customer Services	0	0	0	0	0	0
Regeneration & Environment	0	0	0	0	0	0
Totals	1	0	0	0	2	3

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

Document is Restricted

Agreed Action details

Data revision date: 02/11/21

ACX

Audit Name	Title	Issue	Recommendation	Agreed Action	Priority	Due Date	Deferral Date	Deferral Date changes	Reason for Deferral
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	31/03/20	31/12/21	3	There is now just one service which needs moving onto the corporate rates. Contractual notice will expire at the end of December 2021.
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	31/03/20	31/12/21	3	There is now just one service which needs moving onto the corporate rates. Contractual notice will expire at the end of December 2021.
Payroll	Standby Payments	Apparent errors in standby payments	The apparent errors in standby payments should be followed up and action taken as appropriate	Complete review with Services to agree standard rates for stand -by, and then request payroll system update to enforce rates.	Amber	01/10/21	31/12/21	1	Moved date in line with 634 action.

Rotherham Metropolitan Borough Council

Public Report
Audit Committee

Committee Name and Date of Committee Meeting:
Audit Committee – 30th November 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
11 January 2022		Training	
	Financial Reporting	Final Accounts closedown and accounting policies	Graham Saxton
	External Audit	Annual Report (VFM)	Grant Thornton / Graham Saxton
	Governance Risk and Control	Strategic Risk Register	Simon Dennis
	Governance Risk and Control	External Audit and Inspection recommendations	Simon Dennis
	Governance Risk and Control	Risk Management Directorate Presentation – Finance and Customer Services	Judith Badger
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
15 March 2022		Training	
	Internal Audit	IA Annual Plan	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	External Audit	External Audit Progress Update	Grant Thornton / Graham Saxton
	Governance Risk and Control	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		Training	
	Financial Reporting	Final Statement of Accounts	Graham Saxton
	Governance Risk and Control	Final AGS	Judith Badger
	External Audit	Interim Audit Findings	Grant Thornton / Graham Saxton
	Internal Audit	IA Charter review and update	David Webster
	Internal Audit / Governance Risk and Control	IA Progress Report	David Webster
	Governance Risk and Control	Information Governance Annual Report	Paul Vessey
	Governance Risk and Control	Risk Management Directorate Presentation – Assistant Chief Executive	Jo Brown
	Governance Risk and Control	Anti-Fraud and Corruption Policy and Strategy review and update	David Webster
	Audit Committee Accountability	Audit Committee Forward Work Plan	David Webster

Meeting Date	Key Responsibility	Agenda Item	Author
November 2022		Training	
	External Audit	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 Procurement	Rob Mahon
	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

Agenda Item 18

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted